

**Making markets work for the poor:
A case study of the Yebo Cooperative in
South Africa**

by

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DEDICATION

I dedicate this work to my family and friends.

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In the name of God the most Gracious the most Merciful. It has been a long walk to success, and before we reach our destination there is a lot that we should be thankful for. Although it has not been easy, this long struggle has been worthwhile. Quite often along the way we meet up with people that not only touch us, but help shape our lives, moulding us to what we are today, and it is to these people that I express my appreciation.

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ABSTRACT

The objective of the study was to evaluate the effectiveness of the cooperative model as a form of intervention to overcome barriers to markets (labour, financial and commodity market) and facilitate market operations for development, using the Yebo Cooperative as a case study. The study was conducted in 8 South African provinces where the cooperative operates, namely Limpopo, Free State, Gauteng, Mpumalanga, North West Province, KwaZulu Natal, Western Cape and the Eastern Cape, using data collected from focus group discussions with cooperative members, key informant interviews with Yebo employees and leaders of the participating cooperative groups, and a questionnaire.

The research found, firstly, that more than half the participants that were not employed or involved in any income-generating activity prior to joining the cooperative, became self

employed after joining Yebo. Not only did joining the cooperative provide opportunities for self employment to its members, but it also increased their income generating capacity. Secondly, participation in the cooperative resulted in increased access to financial services, with members opening bank accounts, saving, and in some cases, access to non-secured credit facilities provided by DGRV which they did not have access to before becoming members. Lastly, as demonstrated by the cooperative involved in baking, being members of the cooperative improved business operations. Members benefited from economies of scale in the purchase of supplies and marketing of their produce. Thus, Yebo enabled its members to alleviate poverty. Although not all members of Yebo were poor prior to joining the cooperative, for those who were, Yebo transformed their lives significantly. Even for those considered “well-off”, being members of the cooperative improved their income, thus improving their standard of living.

The research found, however, that there was need for more training and education of cooperative members. The research concludes that the cooperative model can play a key role in the economic, social and cultural development of a community. Cooperatives are able to contribute positively towards job creation, income generation, resource mobilisation, marketing and broad-based economic empowerment, thereby enhancing sustainable human development within an economy. Although there are many benefits to cooperative there are also some drawbacks. No intervention comes without a certain degree of weakness, and this is the same for cooperatives. In certain situations cooperatives does not solve all their problems and sometimes does not work well due to differences and conflict between the members. With all the problems associated with cooperatives it remains a major intervention to overcome barriers to markets.

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LIST OF ACRONYMS

ADB	Asian Development Bank
AGM	Annual General Meeting
BiD.....	Business in Development
DFID.....	Department for International Development
DGRV.....	Deutscher Genossenschafts und Raffeisenverband e.V
EU.....	European Union
FAO.....	Food and Agriculture Organisation
ICA.....	International Cooperative Alliance
LDC.....	Least Developed Countries
LFS	Labour Force Survey
NCBA.....	National Cooperative Business Association
NGOs.....	Non-Governmental Organisations
ROSCAS.....	Rotating Savings and Credit Associations
SEDA.....	Small Enterprise Development Association
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium enterprises
SMMEs	Small, Medium and Micro-enterprises
SSA.....	Sub-Saharan Africa
UNCDF.....	United Nations Capital Development Fund
UNDP.....	United Nations Development Programme
USAID.....	United States Agency for International Development
WDR.....	World Development Report
LFS.....	Labour Force Survey

1. CHAPTER ONE

1.1 Background

Markets play a crucial role in the lives of the poor on a daily basis. “The poor must relate to markets in various ways” (Tanburn, 2005), thus there is need for development agencies to understand how to enhance these relations. According to Ferrand *et al* (2004), the substantial reduction of poverty for many millions of people is as a result of improved functioning of markets, as they are at the heart of successful economic growth. According to Ferrand *et al* (2004), in most developing countries, including South Africa, the entry and participation of the poor in markets is very limited and faces many barriers. This results in the market being distorted, leading to market failures, and making access to markets difficult and sometimes inaccessible.

Porteous (2004) defines markets as institutions, which work by efficiently facilitating exchange. Blair (1995), however, defines markets as a process (not a place) through which buyers and sellers conduct transactions. He further points out the importance of markets, as they coordinate numerous economic decisions. A much broader explanation given by the Department for International Development (DFID) (2000a), is that they can be understood both as “rules of the game” (for instance the set of norms and standards that affect exchanges) and as organisations (including those in the private, non-governmental and public sectors), which enable participants to trade in factors of production, or in outputs or consumer goods and services. Markets are vital to shaping the potential for people to convert their assets and resources into outcomes (World Bank 2006).

Tanburn (2005) provides evidence that the poor prefer the dignity, choice and accountability that come with being customers rather than beneficiaries, as markets provide them with economic opportunities that enhance their dignity and sense of worth, more than handouts would. “Financial markets are at the heart of productive activities, both by sustaining medium and long-term investment and by smoothing exchanges through short-term credit” (World Bank 2006).

Market development can contribute to enhancing growth, empowerment, opportunity and security in a variety of ways and through a range of mechanisms. The DFID (2000a) states

that for markets to work better for poor people, they need to facilitate the access of the poor to assets, and enable them to use these assets to generate livelihoods and to reduce vulnerability. Alternatively, a paper submitted to the Asian Development Bank (ADB) and DFID (2005) explains a market which works for the poor as one which expands the choices available to poor people and produces market outcomes that benefit the poor. Such outcomes include job opportunities with attractive wage rates, better returns on goods sold, and greater affordability of important products and services. There is therefore a need for markets to become progressively more developed, and accessible to poor people.

Ferrand *et al* (2004) mention how shaping and provision of proper conditions in the markets work more effectively in reducing poverty. Further mention is made of how markets can serve as a key "organising principle" of economic activity, providing the structure and processes to determine what is produced and consumed.

Markets benefit the poor when they are accessible and appropriate; otherwise they are of little use. Ferrand *et al* (2004) define accessibility to be as simple as physical proximity between the markets, although there can be more complex factors such as the know-how and know-who. An example given to illustrate this is that of financial markets where the lack of understanding of how to open a bank account or provide references from existing account holders may present even greater constraints than physical distance from banks.

As reported by Ferrand *et al* (2004), appropriateness relates to the characteristics of what are dealt with in the market – notably in terms of prices and conditions. An example given is whether regulations allow employers to offer suitable jobs for the poor. Also mentioned is how the lowest income countries have the most regulation, the least market-friendly environments and the highest costs of doing business.

When markets do not offer appropriate structures and do not allow access to people both rich and poor, it results in what is termed market failure. Besley (1992) states that market failure occurs whenever something in the operation of a market malfunctions in a way that precludes the attainment of a constrained Pareto optimal allocation of resources. According to the Swedish International Development Co-operation Agency (SIDA) (2003) “market

failures” refer to situations in which the market inherently is not the optimal way of organising production from a societal point of view.

Besley (1994) identifies several causes of market failure in the financial sector, namely (i) enforcement problems, (ii) imperfect information, especially adverse selection and moral hazard, (iii) the risk of bank runs, and (iv) the need for safeguards against the monopoly power of some lenders. Other potential causes of market failure identified by Makhura (2001) include lack of assets, market information and training. An added factor is the distance from the market and as well as poor access to infrastructure.

Market failures are potentially present in all areas (ADB and DFID 2005), although they may be more severe in rural than in urban areas due to reasons such as lower population densities and greater incidence and depth of poverty that combine to diffuse and diminish demand. Stiglitz (1989) points out that market failure is particularly pervasive in Least Developed Countries (LDCs), and there is a need to identify them so that markets can be made to work more effectively. Blair (1995) mentions some of the reasons that prevent markets from operating efficiently, such as public goods, externalities (spillovers), monopolies as well as imperfect information.

There are various ways in which market failure can be corrected and in some markets intervention is necessary so that the market can operate properly especially for the poor. According to DFID (2000b) the correction of market failures provides a widely-accepted justification for market intervention, whether by the state or by the private sector. They mention that state intervention actions to correct market failures are often warranted provided that state failure or the costs of intervention do not outweigh the original market shortcoming.

There is a range of instruments for intervention as per DFID (2000b), some of which are as follows:

- Regulatory change;
- Institutional reform at national (e.g. the judicial system), meso (e.g. sectoral reforms), or local levels (e.g. creating an enabling framework for peoples’ organisations);
- Absolute and relative price levels effected through subsidies, taxes and tariffs;

- Funding of public goods, for instance infrastructure, basic research, or general information (such as national statistics, or crop forecasting);
- Direct participation in markets as a supplier or customer;
- Assisting the poor in risk management, including through providing safety nets.

There are a lot of drawbacks in most of the government interventions, as they result in artificial settings sometimes causing more damage than benefits. Caution needs to be taken therefore, when these interventions are being implemented. Acemoglu and Verdier (2000) caution on the use of government intervention as it often leads to corruption and inefficiencies.

Besley (1994) reports on some of the interventions practiced by governments to serve the poor through the following mechanisms:

- Subsidised provision of a service or product through a parastatal or government agency;
- Funding to others, including private companies, to provide the service or product;
- Transfer to the poor the means to buy the service or product, for example through vouchers;
- Obligation (or exertion of moral pressure) on existing providers to cross-subsidise the extension of the service / product;
- Establishment of an industry-specific levy fund to subsidise expansion of access where it is currently unviable.

Besley (1994) further indicates how most of the examples risk displacing market initiative, rather than building on it, or encouraging it. He further mentions that these examples represent approaches adopted in wealthy countries, where value for money is not always the highest priority. In the case of developing countries, where governments are often not well resourced, other interventions are called for. The main reason why government intervention is unpopular in developing economies is that it becomes too costly for continued support and is therefore not sustainable in the long run.

Although government intervention is necessary it should, however, be limited to just enough to allow the market to operate on its own. Ortmann and King (2006) write that governments

should provide physical and legal infrastructure to reduce transaction costs, including risk, so that markets for products and resources (such as land) work more efficiently. They further mention that governments should improve physical infrastructure, such as roads and telecommunication facilities, in order to reduce transport and communication costs for farmers and traders, and ease access to input and product markets.

Besides government interventions there are a number of possible interventions that can be used in enabling market operations, most of which have drawbacks such as lack of sustainability, inappropriateness, high cost and many others. This study will, however, focus on cooperatives as a scheme of organising and structuring various intervention techniques in combating market failures specifically in facilitating market access for the poor.

Considering the definition of a cooperative by Van der Walt (2004) as “an autonomous association of individuals united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”, there are various characteristics that are pointed out. The fact that it is an autonomous association suggests that it comprises key attributes such as self-administration as well as self-responsibility, which are familiar and practised universally by the poor.

Because individuals form a cooperative voluntarily, it has a higher chance of becoming successful and more sustainable. The uniqueness of incorporating the participants in its daily activities makes it become part of the lives of its members, and this involvement thus renders it more acceptable to the individuals and a good way to organise and structure intervention techniques.

The cooperatives also show a clear aspiration for being financially independent rather than always dependent on charity or subsidies. Cooperatives also provide members with an opportunity to improve their income as well as services. The National Cooperative Business Association (NCBA) (2005) cited in Ortmann and King (2006), mention, “Cooperatives empower people to improve their quality of life and enhance their economic opportunities through self-help”. This definition demonstrates the attribute of cooperatives in exploring the situation for the benefit of its members.

Haskell quoted by Van der Walt (2004) describes cooperatives as being about people doing good work to benefit themselves as well as working with other people to make themselves better off. Although there are many cooperatives that fail, poor people still find it easier to adapt to this system thus making it an excellent medium for market intervention. One of the reasons for cooperative success is the use of the bottom-up approach; this guarantees the use of interventions demanded by the people rather than imposing a project without consulting the locals, which would result in failure of the project.

1.2 Rationale of Study

Seeing that markets contribute significantly to the lives of many individuals, including the poor, it is imperative that they should be exploited to realise the developmental challenges. Thus the main reason for conducting this study is to assess whether a cooperative is an appropriate approach in which to organise an intervention scheme for the sake of development.

A case study will be used to analyse this argument, in the process documenting the activity of the cooperative, where the knowledge gained from the study would provide critical input to the appropriate design of future projects. The study will also be informative, to provide a basis for policy makers and advisors on the role that cooperatives play in facilitating market access to assist them to make informed decisions with regard to cooperative legislature (regulation) for development in South Africa and other developing countries.

1.3 Research Objectives

Access to markets for the poor continues to be elusive in most developing nations despite efforts from governments, NGOs, developmental agencies and the private sector. There is thus a need to re-evaluate the different forms of interventions used and ways in which they can be packaged to overcome market barriers. In South Africa numerous interventions have been used, some through the use of cooperatives as a facilitating medium. The German government through the DGRV has established the Yebo cooperative in an effort to provide financial services as well as to facilitate market access to the poor. With this in mind the following objectives are raised:

- To analyse and examine the role of the cooperative as a way to organise interventions as well as its ability to combat market failure and facilitate market access for the poor;
- To suggest possible ways to guide efficient and effective future cooperative activity in improving market access and function.

1.4 Research Methodology

The research is mainly qualitatively based although some quantitative data will be used. The following are channels used to obtain information for the study:

- An extensive literature review (journals, articles, reports, internet, publications, books, government publications);
- Focus group discussions conducted with members of the cooperatives;
- Key informant interviews (Yebo employees and leaders of the participating cooperative groups);
- Questionnaires targeted at the members of the cooperatives.

1.5 Delineation of Study

This study is action-based research, focusing on the Yebo Cooperative in South Africa. It was conducted in the regions of the eight provinces where the cooperative operates, which are Limpopo, Free State, Gauteng, Mpumalanga, North West Province, KwaZulu Natal, Western Cape and the Eastern Cape, and involves the members of the cooperative. Most of the activities conducted by the cooperative will be covered during the study. Although Yebo consists of a total of 64 primary cooperatives, a sample will be taken, as it will not be possible to cover all the groups.

1.6 Outline of the Study

The study is divided into five chapters. Chapter 2 is comprised mainly of the literature review and provides a theoretical background for the study. It will form the foundation of the whole study and provides a framework of analysis for the study.

In the third chapter the methodology of the research will be described, including the study area. This chapter deals with the different methodologies used such as the interviews as well

as the questionnaires. It provides the reader with the introduction of what a market is, shows the different types of markets and elaborates more on how markets can be made accessible to the poor. An introduction of cooperatives, the types of cooperatives and their contribution towards facilitating market operations for the poor are also covered. The Yebo cooperative is also introduced, including some of its initiations, activities and operations within the different regions in the country.

Chapter 4 deals with data gathering, analysis and results. It involves interpreting the information collected and giving the results of the study. Chapter 5 focuses on the conclusions and recommendations. It attempts to answer the questions raised by the study and then gives a more conclusive picture of the study as a whole. All the concluding remarks are then made in this chapter followed by mention of possible areas for further research.

1.7 Conclusion

This chapter presents the framework of the study. The main purpose is to briefly introduce the topic “making markets work for the poor” and give a theoretical background on what markets are as well as their implications in development. The term “market failure” is presented, including several of its causes. Mention is also made of possible interventions to overcome market failure, and one significant form of intervention identified was government intervention, although criticised for its weaknesses and drawbacks.

The study, however, focuses on cooperatives as a way to organise market interventions and different techniques for better accessibility. Certain characteristics of cooperatives such as bottom-up approach, autonomous association, ease of implementation and others are mentioned. The chapter gives a rationale for the study and clearly states the objective of the research, thus providing a foundation for the study.

2. CHAPTER TWO

2.1 *Developmental Challenges*

Inequalities in incomes, health, and in educational outcomes have long been a stark fact of life for most of the developing world. “When such inequalities in outcomes arise from unequal opportunities, there are both intrinsic and instrumental grounds for concern” (World Bank 2006).

“Increasingly, the world’s answers to its various challenges have been to invest in its people, increasing their access to health, education and economic opportunity” (Rockefeller Foundation 2006). There are many developmental challenges faced by the world today especially the third world. These challenges can be divided into five categories, political, economic, social, technological, and environmental. This study focuses mainly on the economical and social aspects of the challenges, although other aspects are also mentioned due to their interrelated nature.

The principal goal of development, mentioned in the World Development Report (WDR) 1999/2000, is “to create sustainable improvements in the quality of lives for all people, while raising per capita income and consumption as well as reducing poverty, expanding access to health and educational level”. These remain some of the main challenges facing the Third World today.

Although developmental challenges may differ between first and third world countries, for most of the third world, the challenges are similar. Lamentably, the challenges faced by most of the third world are still access to basic necessities such as clean water, food, shelter, education, health and other basic human necessities. “These basic conditions of empowerment, health (including reproductive rights and health) and education work together to create a positive dynamic for development” (UNDP 1996).

2.1.1. *Health*

Health remains one area that still poses a huge challenge to development for the majority of the third world. A very high percentage of the third world population remains without access to even the most basic health care. The majority of diseases that are treatable in the first

world still remain a threat to a large number of lives in the poor countries. Access to healthy and safe shelter, to water, sanitation and to productive livelihoods are as important as health services in realising these possibilities.

2.1.2. *Education*

The essence of sustainable development is often recognised to be education. In a rapidly changing world economy, investment in education is more than ever significant, particularly given that knowledge and skills are fundamental for making use of new technologies ranging from those used in healthcare and agriculture to manufacturing and engineering (Rockefeller foundation 2006). Girls are often denied basic education due to traditional social norms. Yet of all the factors that determine a newborn child's chances of survival as well as later development, nutrition and health, among the most powerful is the education of that child's mother (Rockefeller foundation 2006).

With good education systems and high literacy rates, developing countries will be better equipped to produce the educated leadership that their economies require to break out of the cycles of poverty and instability.

2.1.3. *Agriculture*

In a report by the Rockefeller Foundation (2006) they state that nearly 3 billion people living in the rural areas of developing countries depend on agriculture for their livelihood. Of this number, about 880 million people remain undernourished and roughly 24 000 die each day from hunger and hunger-related causes. The World Bank (2007) says that 70% of the world's poor live in rural areas. Since most people in the developing countries live in the rural areas, their principal occupation is agriculture, mainly small-scale agriculture. It is for this reason that agriculture remains one of the greatest challenges facing the world today, so that it can be used as a tool to fight global poverty.

2.1.4. *Food security*

Food security concerns are still pervasive among poor people, predominantly in poor countries. The Food and Agricultural Organization (FAO), in the World Food Summit (1996), estimated that unless progress was accelerated, there could still be some 680 million

hungry people in the world by the year 2010, more than 250 million of whom would be in sub-Saharan Africa.

2.1.5. Employment and sustainable livelihoods

A variety of studies in diverse settings have shown that unemployment is two to three times greater among the poor than among the middle- or higher-income groups, and correspondingly higher among the very poor compared to the relatively poor. “It is not merely that employment prevents poverty, but that poverty restricts access to skills, attitudes and opportunities for further advancement” (UNPF 1996).

Africa embraces some of the most impoverished countries of the world and according to the WDR (2004) the leading cause of poverty in Africa is the shortage of opportunities for gainful employment. Jahan (2006) postulates that employment is the missing link between economic growth and poverty reduction at a macro-level.

2.1.6. Access to finance

One very important aspect of development that has been neglected by the majority of the world is access to finance. It is through access to finance that most of the previously-mentioned challenges can be overcome. By simply providing the poor, or an individual, with finance as seed money to start their livelihood more can be achieved. The person can use this seed money to start a business and be able to support themselves instead of waiting for donations or help.

In Africa, only an estimated four percent of the population have access to bank accounts, with only one percent having obtained a loan or other form of credit from a formal financial institution (United Nations Capital Development Fund (UNCDF), 2006). The number of deposits and loans per person is well below the number in other regions of the world. Although there is low usage of formal financial services, the 96% of the Africans who cannot access formal financial services (the unbanked) make use of the informal financial services such as Rotating Savings and Credit Associations (ROSCAS), burial societies as well as “loan sharks” (UNCDF, 2006).

Data from a survey done by FinScope (2005) in a report by Kirsten (2006) suggests that 53% (16.4 million) of South Africa's adult population is excluded from formal financial services and do not have a bank account. The report further mentions that eight percent of the South African adult population has access to informal, non-legalised financial products, burial societies, savings clubs and "loan sharks"¹. In another article by Kitten (2005) it is mentioned that of the 17.5 million people that are unbanked, 5.7 million are "economically active individuals". This serves as proof of the need of a better and improved formal financial system.

2.1.7. *Enterprise development*

Small, medium and micro-enterprises (SMMEs) represent an important vehicle in addressing the challenges of job creation, economic growth and equity for most of the developing world. "Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways" (McGrath 2005). It is the view of many authors that SMMEs with the appropriate enabling environment can make an indelible mark on a developing economy. There is a huge potential that SMMEs can be used as a means towards meeting a range of developmental goals including equity, economic competitiveness, employment creation and poverty reduction.

Business in Development (BiD) (2007) writes that Small and Medium sized Enterprises (SMEs) are the backbone of any economy, that SMEs comprise 75% of all companies in an economy, and employ over 60% of the workforce. The challenge is therefore to use SMEs as a tool for economic growth and development.

One of the arguments put forward earlier is that access to credit is one of the most important ways of enabling people to develop, and microenterprise is seen as a more relevant vehicle for alleviating poverty and creating income and employment for the poor. However, Molenaar (2006) argues that there is some evidence with regard to studies carried out of the actual macro-economic effect of development programmes, which reveals that the dynamics in the economy depend on the small enterprise sector and not the microenterprise sector. He further argues that microenterprise development as a strategy is indeed quite effective within

¹ This is a common name for the informal moneylenders who operate illegally.

the framework of poverty alleviation programmes, but when it comes to promoting a more sustainable economic and social development, based on self-generating added value by the sector, microenterprises do not generate the desired effects. What would then be needed is more attention to small enterprises rather than microenterprises.

High levels of poverty combined with sluggish economic growth in the formal sector have strained a large part of the developing world's population and forced them to resort to self-employment and informal activities (Rural, Microfinance and Small Enterprise development 2007). There is therefore a need to re-acknowledge the importance of small and medium enterprises as an integral part of development.

In addition to the abovementioned challenges, the developing world still faces many hurdles, including, but not limited to; slow economic growth, limited regional trade arising from poor infrastructure; exclusion from international markets; periodic droughts and other natural disasters; as well as regional and intra-national conflict. All the aforementioned factors contribute to keeping a huge number of the population on the brink of starvation and firmly in poverty and pose a huge challenge to development.

2.2 Markets

2.2.1. The role of markets in development

Markets are crucial and fundamental in shaping the potential for people to convert their assets and resources into outcomes (WDR 2006). In the Rural Poverty Report (2001), the International Fund for Agricultural Development argues that to overcome disadvantages stemming from remoteness, access to markets remains one of the most fundamental challenges to be overcome. The WDR (2006) states that products, land, labour, and capital markets are crucial for the allocation of resources and development.

The report further mentions that achieving more equal access to markets is fundamental to greater equity within societies as well as to moving countries onto dynamic growth paths, thus enhancing global equity. Because inequity leads to inefficient use of resources and to less effective institutions, it is inimical to long-term development. It thus follows that there is

a legitimate role that markets need to play in allocating these resources and making institutions more effective.

2.2.2. *Market failures*

If markets worked more efficiently and effectively, the role of government in local economic development would be very small (Blair 1995). Unfortunately, markets are not always perfect and do not always work effectively, leading to what is commonly known as market failure. Market failure, defined by SIDA (2003), refers to situations in which the market inherently is not the optimal way of organising production from a societal point of view.

Although market failure may affect the poor and the affluent, this phenomenon affects the former more frequently and more severely than the latter. Markets may fail for a variety of reasons, most of which are associated with transaction costs. Transaction costs are costs incurred by the supplier and purchaser in order for trade to take place. A further analysis by Fafchamps *et al.* (1995) identifies transport, marketing and other costs such as contract enforcement costs as being the major constituents of transaction costs. Most of the poor face proportionately high transaction costs as reflected primarily in their low levels of education and literacy, lack of market information, poor road and communication infrastructure, and lack of contract enforcement, all contributing to market failure.

From the above statements it is clear that transaction costs play a large role in the operation of markets. In certain cases the costs can be so high as to result in market failure. Holloway, *et al.* (2000) discovered that the formation of cooperatives actually reduced most of the transaction costs, since increase in participation pooled together all the manpower and work, making the unit cost less per member. The NCBA (2005) in Ortmann and King (2006) argues that cooperatives are formed by their members when the marketplace fails to provide needed goods and services at affordable prices and acceptable quality.

2.2.3. *Intervening in markets*

Porteous (2004) states that a well-functioning market reduces transaction costs between buyers and sellers to a minimum. He further mentions that a working market has *three components*, in addition to consumers. These are:

- i. An *institutional foundation*, which comprises the laws, rules, regulations and, indeed, regulatory enforcement capacity to establish and sustain the market;
- ii. *Organisations* that provide services in the market: although the market structure – in terms of number, size and type of organisation – will vary greatly among market sectors, based inter alia on their history, their stage of growth and the barriers to entry in the sector;
- iii. *Support organisations* that provide intermediate services to market players and regulators; these range from the basic required services (audit, legal, IT) to market research and intelligence.

In a world in which markets worked perfectly, there would not be a need for intervention, however, for various reasons, mainly economic but also political and social, markets are not perfect. There is therefore a need for intervention to facilitate market operation, and to smooth transactions within the economy. When markets are missing or imperfect, the distribution of resources is crucial and has a huge impact on development. Correcting market failures is the ideal response; where this is not feasible, or far too costly, some forms of redistribution of access to services, assets, or political influence could increase economic efficiency but in the majority of situations intervention is the way out (Besley 1992).

As mentioned earlier, intervention can take different forms and there are a number of possible intervention techniques that can be used in enabling market operations, most of which depend on the situation as well as preference. Situations vary from country to country and there is no one solution to combat market failure and make the market accessible, especially to the poor. One method could be a success in one situation and fail in another, thus care must be taken when deciding on a method. There is no one solution for all problems but a blend of different answers should be tailor-made for a particular situation (Besley 1992).

There are numerous success stories by development agencies such as the World Bank, the United States Agency for International Development (USAID), the United Nations Development Programme (UNDP), the European Union (EU) and many others, where they have used different techniques of intervention and have succeeded in achieving positive market improvement for the benefit of the poor. Techniques such as education development,

price subsidy, job creation as well as microfinance have all been used for the sake of development, some of which failed whilst others have succeeded.

This report is a case study of a cooperative and will therefore give attention to a cooperative as a system that organises different forms of intervention techniques in combating market failures specifically in facilitating market access for the poor. Reasons for the formation of cooperatives are diverse, such as enhancing bargaining power and reducing transaction costs, all of which make cooperatives a promising tool to organise intervention techniques.

2.3 Cooperatives

2.3.1. Cooperatives in perspective

Cooperation has occurred throughout the world and throughout history; it has been used in various situations to achieve objectives that could not have been achieved through individual acts. In early human societies people learned how to cooperate as well as work together so as to increase their success in hunting, fishing, gathering food, building shelter, and meeting their personal needs (Zimbelman 2007). There is evidence of cooperation in different cultures such as the Babylonians, Egyptians, Romans, Native Americans as well as the African tribes. In fact Zimbelman (2007) writes that early agriculture would have been impossible without mutual aid among farmers, as they relied on one another to defend land, harvest crops, build barns and storage buildings, and to share equipment.

Philip (2003) writes, “People all over the world have found different ways to cooperate in the production and distribution of goods and services, across different types of economic systems.” However, particular types of cooperatives and the cooperative as a modern business structure were only formalised in nineteenth century Europe. The reason for this was in response to the backdrop of the Industrial Revolution and significant social change. In response to the depressed economic conditions brought forth by industrialisation, some people began to cooperate in their businesses so as to meet their needs, resulting in the formation of cooperatives (Agri-Food Research and Development Initiative (ARDI) and the University of Manitoba, 1995).

One development that possibly had a remarkable impact on determining a cooperative's unique operating principles was the Rochdale Society of Equitable Pioneers (Ortmann and King 2006). In 1843, workers in the textile mills of Rochdale, England, went on strike. Although the strike failed, the mill workers began to look for other ways to improve their lives and this resulted in the formation of the Rochdale Equitable Pioneers Society (Zimbelman 2007). A year later the members opened a cooperative store selling a range of products such as butter, sugar, flour, oatmeal and tallow candles.

The Rochdale Pioneers were not only the first group to make their co-op succeed but they developed a list of operating principles governing their organisation which formed the basis for what are now known as the cooperative principles. Today Rochdale is considered the birthplace of the modern cooperative movement (Zimbelman 2007). Another significant development regarding cooperatives was the establishment of the first savings and credit cooperative in 1864 by Friedrich Wilhelm Raiffeisen in Germany (Ortmann and King 2006).

In North America, cooperation started in the form of land clearing for planting crops, and threshing corn. The first formal cooperative business in the United States is believed to have been established in 1752 (ARDI and the University of Manitoba, 1995). In the decades that followed, the cooperative idea spread throughout Germany and Europe (DGRV 2006). The spread of this idea resulted in the formation of federations in 1870, and later in 1889, the Cooperative Law came into effect.

Today cooperatives are common in all parts of the world. Despite various challenges it has faced, and diverse trajectories of development, the cooperative model has continued to inspire people and co-op movements have endured and thrived in many countries of the world. In sub-Saharan Africa (SSA) formal cooperatives were initially set up by colonial governments, often with the intention of promoting production of cash crops by peasant farmers (Hussi *et al* 1993). Today many of the governments in SSA continue to adopt similar policies and have further accentuated the role of cooperatives for the sake of development (Hussi *et al* 1993).

2.3.2. *Advantages and Disadvantages of cooperatives*

Advantages

In view of the definition of a cooperative by Van der Walt (2004) in the first chapter there are various positive qualities of the cooperative that are revealed. It is an autonomous association therefore comprises key attributes such as self-governing as well as self-responsibility, making it independent, therefore do business they way the members give importance.

Given that its establishment is voluntary, it has a higher chance of becoming successful and more sustainable. One major benefit of a cooperative is that it sometimes provides the members an assured source of input supply as well as a ready market, facilitating their business activity. Cooperatives increase business income in a number of ways, such as by raising the general price level for products being marketed or lowering the price level for supplies purchased, it can reduce handling or processing costs by taking advantage of economies of scale. Cooperatives can operate more efficiently-at lower costs per unit compared to individuals.

Since the main objective for the formation of cooperatives is to serve their members' needs their advantage is that they also provide services that are not available or by improving existing services even though little or no profit is made for the service being provided all for the benefit of the members. (Mather and Preston, 1990). Mather and Preston, 1990 further point out that through pooling products of specified grade or quality, many marketing cooperatives can meet the needs of large-scale buyers better than can individual farmers.

According to Mather and Preston, 1990 cooperatives, owing to their nonprofit and service at-cost nature, tend to push performance closer to the competitive norm. The reason is that they bring more to market at a higher producer price than would be the case if all firms were profit-seeking. When cooperatives enhance competition in the marketplace, usually non-members as well as members benefit. The cooperatives also facilitate bulk buying thus taking advantage of bulk discounts.

Disadvantages

As against the foregoing merits, the co-operatives suffer from the following drawbacks and limitations, which prevent from securing benefits of such merits to the maximum extent: Most of the time 'everybody' responsibility becomes nobodies' responsibility (WIKIPEDIA, 2007)

Inherent weaknesses of conventional cooperatives

According to Cook, (1995), in Ortmann & King, (1997), he identifies five main weaknesses of conventional cooperatives as cited below:

(i) Free-rider (common property) problem

Conventional cooperatives typically have a large amount of collective capital (common property) derived mainly from retained earnings accrued over time. Initial membership fees (equity shares) at the establishment of a cooperative are normally the same for all members, and these equity shares (property rights) are usually not tradable. However, since rights to residual claims (net profit) are linked to patronage instead of investment, new members joining later receive the same benefits as existing members although they are not required to make initial investments proportionate to their use of the cooperative, which means the new members will obtain instant access to all the resources and services of the cooperative.

(ii) Horizon problem

The benefits members receive from their investments in the cooperative are restricted to the time period over which they expect to patronize the cooperative. As young and older members have different planning prospects, the cooperative will not make the best investments; e.g. it will be inclined to under-invest in assets with long-term payoffs, and managers and directors will be under pressure to increase equity redemptions at the expense of retained earnings (which could have been used to invest in additional assets).

(iii) Portfolio problem

Equity shares in a conventional cooperative cannot generally be liberally traded consequently members are not capable of spreading their individual investment portfolios according to their individual wealth and risk preferences. It is, therefore, impossible for cooperative managers and directors to make investments in the interests of all members.

(iv) Control problem

There is generally a divergence of interests between cooperative members (principals) and the managers (agents) thus giving rise to control problems. It is therefore a huge challenge to establish incentive mechanisms for managers that will align with the interests of the members. Managers would want a higher profit so that they can get a higher bonus or profit share but the members could want a longer term investment or even reduced service charge which would reduce the profit.

(v) Influence cost problem

This problem can arise in a cooperative with a wide range of activities and consequently diverse objectives of its members. The members may try to manipulate managers' decisions, which may well result in costly misallocations of resources.

2.3.3. Cooperatives in South Africa

Mainly as a result of historic development in the country the South African history is inherently different to that of other countries. The development of cooperatives began with farmers, consumers and workers throughout the 1900s. According to Nigrini (2002), the first cooperative in South Africa was a Consumers' Cooperative, and was established in 1892 in terms of the Companies Act. The first Cooperative Act was, however, passed in 1908, followed by the Cooperative Societies Act of 1922 (Act No 28 of 1922) (Nigrini 2002). Later, the Cooperative Societies Act of 1939 (Act No 29 of 1939) came into operation after recommendations by the Commission of Inquiry into Cooperatives and Agricultural Credit of 1934. This Act was repealed by the Cooperative Act of 1981 (Act No 91 of 1981) which regulates the formation, incorporation, functioning, winding-up and dissolution of cooperatives, the appointment of a Registrar of Cooperatives and incidental matters (Draft Cooperative Legislative Review Policy, undated) and finally replaced by the new cooperative act of 2005.

Although the government has upgraded cooperative legislation and is providing support to promote and establish development-oriented cooperatives the present Cooperatives Act (cooperative act of 2005), designed to accommodate the new South Africa it is still not presently adaptable enough to cater for new trends originating in the developed world. The new legislation perpetuates the notion of traditional cooperatives, ignoring trends in

developed countries where cooperative legislation has been amended to encourage investment by patron and non-patron members. (Lyne and Collins, 2008)

Agriculture

Agricultural cooperatives began in the late 1800s, when the white Afrikaner farmers organised themselves to market their produce and procure inputs such as seeds, livestock and fertiliser (the Small Enterprise Development Association, (SEDA) 2006). The formation of the Land Bank in 1912 in conjunction with the formation of the Cooperative Act passed in 1922 led to the strengthening of the cooperatives.

The Marketing Act of 1937, on the other hand, became the foundation of commercial agricultural policy (Vink and Kirsten, 2002) and by the 1940s, white farmers' cooperatives were able to benefit from a system of marketing that fixed the prices of agricultural goods (SEDA 2006). Black farmers' cooperatives, however, started only in the 1970s as part of an apartheid plan to boost "homelands", though they did not have the same state support as the former.

Subsidies and state intervention in agriculture have been gradually removed over the past decades, culminating around 1980 with the changing of a host of laws, ordinances, statutes and regulations (Vink and Kirsten, 2002). This resulted in many white agricultural cooperatives facing the challenges of globalisation by converting themselves into private companies (SEDA 2006).

Consumers

In South Africa at present one of the most common types of consumer cooperatives is stokvels (buying clubs). SEDA (2006) reports that in the 1940s there was a national effort within the Afrikaner national movement to improve the buying power of Afrikaner consumers through cooperatives, although eight years later many failed whilst some converted to private companies.

Finance

The stokvel systems continue to be an important institution for savings, credit schemes and burial societies within South African communities. Many of these institutions have been

formalised through the establishment of collective support bodies such as the Savings and Credit Cooperative League formed in 1993 followed by the establishment of the first village financial services cooperative (“village bank”) established in the North West province in 1994 (SEDA 2006).

Workers

In the late 1980s, the trade unions, along with churches and community organisations, began creating workers' cooperatives as a result of retrenchments and unemployment, and by the 1990s new enterprises, initiatives between NGOs, government departments and the cooperative movement, began (SEDA 2006).

2.3.4. Cooperatives for development

“Cooperative supporters argue that cooperatives exist to service their members, who retain influence over cooperative functions and activities; they can reduce costs, enhance incomes, and improve the viability of business activities, and thus have significant potential to contribute towards reducing poverty, enhancing empowerment, and creating jobs” (Ortmann & King 2006, page 2).

Van der Walt (2004) defines a cooperative as an autonomous association of persons, including natural persons, who unite voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled business. Cooperatives can be classified into numerous categories; Galor (1995) and Guide to the South African Cooperatives Act (2005) categorise them into three levels, which are:

- Primary cooperatives, whose members are individuals. Their main purpose being to provide employment as well as services to their members. There are at least five people in this type of cooperative;
- Secondary cooperatives, whose members are primary cooperatives. They provide services to their members within each sector. A minimum of two primary cooperatives makes up a secondary cooperative;
- Tertiary cooperatives, whose members are primary and secondary cooperatives (generally these are federations of cooperatives). Also termed an “apex” organisation. Mainly acts as a lobby group to advocate its interests to government bodies.

Within these categories there are various types of cooperatives; according to the Guide to the South African Cooperatives Act (2005), there are about nine types of cooperatives some of which are mentioned subsequently:

- i. Consumer cooperative: buys and sell goods and services to its members as well non-members. It provides this activity to its members at a discounted price.
- ii. Marketing and supply cooperative: facilitates in the marketing of its members' businesses including processing their products.
- iii. Financial (Savings and credit) cooperative: provides a range of financial (banking and insurance) services to its members. For example Credit Unions.
- iv. Worker cooperative: any type of business owned and controlled by its employees. The members are the workers as well as the owners of the business.
- v. Agricultural cooperative: this is a cooperative that provides services for a farmer from production right through to marketing, (supply of inputs, production, processing, and marketing).
- vi. Housing cooperative: provides housing as well as technical services to its members.

2.3.5. *Values and principles of cooperatives*

“The International Cooperative Alliance (ICA) is an independent, non-governmental association which unites, represents and serves cooperatives worldwide.” (ICA). It was founded in 1895, and has 222 member organisations from 91 countries active in all sectors of the economy (ICA). One of the main reasons for the formation of the alliance (ICA) was to safeguard and regularly revise and interpret cooperative principles (Birchall 1997). The principles have been reviewed over the years and were undertaken in 1937, 1966 and most recently in 1995 (Birchall 1997).

According to the ICA, cooperatives are based on the following values: self-help, self-responsibility, democracy, equality, equity and solidarity. In addition to these values, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA). The cooperative principles, however, are guidelines whereby cooperative values are put into practice (ICA). There are basically seven cooperative principles and these are shown in Table 1.

Friedrich Wilhelm Raiffeisen was a German cooperative leader who in 1864 founded the first cooperative lending bank, in effect the first credit union (Raiffeisen: Wikipedia, the free encyclopaedia, 2006). According to Raiffeisen these principles are not to be considered as something rigid but are much more guidelines along which cooperative activities can orientate themselves according to current economic, legal and social standings (Wulker 1995). The principles are so flexible that they can easily be adapted and put into practice (Wulker 1995).

Table 1: Summary of Cooperative values and principles

Basic values	Ethical values	Principles
<ul style="list-style-type: none"> ▪ Self-help ▪ Self-responsibility ▪ Democracy ▪ Equality ▪ Equity ▪ Solidarity 	<ul style="list-style-type: none"> ▪ Honesty ▪ Openness ▪ Social responsibility ▪ Caring for others 	<ul style="list-style-type: none"> ▪ Voluntary and open membership ▪ Democratic member control ▪ Member economic participation ▪ Autonomy and independence ▪ Education, training and information ▪ Co-operation among cooperatives ▪ Concern for community

Source: Birchall, 1997. Cooperative values and principles: a commentary¹

The principles of self-help, self-responsibility, and self-administration are as valid as always and it is merely the form of how these principles have been implemented that has changed (Wulker 1995). It is the abovementioned traits of cooperatives that make it a superior form of intervention in development.

2.4 Yebo Cooperative

Yebo cooperative is an initiative of the German government through the DGRV to provide financial services to the poor. It focuses on addressing problems such as, unemployment, poverty and nutrition for the empowerment of the poor, based on collective action. Although it was formed and registered in 2003, the DGRV has been active in South Africa since 1997 and has been actively involved in the dissemination and discussion of member-based financial services. It is a dynamic organisation owned by various groups, burial societies,

¹ Agreed at the ICA Congress, Manchester, 1995 (See appendix 1).

cooperatives and small businesses situated in most of the provinces of South Africa (www.yebocoop.co.za).

Its main focus has been in supporting its members to implement self-help, self-administration and self-responsibility values as a practical strategy to meet existing and future economic and social challenges. It operates in eight out of the nine provinces in South Africa (Table 3.1). Yebo cooperative is a secondary cooperative, since its membership are made up of primary cooperatives. The members are involved in various activities such as bulk buying (for bakeries as well as domestic consumption), baking, agriculture, financial services and other money-generating activities, as revealed in Table 3.1.

Since Yebo is a secondary cooperative, to become a member one has to first be part of a primary cooperative. The primary cooperative has to have a constitution stipulating the way the cooperative is run on a day to day basis, after which a primary cooperative can apply for membership of Yebo. Once the application is approved they can then pay joining fees as well as annual membership fees and sign the memorandum of association.

The Yebo operates like a typical secondary cooperative, with board members elected by the ordinary member. All members have one voting right and each primary cooperative scattered across the country chooses a representative who then elects a chairman, treasurer and other members of the board. The cooperative holds an Annual General Meeting (AGM) with its elected members to discuss the progress and development of the cooperative.

Currently the DGRV subsidises the running costs of Yebo by paying the staff as well as other office costs. Training of the members of Yebo is also subsidised by the DGRV, who charge a minimum fee for the services. As at April 2006 the cooperative had 61 registered members and associations across the eight provinces, utilising its various services of bulk buying, training, technical assistance and other services rendered (Potgieter, 2007).

The cooperative assists its members in identifying potential business activities, draws up business plans and trains its members in the general administration and management of a business. It also offers services such as cooperative training, technical advice, bulk buying and audit. Some financing is also provided for those members who cannot get access to

formal financial services due to lack of collateral and exclusion. As part of its service of bulk buying, the cooperative negotiates with suppliers on behalf of its members for good prices, free delivery as well as credit facilities.

One of the core activities of the cooperative is the establishment of and assistance in a bakery. The cooperative moreover provides support in the marketing of the bread by providing packaging with the logo of the cooperative. Currently the cooperative is in the process of negotiating with big retail chain outlets in the country such as Pick 'n Pay to assist its farmers in securing a market within their stores for horticultural crops (Biyela, 2007). Yebo cooperative has not only improved the lives of its members but of the surrounding community as well by providing employment within the different cooperative across the country.

2.5 Conclusion

This chapter was intended to form the foundation of the study by providing a brief understanding of the challenges faced by the developing world, as well as to illustrate the role that markets play in development. Mention is also made of how markets fail on their own (or do not always function well) and thus the need for intervention is justified. Different forms of interventions are mentioned although the study concentrates on the use of cooperatives as schemes to organise various intervention techniques. A description of cooperatives is presented including the cooperative movement and its history.

The following chapter will present a comprehensive discussion of the study area as well as demography. The chapter will also show the methodology exploited in doing the study including analysis of the data.

3. CHAPTER THREE

3.1 Introduction

As stated in the first chapter the objectives of the study are to analyse and examine the role of cooperatives as a way to organise interventions as well as their role in combating market failure and facilitating market access for the poor. Suggestions will be made about possible ways to guide efficient and effective future cooperative activity so as to improve market access and function. This chapter will thus provide a brief description of the geographical area where the study took place, hence present a clearer picture of areas of the research. The methodology used to do the study is also presented in this chapter.

Since the study will be based on an existing cooperative (Yebo cooperative) some fieldwork has been undertaken in order to collect the necessary data for analysis. The chapter will also give an overview on the methodology used to collect the data as well as the technique used to analyse the data. The data collection and analysis techniques will allow for better scrutiny of the activities to verify the objectives.

3.2 The study area

Yebo cooperative extends its services to most of the provinces in South Africa. However its operations are mainly concentrated in certain provinces as reflected by Table 3.1, which are Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West Province, and the Western Cape.



Fig 3.1 South African Provincial Map

Source: Map of South African Provinces, (2006)

Table 3.1 Geographical distribution of Yebo members and their activities

Province	Number of Groups	Activities
Eastern Cape	14	Baking, Sewing, Farming (Goat & Crop), Craft Design, Bulk Buying (Home consumption)
Free State	1	Funeral Services
Gauteng	11	Street Vending, Hairdressing, Leather craftsmen, Baking, Recycling (Dump Site), Bulk buying for retail (spaza) shops, Sewing, Food Catering, Consulting
Kwa-Zulu Natal	12	Bulk buying (Groceries for Home cons), Baking, Farming – poultry, vegetables, fruit garden, maize, potatoes
Limpopo	7	Savings, Adult school, Bulk buying (home cons), Land care – Gardening, Farming, Farmers – bulk buying of seeds, fertiliser, maize meal, Farming – vegetable, poultry, pigs
Mpumalanga	6	Baking, Farming – Cotton, Abattoir, Catering
North West	10	Farming – Vegetable crop, Baking, Confectionery, Catering, Environ cooker (Solar Panel), Bulk buying (Home cons), Retailers, Cement bricks, Farming & Marketing of Agricultural products, Selling fuel for farmers
Western Cape	8	Farming – crop, poultry, Baking

Source: Yebo Cooperative (2006)

Table 3.2 Primary Cooperative members of Yebo

Name	Province
Contra	Gauteng
Mayibuye	Gauteng
Asikhutulisane	Mpumalanga
Mkhiwa trading	Mpumalanga
Force Mazibuko Bakery	Mpumalanga
Thohoyandou Savings	Limpopo

3.3 Research procedure

The research is mainly qualitatively based in nature although some quantitative data are used. “A key advantage to using qualitative data collection techniques is that participants often are interviewed and observed in their natural settings. Thus, they can more

conveniently participate, they may be able to more accurately answer questions about their settings, and the researcher gets a firsthand look at the settings as the participants describe them” (Marshall & Rossman, 1994). One other strength of qualitative research is that it is paramount for exploratory and descriptive analyses (Marshall & Rossman, 1994 in Part II: Collecting and Using Qualitative Data, 2007) which is what the study is focused on.

Some of the benefits of using a qualitative assessment technique are that it is flexible and it can be specifically tailored to the needs of the evaluation using open-ended approaches (Marshall & Rossman, 1994). Other benefits are that it can be carried out quickly using rapid techniques, and can greatly enhance the findings of an impact evaluation as it provides a better understanding of stakeholders’ perceptions as well as priorities and the conditions and processes that may have affected project impact. Although either qualitative or quantitative methods can be used independently in a study, a more powerful approach is to combine qualitative and quantitative (Marshall & Rossman, 1994) as in the case of this study.

The source of data was primary, which required fieldwork to be undertaken for data collection. Three forms of data gathering techniques were used to be able to capture as much information as possible and to acquire more reliable information. Two questionnaires were drafted for the additional data collection process, a mini questionnaire (Appendix 2) and a comprehensive questionnaire (Appendix 3). Key informant interviews were also conducted using a question guide (Appendix 4), and a comprehensive discussion guide (Appendix 5) was designed to be used in a focus group discussion.

3.3.1. Collection of Data

Out of a membership of 69 primary cooperatives scattered across the country, a sample of six were chosen to represent the Yebo cooperative, as shown in Table 3.2. These primary cooperatives were carefully chosen, taking into account the diversity of Yebos’ activity as well as geographical distribution. A total of six primary cooperatives comprising of 182 individuals were interviewed and questioned in a variety of techniques such as focus group discussions, direct interviews and questionnaires.

The participants were drawn from two groups, the Yebo staff and the members of the primary cooperatives (Yebo Members). Information regarding the establishment and

expansion of Yebo was obtained directly from the staff members of Yebo and the DGRV by means of key informant interviews with the aid of a question guide (Appendix 4). Three of the members of staff of Yebo were interviewed on 1st December 2006 to try to better understand the vision of the organisation. The key informant interview would also act as a verification tool of the responses provided by the members of Yebo in conjunction with the responses of the establishers, to see if they all viewed the development initiative from a similar angle.

The main source of data was collected from the primary cooperatives distributed across the country. The collection of data took place over three weeks from 2 to 22 December 2006. The collection followed the schedule of interviews as in Appendix 7.

In the first week two primary cooperatives were visited, Contra and Mayibuye, both from Gauteng Province. Contra was involved in various activities ranging from street vending to manufacturing of leather artefacts as shown in Table 3.2. Because the members were involved in different activities and operated as individuals but worked as a cooperative, the main questionnaire was used. The discussion guide would not have been appropriate as the individuals did not operate in similar types of businesses. Two researchers assisted the cooperative members to complete the questionnaire.

Most participants were able to answer the questions in English, although a translator was used to translate the questionnaire into Setswana and assisted respondents to answer the questions. The cooperative had 62 members, but not all the members took part in the study. One person was chosen for each type of business, giving a total of 14 participants who answered the main questionnaire.

Mayibuye, however, was a cooperative involved in collecting and selling recyclables at the Pretoria dumpsite. Since all the members were involved in similar activities and it was much easier to bring them together, all the participants were interviewed. A total of 118 individuals filled in the mini-questionnaire; most spoke isiZulu and used a translator to assist in doing so. Five focus group discussions were held with eight participants in each and the leaders of the cooperative assisted to translate the discussion from Tswana and isiZulu into English.

The focus groups yielded much more information than the questionnaire, since the members spoke openly, unlike the closed ended questions in the questionnaire.

In the second week, 9 to 15 December 2006, a savings cooperative in the Limpopo province was visited. Members of this cooperative would collect money and save it with the leader of the cooperative; the money would then be deposited into the Yebo account. At the end of the year, after the money had accumulated some interest the members would withdraw the money and use it to purchase food and other consumables for the festive season (Christmas). Since Yebo is a much bigger organisation compared with each individual member on their own, they would negotiate for better interest rates and lower bank charges, thus giving a higher return on the savings.

In the savings cooperative all 16 members filled in the mini questionnaire, with some assistance from the research assistant since Shangaan was their mother tongue. The research assistant translated into isiZulu and all the participants were able to speak the language. One focus group discussion was held, and the group leader also assisted in translating the discussion into isiZulu so that everyone would understand.

The final week of the research, from 16 to 22 December 2006, consisted of visits to three primary cooperatives: a chicken abattoir, an aviary and a bakery, all in the Mpumalanga province. The chicken abattoir had 10 members, the aviary also 10 members and the bakery had 14 members. In all three primary cooperatives the main questionnaire (Appendix 3) was used. The research assistant together with the cooperative leaders helped to translate the questionnaire into isiZulu and Shangaan. One focus group discussion was also held per cooperative also with the assistance of the research assistance for translation.

The group discussion enabled a more thorough discussion to take place as it consisted of open-ended questions that probed the participants to talk about other important issues that would have been overlooked by the moderator. The focus group discussion also allowed for more members to participate in a shorter period of time, as time was a constraint in certain cases.

The comprehensive questionnaire consisted of a combination of closed- and open-ended questions. Although the closed-ended questions left the participants with only selected choices of answers, this made them easier to code and analyse the responses. The open-ended questions, however, provided the extra quality of responses as they allowed the participants to say whatever they felt, although analysis of the results is more difficult. The mini questionnaire was normally filled after a group discussion session and this allowed the capture of data not obtained from the discussion, such as age and other personal details.

3.4 Conclusion

The rationale behind this chapter was to provide a brief description of Yebo Cooperative as well as an overview of the activities practised in the different areas. It was also intended to provide the method used in data collection, including the research techniques utilised. The following chapter will follow up on the analysis of the data collected and provide the results.

4. CHAPTER FOUR

4.1 Introduction

The objectives of the research are twofold, the first one being to analyse and examine the role of cooperatives as a way to organise interventions and their role in combating market failure and facilitating market access for the poor, and also to suggest possible ways to guide efficient and effective future cooperative activity in improving market access and function.

This chapter looks at the information and data gathered during the survey. The results are presented, analysed and discussed. The main purpose of this chapter is to point out and analyse the fundamental factors of the study. It is these issues that would permit better scrutiny of the study as a whole and allow for greater discussion.

A total of 177 participants from six primary cooperatives participated in the study from three provinces, Gauteng, Limpopo and Mpumalanga. This survey was done over a period of three weeks (1 to 21 December 2006) and a good coverage of the activities of the cooperative was achieved. Although the discussion guide and questionnaires were in English, an assistant was used to translate and explain to the participants in their local language. Even though the study took place across the country in areas that spoke different local languages (Setswana, Sesotho, Xitsonga, Shangaan, and isiZulu) all the groups were able to communicate in one common language, which was isiZulu.

4.2 Data and information gathered

The main questionnaire (Members of Yebo) was divided into three major parts. The first covered the socio-economic characteristics, followed by the three markets being studied which are the labour, financial and commodity markets, and the last section dealt with the impact of the project as a whole. The division allowed for a greater scrutiny of the answers and made it easier for the respondents to reply. The questionnaire also covered critical areas that would make it possible to answer to the objectives of the research. The focus group discussions and key informant interviews complemented the questionnaire by acting as a verification tool and also provided additional information that it would not have been possible to detect from the questionnaire.

4.2.1. Socioeconomic characteristics of participants

In this section a brief description of the socio-economic characteristics of the participants will be provided, allowing for better understanding of the type of people being studied in the research. Most groups were diverse in terms of characteristics of the membership, with a few exceptions. The chicken-producing cooperative was made up of only women and most of the members were above the age of 35 years. The abattoir cooperative also mainly consisted of women with only one man as the supervisor. The savings cooperative as well was made up of only women, although a man assisted them with the work. There were no trends that could be observed within other cooperative in terms of homogeneity.

Gender

Table 4.1 Gender distribution of participants per activity (primary cooperative) n 177

	No of participants	Chicken Producers	Contra	Abattoir	Bakery	Savings	Dumpsite	Total
Gender	n	%	%	%	%	%	%	%
Male	38	0.0	35.7	10.0	21.4	0.0	24.6	21.5
Female	139	100.0	64.3	90.0	78.6	100.0	75.4	78.5
TOTAL	177	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Most participants in the study were women and this is also a reflection of the cooperative since more women make up its membership. Two of the primary cooperatives involved in the study constituted of women only, the chicken producers and the savings group; in a quarter of the others, such as the bakery and dumpsite, the participants are male. The abattoir had only 10% male participants and the cooperative with the highest male participation was Contra with over 35% of male representation.

.As heads of households and caregivers, women are hardest hit by poverty. “Cultural norms dictate that women have less access to resources, including land, education, and employment ...” (United Nations Human Rights Website, 2007). For a variety of reasons many developmental projects involve women, as in the case with Yebo, most being attributed to gender inequality.

Rural women are responsible for the production of between 60% and 80% of the food in most developing countries (Women in Development, 2007) yet some studies done by FAO reveal that they have more difficulties than men in gaining access to resources such as land, credit and productivity-enhancing inputs and services (Women and Food Security, 2007).

Age

Very few (7.3%) participants were below the age of 26 and even fewer (3.4%) above the age of 65. Over a third of the male participants fell into the age group of 27 to 35 years. The study, as shown in Table 4.2, found that most (77.5%) of the participants were in the age group of 27 to 55, a reflection of the most productive age group . The age group of 56 to 65 constituted only about 12% of the participant distribution.

Table 4.2 Age distribution of participants

Age group (Years)	Number of participants	Male %	Female %	Total %
18-26	13	10.5	6.5	7.3
27-35	47	34.2	24.5	26.6
36-45	47	26.3	26.6	26.6
46-55	43	18.4	25.9	24.3
56-65	21	10.5	12.2	11.9
over 65	6	0.0	4.3	3.4
TOTAL	177	100.0	100.0	100.0

Marital Status

Most of the participants (over 93% of the total sample) fell within the married or single category. The percentage of married women (50.4) was higher than that of married men (42.1). The remaining participants (almost 7%) were either divorced or widowed. There was almost an equal number in terms of married and single members, showing that there is no relationship between the marital status and participation in a cooperative. In the bakery cooperative, however, most of the participants were single individuals and mainly women.

Table 4.3 Marital status distribution of participants

Marital status	Number of participants	Male %	Female %	Total %
Married	86	42.1	50.4	48.6
Single	79	50.0	43.2	44.6
Divorced	6	5.3	2.9	3.4
Widowed	6	2.6	3.6	3.4
TOTAL	177	100.0	100.0	100.0

Level of Education

The profile of education for the participants is shown in Table 4.4. Over a third of the participants did not attend schools (34.5%), and only 10.2% completed Matric; this shows a low level of literacy among the participants. Illiteracy was much higher amongst females (37.4%) compared with males (23.7%). Amongst the males over half of the participants attended at least high school, whilst amongst the females only about 40% fall into this category, showing the difference in the education level amongst the males and females which is common in most developing countries (WIKIPEDIA 2007)

Only a quarter (25.4%) of the participants attended primary school with another quarter attending high school. Although most of the participants attended school, most were not able to communicate in English but used the local language such as isiZulu, Setswana, Sesotho and Xitsonga.

Table 4.4 Level of Education distribution of participants

Education	Number of participants	Male %	Female %	Total %
No school	61	23.7	37.4	34.5
Primary School	45	23.7	25.9	25.4
High school	49	23.7	28.8	27.7
Matric	18	23.7	6.5	10.2
Other	4	5.2	1.4	2.3
TOTAL	100.0	100.0	100.0	100.0

Activities

A total of six cooperatives (primary cooperative) were involved in the study from three provinces. Table 4.5 presents the cooperatives involved in the study, including their activities. Yebo cooperative is made up of a number of primary cooperatives. It provides services to its members within each sector. As mentioned earlier it is a secondary cooperative. The secondary cooperative is involved in a variety of activities shown in Table 3.1.

One of its most successful activities has been baking. Not only does it bring income to the members, it also provides affordable quality bread for the surrounding community. Yebo cooperative provides financial and technical assistance for its members to establish and run a bakery, including sourcing of inputs such as flour and bread mixes at discounted prices. The baking cooperative also offers marketing services in the form of provision of packaging and branding.

Table 4.5 Cooperative activities

Name	Province	Activity
Contra	Gauteng	Street vending (fruits & vegetables), food catering, leather craftsmanship, sewing, hairdressing, carpentry, butchery and others
Mayibuye	Gauteng	Collection of recyclables (plastic, paper, glass) for recycling at the dumpsite
Asikhutulisane	Mpumalanga	Chicken Abattoir
Mkhiwa trading	Mpumalanga	Chicken production (Broiler)
Force Mazibuko Bakery	Mpumalanga	Bakery (Bread and scones)
Thohoyandou Savings	Limpopo	Savings club

Age distribution per activity

Table 4.6 Age distribution per activity (primary cooperative)

	Number of participants	Chicken Prod	Contra	Abattoir	Bakery	Savings	Dumpsite	Total
Age (Years)	N	%	%	%	%	%	%	%
18-26	13	0.0	7.1	0.0	14.3	0.0	8.5	7.3
27-35	47	20.0	21.4	40.0	64.3	25.0	22.0	26.6
36-45	47	0.0	42.9	10.0	14.3	37.5	27.1	26.6
46-55	43	40.0	14.3	50.0	7.1	18.8	25.4	24.3
56-65	21	20.0	14.3	0.0	0.0	18.8	12.7	11.9
over 65	6	20.0	0.0	0.0	0.0	0.0	4.2	3.4
TOTAL	177	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The age distribution per activity or within each primary cooperative varies significantly as shown in Table 4.6 above. Some cooperatives have participants that are predominantly elderly, such as the chicken producers, where 80 % of its participants are above the age of 46. Contrary to this, the bakery cooperative has over 90 % of its members below the age of 46 years. However, when summed up most membership for the majority (over three-quarters) of the cooperatives falls within the economically active age group, which is between the ages of 27 and 55 years.

Marital status distribution per activity

Table 4.7 shows the marital status distribution of all the primary cooperatives evaluated in this study. Among all the activities the marital status for most of the members fell within the married and single category. In the abattoir cooperative 80% of the members were married and only 10% single. Similar trends were observed in the savings group, almost 90% of its members were married with the rest single or widowed. In the bakery, however, a different distribution was noted: 85.7% of the members were single and the remaining 14.3% married. The marital status of the individuals does not seem to have any influence on participating in the cooperatives.

Table 4.7 Marital status distribution per activity (primary cooperative)

	Number of participants	Chicken Production	Contra	Abattoir	Bakery	Savings	Dumpsite	Total
Marital status	N	%	%	%	%	%	%	%
Married	86	60.0	50.0	80.0	14.3	87.5	44.1	48.6
Single	79	40.0	42.9	10.0	85.7	6.3	48.3	44.6
Divorced	6	0.0	0.0	0.0	0.0	0.0	5.1	3.4
Widowed	6	0.0	7.1	10.0	0.0	6.3	2.5	3.4
TOTAL	177	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Education level distribution per activity

The profile for education level distribution per activity of the different cooperatives is shown in Table 4.8. The level of education varies from activity to activity. The bakery cooperative had the highest number of higher-educated members, followed by the abattoir and the savings cooperative. This could be attributed to the fact that the activities require a higher level of literacy. The high level of literacy of the savings group is owed to the adult school associated with the group. Most of the group members first attended adult school before they started savings practices, as it educated them on financial matters.

Mayibuye cooperative (dumpsite) had the highest number of illiterate members mainly as a result of many uneducated people resorting to rubbish collection due to high levels of unemployment. When questioned why they decided to practise rubbish collection, most answered that they could not get jobs. Contra, on the other hand, had a mixture of members with different educational backgrounds, the main reason being that the cooperative is involved in a variety of activities; some members are street vendors whilst others operate telephone businesses selling airtime and starter packs.

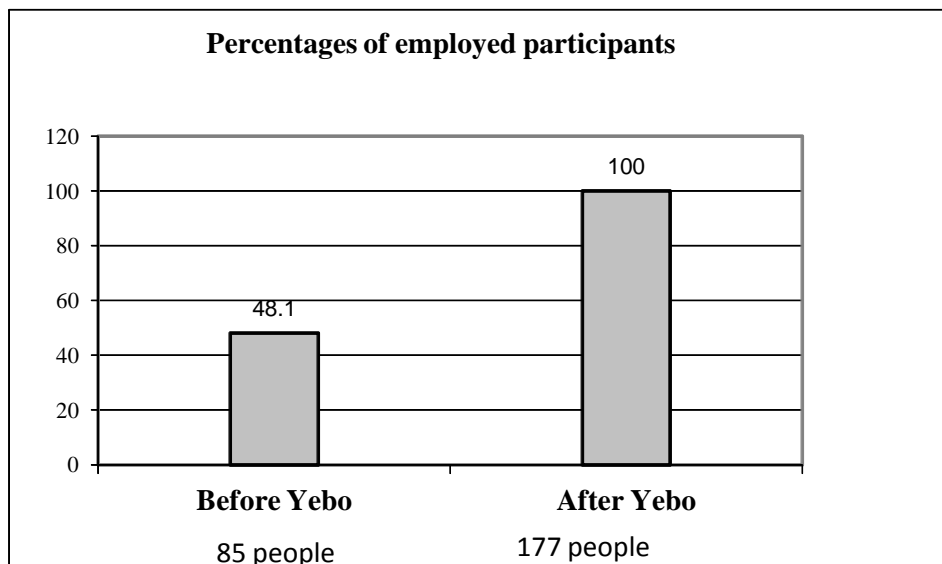
Table 4.8 Education level distribution per activity (primary cooperative)

	Number of participants	Chicken Production	Contra	Abattoir	Bakery	Savings	Dumpsite	Total
Education level	n	%	%	%	%	%	%	%
No school	60	40.0	21.4	10.0	7.1	12.5	43.2	33.9
Primary School	45	20.0	14.3	20.0	0.0	31.3	29.7	25.4
High school	49	40.0	28.6	40.0	57.1	31.3	22.0	27.7
Matric	18	0.0	21.4	20.0	35.7	25.0	3.4	10.2
Other	5	0.0	14.3	10.0	0.0	0.0	1.7	2.8
TOTAL	177	100.0	100.0	100.0	100.0	100.0	100.0	100.0

4.2.2. Markets

As mentioned earlier in the study, this study looks into the role that cooperatives play in facilitating market access. During the study three types of markets were analysed: the labour market, financial market and the commodity/goods market.

Labour Market

Fig 4.2 Employment before joining Yebo


Total of 177 participants

During the study it was revealed that over half of the participants were not employed before joining the cooperative, either working at part-time jobs or, as some responded, “we sat at

home and did nothing the whole day, just lived on other family members' earnings." Of the participants that were working before joining Yebo, the majority were self employed and the rest worked for other organisations. Yebo not only provided employment to the unemployed but also improved the situation of the previously employed.

The Labour Force Survey (LFS) (2005) in Kingdon and Knight (2006) reports that in September 2005 unemployment was as high as 38.8%. This high level of unemployment calls for initiatives to try to combat this predicament. The study reveals the job creation by the cooperatives and its potential for further improvement, since the cooperative can also grow to an extent to employ people.

Income

Yebo did not only provide employment to most of the participants that were previously unemployed, but also increased the income of those that were already employed. For some income increased from as low as R200/month to R9 000/month. Most participants were not comfortable in revealing their income, but from what could be deduced income increased significantly for a greater percentage of the individuals. Only a few (9.1%) reported a decreased income since joining Yebo. Some (6.5%) said there was no change in their income after joining the cooperative.

Table 4.9 Status of income

Status of income	Number of participants	Percentages
Increased	149	84.4
Decreased	16	9.1
No change	12	6.5
Total	177	100.0

Financial Market

Out of all the markets being analysed during the study this stood out as the most critical of the three since it was the cornerstone of the other markets. The financial market is the one that determines the ease of operations of the other markets (labour and commodity). The financial market acts as a lubricant in the operations of the different markets. It is the key to

eliminating poverty. Porteous (2006) correctly said, “Financial exclusion has been linked to greater vulnerability to falling into, and having less of a path out of, poverty”. If the financial market operates properly it would allow for greater participation of the poor, thus reducing their vulnerability to poverty.

Savings

The level of savings is one of the key indicators of the performance of the financial sector, thus a vital ingredient in the financial market. It gives some insight into the position of the financial market. The study shows that only 24.7 percent of the participants saved before joining Yebo, while after joining Yebo the figure rose to 69.1 percent, a huge increase.

Savings methods

Savings are practised in various forms and in this study the following forms of savings were identified: bank (formal), burial society, stokvel, and various other forms such as purchasing livestock or other assets. Formal savings increased from 16.9 percent (before joining Yebo) to 49.4 percent (after joining Yebo). Some saved in one form whilst others used different combinations of savings. Of the participants who saved, 92.7% had bank accounts after joining Yebo, an increase from 57.8%.

Access to financial services

The Yebo cooperative had various impacts on its members and one of the most critical was access to formal financial services as reflected by the increased savings as well as provision of loans to start some of the activities such as baking. The study revealed that 57.1% of the participants felt that their access to financial services increased whilst only 2.6% felt the cooperative membership had a negative impact. The remaining participants were neutral as to the impact of the cooperative.

According to some participants joining Yebo provided them with information on how to use the formal financial services, thus removing fear from the members. During the interviews one of the participants said “I always thought banks used to just eat our money but now I know I can use it to expand my business.” This shows that the cooperative facilitated access to finance for some of its members not just by providing the actual finance but by educating them on how to access it.

Table 4.10 Impact of Yebo on access to formal financial services

Access to formal financial services	Number of participants	Percentages
Improved	101	57.1
No change	71	40.3
Decreased	5	2.6
Total	177	100.0

Commodity (Product) Market

As shown in Table 4.5 members of Yebo were involved in various activities and not all of the participants were involved in buying through the cooperative. A total of six primary cooperatives were involved in the study, whose services ranged from provision of savings services, chicken production and abattoirs to baking. Yebo also provides other services such as commodity sourcing and marketing though it was only the bakery that used this type of service. The cooperative sourced reliable and low-priced suppliers of raw materials for baking, such as flour, bread mixture (yeast and other ingredients) and other input materials.

Yebo would arrange that all the cooperative bakeries across the country purchase inputs from a single supplier, securing discounted prices as well as being provided with a credit facility. This would facilitate the bakeries' operation of a viable and profitable business. The cooperative also created a brand and produced packaging to enable marketing of the bread. During the study all the participants agreed that the cooperative made purchases easy by improving access and reduction of prices of inputs. The survey also revealed that the cooperative offered assistance in the marketing of its products.

4.2.3. *Impact*

The impact of the cooperative was not merely limited to its members but also reached the surrounding community. There were direct and indirect impacts identified during the study. Although the surrounding community was not involved in the survey, the influence of the cooperative could easily be observed in that members of the communities did not have to travel long distances to purchase a product such as bread, chicken and other commodities made available by the different cooperatives across the country. Since money was now circulating within the community due to people sourcing local products, it allowed for more business to take place within the community, thus contributing to the income of others who

were not members of the cooperative. During the study interaction with the community surrounding the cooperative shed some light on the role the cooperative plays towards its surroundings.

Bakery

The effect of the bakery was very big; it provided quality bread at a lower price compared to other bakeries. People could now afford to buy bread and some could buy even more bread than before. The bakeries were better situated, thus walking distances to the selling points were less compared with the conventional bakeries. To the members of the bakery the cooperative was a source of income and occupation. The bakeries also provided training to some, thus adding to their knowledge. Technical training was also provided so that the bakery members could become skilled to operate the baking equipment.

Chicken producers

The chicken cooperative was wholly run by women, most of whom were above the age of 46. Although most of the women were married they were the breadwinners of their homes, even providing financial support for their grandchildren. The cooperative was a source of income for members as well as extended family, since most of the members had extended families. To the community, it not only provided them with chicken at an affordable price but also within a reasonable walking distance.

Chicken abattoir

As with the chicken producers, this cooperative has an impact on both its members and the surrounding community. To its members the cooperative is a source of livelihood. The abattoir plays a very important role in the community; it is both a supplier and a purchaser. On the one side it is a market to some of the chicken producers who sell live chickens to the abattoir, and on the other the abattoir supplies frozen chicken to individual clients and retailers in the area. The cooperative is a processing unit with its products reasonably priced. Neither the chicken producers nor the retailers have to travel long distances to reach their clients and suppliers.

Dumpsite

This is a unique cooperative; as not many cooperatives go into the business of collecting recyclables at dumpsites. Material such as plastics, paper, glass, metal and many other objects are thrown away and end up at the dumpsite. The Mayibuye cooperative physically carries the garbage and separates the recyclables from the non-recyclables. The recyclables are further divided into similar materials. Once divided, they are further graded according to the quality of the material. The grading of plastics, for example, results in the separation between clear and coloured plastics as well as hard and soft plastic. Once all the materials are sorted the recycling companies weigh the product and remunerate the cooperative members individually.

The cooperative plays a dual role. It is an income generating activity for its members and also helps the recycling companies by sorting the recyclables. The cooperative also plays an extensive role in reducing pollution since it reduces the dump site which is good for the environment.

Contra

Contra is a cooperative whose members are involved in a variety of activities such as street vending, leather craftsmanship, sewing, catering and many others. The cooperative assists its members by uniting them when they have to negotiate with the municipality and other organisations to continue to operate in those localities. For some, it facilitates bulk buying of produce such as fruits and vegetables. To the surrounding community the cooperative provides various services as shown in Table 4.5. The cooperative also acts as a means to facilitate members' working together, leading to progress.

Savings

The savings cooperative is another unique cooperative. Every month members put money aside and give it to one individual who then deposits the money in a savings account. Towards the end of the year the money is withdrawn with accumulated interest and used for bulk buying of commodities for its members. This activity teaches the members the importance and benefits of saving, and guarantees cheaper goods through bulk buying. This cooperative also educates its members on how the formal financial systems work, thus could

overcome the barriers to the financial market. The bulk buying is done in the community, thereby supporting local business people.

Yebo

In summation, Yebo has an extensive impact on its members and communities as a whole. The study as reflected by Table 4.7 revealed that 97.4 percent of the participants felt that the impact of Yebo was positive and improved their livelihood; the remainder felt that no change was brought by the cooperative. The cooperative in some areas has changed the way the people do business and earn their living. It has improved efficiency of work and resulted in the provision of goods and services where previously unavailable. Yebo has enabled the people to become self employed and also created opportunities for other businesses to operate. The effect of Yebo has also trickled down to the extended family, since many of the members of the cooperative support their extended family.

Table 4.11: Impact of Yebo on its members

Impact of Yebo	Number of participants	Percentages
Improved	172	97.4
No change	5	2.6
Total	177	100.0

4.3 Discussion

As shown in Table 3.1 the cooperative operates throughout the country and is involved in a variety of activities. As with most developmental projects, the study revealed that women dominate the membership at over three-quarters of the participants. Although there are many markets, the study concentrated on three distinct markets, which are labour, financial, and commodity, all of which are interrelated. The age distribution of the participants ranged from 18 to over 65 although the majority (77.8 %) fell into the age group of 27 to 55, the most economically active age group.

There was similar participation between married and single members. In terms of education about 60% of the participants had no education or only a primary level of education or training. The study also revealed that Yebo cooperative created many jobs and job opportunities in all of its member cooperatives. Where in some instances individuals sat at

home doing nothing, now they are able to place food on the table and provide their families with other basic necessities. Not only did the cooperative provide employment, but to those that were already employed, it increased their income tremendously. Formal savings increased after joining the cooperative. Almost half of the participants were saving in a bank after joining the cooperative, an increase from as low as 14%.

To the majority (58.7%) of the participants the cooperative increased their access to financial services. As the figures confirm overall, the cooperative had a remarkably positive impact on the participants, confirmed by the response; 97% of the participants reported the cooperative to have improved their livelihood. There was an increase in participation in all three markets studied. The forthcoming chapter will mainly comprise a conclusion and look into the recommendation aspect of the study. It will also scrutinise the main findings, giving a more comprehensive picture of the results.

5. CHAPTER FIVE

5.1 *Introduction*

The current chapter presents summaries of the core findings of the study, leading to specific prescriptions and recommendations towards facilitating market access and a guide for cooperatives in combating market failures. The findings will also lead to further discussion regarding cooperatives, designed to enhance their impact on development and to provide critical information to policy makers and strategists for the design of better-informed projects in the near future. Ultimately the chapter acts as a concluding segment to the study followed by possible areas for further research.

5.2 *Outline of findings*

Many interesting points have been revealed during the study concerning the use of cooperatives as a method of facilitating healthy market operation for developmental purposes. Six groups (primary cooperatives) took part in this study, with a membership totalling 177 individuals from three out of the eight provinces where the cooperative operates. The main findings will be presented in the following segments, the background of the participants, followed by the different markets (labour, financial and commodity market) under study, and finally the recommendation and conclusion.

5.2.1. *Background of participants*

Over three-quarters of the participants were women, a reflection of the Yebo cooperative as a whole. The age distribution of most of the participants fell between the ages of 27 to 55 years. Most individuals had little formal education with only basic primary schooling and about a quarter attended secondary schools, though never completed their schooling. About 10% did their Matric with only a handful actually obtaining a pass. There was an equal representation of married and single individuals, about half per group. Six primary cooperatives were interviewed, all involved in different activities ranging from manufacturing to processing and the provision of services such as hairdressing.

5.2.2. *Markets*

The study involved investigation of three markets, the labour market, the financial market and the commodity/goods market. According to Figure 4.2, over half of the participants were

not employed or involved in any sort of money-generating activity prior to joining the cooperative but became self employed the moment they joined Yebo. Not only did the cooperative provide self employment to its members but it also enhanced their income to such an extent that for some it increased over ten-fold.

The financial market was the main segment explored and proved to be the most critical of the three. In this part of the study it can be argued that the cooperative resulted in improved participation of the members in the financial sector. More individuals now practised savings and a significant number opened bank accounts. The cooperative here is seen as a link between its members and the formal financial system. For some of its members loans were provided by the DGRV without any collateral, thus providing them with a service previously inaccessible prior to the cooperative. Most of the participants reported an improvement in access to formal financial services as a result of the cooperative.

The last type of market to be investigated was the product/ commodity market. This was specific to the bakery cooperatives since Yebo was more involved in the buying and selling of the bakery's commodities. Here the outcome was overwhelmingly positive, as all the participants reported the cooperative to have had a positive impact on their operations. The cooperative not only sourced cheap inputs for their businesses but it also went to the extent of providing branding and packaging services for some of the bakeries. In total, the cooperative had an overwhelming positive impact on its members as well as on its surrounding community.

5.3 Cooperatives and market failures

Cooperative is not the solution to all the problems, but remains a vital instrument in assisting millions of poor men and women to take their initial steps to improving livelihood for themselves and their families, as well as their surrounding communities. There are various routes that can be pursued towards development and market intervention is one approach. Thus cooperatives as an intervention process seem appropriate in certain circumstances as a tool to combat market failure.

The core motive for the formation of cooperatives is to achieve market power, and in consequence to solve market failure (Downing *et al* 1998). Rhodes (1986) also concurs that

the primary reason for the organisation of cooperatives is perceived market failures. Cooperatives are also formed to take advantage of the benefits of economies of size and scale (Downing *et al* 1998).

5.4 Yebo cooperative: progress and drawbacks

Since the establishment of Yebo a lot of primary cooperatives have been formed and most of the members of the primary cooperative have recruited members. As at 30 April 2006 a total of 61 primary cooperatives were affiliated to Yebo and the number is increasing on an ongoing basis. New and different types of cooperatives continue to associate with Yebo, though as at 21 December 2006 about four cooperatives have been reported to have withdrawn their membership. The cooperative has established itself in eight out of the nine provinces of the country and eventually intends to operate country-wide.

The services rendered by the cooperative have increased significantly from simply organising people into groups to form primary cooperatives to the provision of financial assistance and training of individuals. The cooperative has only recently registered (in 2003) but its influence has changed the lives of many people for the better. As revealed by the study most people agreed that the changes brought about by Yebo have been positive and constructive. Some of the participants revealed that since joining the cooperative their income has increased to such an extent that they are able to send all their children to school. For some individuals being able to have all their meals every day was not possible, but the increased income brought about by joining Yebo has solved this problem.

Yebo has capacitated its members to be able to fight poverty and break out of its vicious cycle. Although not all members of Yebo were previously poor, for those who never had sufficient money Yebo has transformed their lives positively. Even for the previously well-off the cooperative has further improved their standard of living by improving their income. It is without doubt that the impact of such a developmental initiative has been positive and constructive.

5.5 Recommendations

Towards the end of the questionnaire, along with the concluding remarks in the group discussion, suggestions were made by the participants on what they felt the cooperative

should be like to be able to improve and expand their activities. There were various viewpoints put forward some which were directed towards the cooperative itself whilst others were towards the government. It should be noted that not all the suggestions were mentioned by the participants but were attained through observation and careful study of the participating groups. It was observed that there is need for better training and education of the members to be able to operate their small businesses.

Certain suggestions made by the participants will also not be mentioned due to their inappropriateness. Some of the participants insisted that they should be given money without having to repay it, showing how some of the members misunderstood the concept of a cooperative. Certain members thought the services provided by Yebo to be donations, thus feeling that they did not have to show more commitment and dedication.

The following are some of the suggestions and recommendations made by the participants, specific to each of the cooperatives involved in the study:

Table 5.1 Suggestions for improvement of Yebos' service.

Cooperative	Suggestions
Contra	<ul style="list-style-type: none"> ▪ Financial assistance to expand some of their activities ▪ Training of members in business skills
Dumpsite	<ul style="list-style-type: none"> ▪ Financial assistance to be able to purchase equipment such as electric balance, and bailer to process the recyclables.
Chicken Abattoir	<ul style="list-style-type: none"> ▪ Training of members in business skills and to be able to produce own chicken ▪ Financial assistance to have their own chicken aviary for slaughtering
Chicken producer	<ul style="list-style-type: none"> ▪ Assistance in bulk buying of inputs for production to reduce costs such as chicken feed, medication
Bakery	<ul style="list-style-type: none"> ▪ More training in business management
Savings	<ul style="list-style-type: none"> ▪ Yebo should form a cooperative bank. ▪ Financial assistance to be able to do other money-generating activities

Although the majority of the suggestions listed above are personal views of the participants, within the cooperatives they seem to be unanimously agreed upon. It was observed that the majority of the cooperatives felt that Yebo should provide financial support, although some

of their motivations were not satisfactory, as mentioned earlier. Certain suggestions made were legitimate and ought to be investigated, as this would really improve the operation of the cooperatives. A more careful study should therefore be done to identify the specific needs of each cooperative so that the quality of the service provided by Yebo can be improved.

5.5.1. Guide to efficient and effective cooperative activity

It is crucial that cooperatives provide their products and services in an efficient and effective manner to be able to satisfy market demand. In order to have a satisfactory level of improvement in the access and function of markets a greater role must be played by all stakeholders, including policy makers, to overcome barriers in the establishment and operation of cooperatives. The following are suggestions made in accordance with some of the principles of cooperatives as a guide to future cooperatives' activity in improving market access and function.

Voluntary and open membership

This principle states that cooperatives should be open to all persons and should not discriminate. It is thus imperative that membership of cooperatives be free and voluntary without members being coerced into joining. Cooperatives should allow any person to be part of their membership; this would encourage diverse ideas to be implemented in the operations of the cooperatives rendering them more flexible. For cooperative objectives to be achieved they have to federate on a wide and representative basis. Membership of cooperatives should allow freedom of association and freedom to engage in economic activity.

Quite often we find this is not complied with, and there is thus a need to reinforce this principle. Women are often denied access to certain basic services (Rockefeller Foundation 2006); therefore allowing voluntary membership would overcome this problem. Cooperatives should also integrate previously less privileged groups of the population, which is common within the South African economy due to its historical background.

Democratic member control

According to this principle cooperatives are democratic organisations controlled by their members, who have equal voting rights (one member, one vote). Management decisions must be made democratically to underpin the interests of the cooperative, balanced by those of the individual members. In many cases this principle is not followed, this results in conflicts within the organisation leading to failure of the cooperative to operate optimally. During the survey some members complained of not being treated properly by other members and felt that there was no democratic control. By enforcing this principle cooperatives will function in a healthier manner enabling them to improve their function in the combat against market failure, thereby allowing them to survive in a competitive environment, particularly in the light of globalisation. Greater democracy in these organisations is paramount to avoid conflict within the cooperative.

Education, training and information

According to this principle cooperatives should provide education and training for their members and employees so that they can contribute effectively to its development. The training will enable them to contribute positively to cooperative growth and development, therefore, the education and training of persons employed in cooperatives must be stressed. Once again this principle is neglected in some cooperatives and becomes a major drawback to the operation and growth of the organisation.

Education and training are vital and the cornerstone to the improvement in the service provided by a cooperative. By educating its members and studying the problems encountered in the market, a cooperative can use superior tactics to combat these matters. It was observed during the study that many participants were not well informed on how to improve operations and management, which becomes a major concern as it affects the efficiency and operations of the cooperative. The cooperative administrators as well as government need to make sure people are more informed and better educated and trained in the various fields associated with the activities of the cooperatives.

Cooperation amongst cooperatives

Cooperatives should work together with other cooperatives for the benefit of all. It goes without saying that the more cooperation at regional and national level the better the effect

will be of the cooperatives. If this principle is adhered to by all the cooperatives an improvement will be observed throughout the country, but unfortunately this does not occur. During the study there were two cooperatives in the same areas, one producing chickens and the other with a chicken abattoir, but there was no cooperation between the two cooperatives despite the fact that they were both associated with the same secondary cooperative (Yebo). This is a clear sign of disunity and non-cooperation amongst cooperatives. It is self evident that these two cooperatives complement one another, but the failure to work together results in operations becoming more complicated, as they now have to source other suppliers or other customers.

Concern and community

This principle states that cooperatives should work for the sustainable development of their communities. A sustainable environment results in a sustainable business for the cooperative. A lot of businesses operate without the least consideration of their community, and this in turn negatively affects their operations. Nothing works in isolation and there is a need for cooperatives to put this principle into practice. During the survey it was revealed that there is hardly any contribution made by the cooperative towards its surrounding community. This has to be taken into account, as an unhealthy community leads to an unhealthy business and in this case an unhealthy cooperative.

Auditing

Although this is not one of the principles of a cooperative it is indispensable and of fundamental importance to its existence. Auditing the cooperative makes all the activities of the organisation more transparent and thus instils confidence in all the stakeholders that it conforms to international business and accounting standards. The financial viability of the cooperative can be determined by reviewing its audit report.

To achieve the above-mentioned objectives, it is recommended that cooperatives conduct on-going and comprehensive investigations into the needs and demands of its members in order to identify problems encountered and to design its operations for improvement. Although the cooperative principles do not have to be followed as strictly as proposed by Raiffeisen, the principles act as a guideline to improve the day to day operation of the cooperative (Wulker, HD. 1995). There is thus a need to constantly re-evaluate the cooperative principles and

regulate its activities in order to be aligned with the constant changes within its surroundings.

5.5.2. Recommendations for government and policy makers

Owing to the historical conditions in South Africa further review of the current Cooperatives Act 2005 is still deemed necessary. Although the previous Cooperatives Act did not particularly discriminate against people based on race, the practice which evolved from its implementation resulted in limited freedom of association, thus impacting negatively on the cooperative movement (Draft Cooperative Legislative Review Policy, 2007).

Currently the Cooperatives Act is not flexible enough to cater for all types of cooperatives that the diverse communities in our country demand (Draft Cooperative Legislative Review Policy, 2007). The new Cooperatives Act should follow global trends in cooperative policy, but should not lose track of the need to address the peculiar circumstances in the country.

As mentioned earlier nothing works in isolation, therefore cooperatives have other stakeholders besides their members and customers; in fact, other major players in the cooperative movement are government and lobby groups. These play a very influential role in the design and implementation of rules and systems in the form of policies to regulate and monitor operations and cooperative activity. For a cooperative to exist and function there is need to incorporate it into the country's legal system.

A cooperative cannot operate outside the boundaries of the law, hence the role and importance of government advisors and policy makers cannot be overstated. Keeping this in mind there are a number of concerns that need to be forwarded as recommendations for policy makers and advisors on the role that cooperatives play in facilitating market access to facilitate them to make informed decisions with regard to cooperative legislature (regulation). Governments are therefore called upon to give their support with appropriate provisions within the administrative, judicial and legal systems to allow cooperatives to function well.

Governmental support is not only essential but crucial for the survival of cooperatives. This support is offered through the provision of an environment conducive to its growth and

development through legal and administrative provisions that govern the activities of cooperatives. To guarantee the autonomy of cooperatives it is necessary that government restrains from imposing itself and being unnecessarily prescriptive. For the new cooperative legislation to be more effective and all-encompassing, the cooperative legislators should do a thorough analysis of the diverseness of our nation and still maintain business orientation within accepted cooperative principles.

Government needs to make available a supportive policy environment which will promote the development and growth of the cooperative movement. It needs to pass legislation that is enabling and facilitative for the progress of the movement. Although one of the cooperative principles includes education and training, government also needs to play a role in this respect to support activity necessary for cooperative survival. Various educational institutions should be approached by the cooperative movement in order to explore the possibility of education and information dissemination for potential cooperative members.

Government can also be a factor in the collaboration with international agencies that can bring in new ideas and experience for the sake of progress. These agencies can involve themselves in the capacity building of cooperatives' workforce, the promotion of cooperatives, financial assistance, support in the formation of additional cooperatives and various other supportive roles.

5.6 Conclusion

The aim of the study was to determine that a cooperative is the right approach in which to organise an intervention scheme to overcome barriers to markets (labour, financial and commodity markets) and facilitate market operations for the sake of development. The study confirms the postulation put forward that cooperatives form one of the routes that can be followed for market intervention. The findings show that market barriers can be overcome by the cooperatives. There was a significant increase in employment, thus improving the labour market. Both the financial and commodity markets also revealed improvement after the intervention of the cooperative.

The important role that is played by cooperatives cannot be overemphasised however cooperatives suffer from a number of inherent weaknesses postulated by Cook (1995), such as

free-rider, horizon, portfolio, control (principal-agent) and influence cost problems. These challenges arise at different stages of the growth cycle of the cooperative, all of which can be managed if the cooperative leaders are made conscious of the problems before they are established. In addition, managers and nominated directors should keep an open mind about the growth cycle of cooperatives so as to adapt when necessary and make appropriate changes and sometimes into another (more efficient) ownership structure, such as a new generation cooperative or an IOF.

The findings also reveal that cooperatives do not only overcome market barriers but also maintain their operations, since it is a bottom-up approach. Most developmental interventions tend to fall apart once donors retract their support, usually through over-dependence. With respect to cooperatives a different scenario is observed. Cooperatives continue to be a success for a significant period after donor funding is retracted, due to some of its principles and values of self help and self responsibility.

The unique character of cooperatives forces its members to be more participatory in all the decisions of the establishment, and the operations and management of activities, thus rendering it more viable. Most of the participants attested to the improvement to their livelihood brought about by the cooperative. In places where no activity was practised now there is some form of money-generating activity providing an income to individuals previously unemployed.

In conclusion, one can safely say that the principle of a strong, autonomous organisation, a self-reliant, self-sustaining and self-administrative cooperative movement can play a key role in the economic, social and cultural development of a nation. Cooperatives are able to positively contribute towards job creation, income generation, resources mobilisation, marketing and broad-based economic empowerment, thereby enhancing sustainable human development within an economy.

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APPENDIX 1: Seven principles of cooperatives

1st Principle: Voluntary and Open Membership
Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2nd Principle: Democratic Member Control
Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.
3rd Principle: Member Economic Participation
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4th Principle: Autonomy and Independence
Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information
Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
6th Principle: Cooperation among Cooperatives
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
7th Principle: Concern for Community
Cooperatives work for the sustainable development of their communities through policies approved by their members.

Source: International Cooperative Alliance (ICA).
<http://www.ica.coop/coop/principles.html>

**APPENDIX 3: Main Questionnaire (Members of Yebo)
Group.....**

(Please fill in the spaces provided in clear writing and tick appropriate boxes. If space not enough please complete at back of questionnaire).

1. Please indicate which activities you are involved with Yebo. (You can tick more than one box if necessary)

Bulk buying (1) Bakery (2) Savings (3) Street vending (fruit & veg) (4) Farming (5)

Other (6) if other please indicate.....

Part A: Background

2. Gender

Male (1)

Female. (2)

3. Age

18-26 (1)

27- 35 (2)

36-45(3)

46-55(4)

56- 65 (5)

over 65(6)

4. Marital status

Married (1)

Single (2)

Divorced (3)

Widowed (4)

Education level.

No school (1)

Primary School (2)

High school (3)

Matric (4)

Other (5) If other Please Specify

6. When did you join Yebo?

2003(1)

2004 (2)

2005(3)

2006(4)

Part B : Labour market

7. Were you employed (self or other) before joining Yebo? Yes (1) No (2)

8. If yes what type of money-generating activities were you involved in?

Please Specify

9. If no, what were you doing?

10. What was your income before joining Yebo? R..... (can approximate)

11. What is your income now? R..... (can approximate)

12. Has your income increased or decreased since joining Yebo?

Increased (1)

decreased (2)

no change (3)

13. Why?

14. What is your main Source of income?

Self employed but not part of Yebo (1)

Self employed part of Yebo(2)

Employed(3) Other(4) (e.g. pension, remittances, government grants, etc).

If other please specify.....

15. **Other sources of income (please specify):**

.....

Part C: Financial Market

16. **Did you save before joining Yebo?**

17. **If yes, where did you save?** (Can fill more than 1) Yes (1) No (2) Bank (1)
Burial society (2) Stokvels (3) Other (4)

18. **Do you save now?**

19. **If yes, where do you save?**

Yes (1) No (2) Bank (1) Burial society (2) Stokvels (3) Other (4) Yebo (5)

20. **Did you have a bank account before joining Yebo?** Yes (1) No (2)

21. **Do you have a bank account now?** Yes (1) No (2)

22. **Besides your savings and business with Yebo do you have any other investment?** Yes (1) No (2).

23. **If yes, what types of investments?** (Please tick as many boxes as appropriate)

Land (1) Livestock (2) House (3) Other business (4) Personal assets (5)
 Insurance policy (6) Money market (7)

If there are others please specify.

24. **How has your membership to Yebo impacted in obtaining finance/credit/bank loan?**

Improved (1) No change (2) decreased (3) Don't know (4)

25. **Why?**

Part D: Commodity & product market

(Please ignore the questions that are inapplicable to you)

26. **What business inputs are you buying through Yebo?**

(Please list them)

.....
.....

27. **How has Yebo impacted on the access of these products?**

Improved (1) No change (2) Decreased (3) Don't know (4)

28. **Why?**.....

29. **How has being a member of Yebo affected the purchase price of the**

commodities? Increased (1) No change (2) Decreased (3) Don't know (4)

30. **Why?**.....

31. **How has Yebo impacted on the marketing (customers) and selling of your goods and service?**

Improved (1) No change (2) Decreased (3) Don't know (4)

32. **Why?**

Part E: Impact

33. Which assets/property do you feel you have been able to acquire as a result of being a member of Yebo? (eg cattle, car, bicycle, land, building, equipment, furniture etc)

Asset	Estimated value

34. Which of these factors do you feel have improved as a result of the establishment of Yebo or since you have joined Yebo?

(Please feel free to tick as many boxes as you think appropriate.)

Ability to pay for health service	<input type="checkbox"/>	Business management skills	<input type="checkbox"/>
Nutrition	<input type="checkbox"/>	Access to inputs*for the business	<input type="checkbox"/>
Employment opportunities	<input type="checkbox"/>	Price of inputs (Things you use in your business)	<input type="checkbox"/>
Family stability	<input type="checkbox"/>	Transaction costs	<input type="checkbox"/>
Financial Position	<input type="checkbox"/>	Bargaining power (especially with suppliers)	<input type="checkbox"/>
Ability to pay school fees	<input type="checkbox"/>	Marketing of products	<input type="checkbox"/>
Ability to buy household goods	<input type="checkbox"/>	Relationships with others	<input type="checkbox"/>
Ability to buy clothing	<input type="checkbox"/>	Surrounding community (employment, crime)	<input type="checkbox"/>
Ability to access credit/finance	<input type="checkbox"/>	Other (please fill in)	<input type="checkbox"/>
Saving ability	<input type="checkbox"/>	▪	<input type="checkbox"/>
	<input type="checkbox"/>	▪	<input type="checkbox"/>

*** If there are other factors you feel you need to add please feel free to write them down.

35. **Are you better off being a member of Yebo or are you worse off?**

Better (1)

Worse (2)

No change (3)

36. **Why?**

Part F: Challenges & way forward

37. **What challenges do you face as a member of Yebo?**

.....
.....

38. **In what ways do you think Yebo can improve (to overcome the challenges) its current services provided to you?**

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.....
.....

39. **What other services would you want Yebo to provide besides the current ones?**

.....
.....

APPENDIX 4: Question guide for key informant interviews: Yebo Staff

Objective /problem statement	Data Source	Research Tool	Problem state: Main Question	Probe or follow-up question
To understand the establishment & continued expansion of the Yebo Cooperative	Mr. Bernd Harms , Ernest & other members of staff	Key informant interviews	<ol style="list-style-type: none"> How was the idea of Yebo conceptualised? From the different forms of interventions why did you decide to form a coop? Has the coop. expanded from the time of establishment? Would you say that Yebo is a success? 	<ol style="list-style-type: none"> When was Yebo established? What were the reasons for its establishment? In what ways was a co-op going to fulfil the needs of these people? What did you want to achieve? What do you think are the reasons for the continued expansion of Yebo? Why would you say that and what do you think are the reasons for its success so far?
To evaluate the fin. & econo impact of the Yebo Coop. on its members & surrounding community in combating market failures.	Mr Bernd Harms , Ernest & other members of staff	Key informant interviews	<ol style="list-style-type: none"> In what ways has the co-op changed the lives of its members? How has the co-op changed their financial position? How has the co-op changed their economic and social standing? In what ways has it affected the surrounding community? What problems did the people (members and community) face before the co-op was established? How has the presence of Yebo impacted on problems faced by its members, such as market inaccessibility/failure? 	<ol style="list-style-type: none"> Do you think they are better off now than before? Has it improved it, are they financially more stable than before? In terms of jobs/income, education/training, health, food, Crime levels, family stability, and other social factors? How has it contributed to the improvement in the community in terms of infrastructure, social standing, and job creation? Could you elaborate more in terms of jobs, access to finance, access to commodity market? What types of markets has it facilitated & how has it facilitated, eg labour, commodity, financial?
To analyse the success or shortcomings of the Yebo business activities in accessing markets to the poor.	Mr Bernd Harms , Ernest & other members of staff	Key informant interviews	<ol style="list-style-type: none"> Do the members face any difficulties in their business operations? Can you tell me the successes or failures of the Yebo business activities? What are the Strengths, Weaknesses, Opportunities & Threats of the Yebo bus activities? 	<ol style="list-style-type: none"> What are the problems faced in terms of management, technical? How have these activities facilitated market access? What have been the benefit of the Yebo business activities to the surrounding community?
To analyse & examine the role of coop.& its ability in combating market failures & facilitating market access for the poor	Mr Bernd Harms , Ernest & other members of staff	Key informant interviews	Role of co-ops. <ol style="list-style-type: none"> Besides business what other function does the co-op play in the lives of its members? *** Other part of question answered by 2nd objectives of DGRV.	<ol style="list-style-type: none"> Do they also meet for pleasure such as functions, weddings, and other ceremonies? *** Other part of question answered by 2nd objectives of DGRV.
To suggest possible ways to guide efficient & effective future coop activity in improving market access & function	Mr Bernd Harms , Ernest & other members of staff	Key informant interviews	<ol style="list-style-type: none"> What challenges are you currently facing with the coop? What do you think is needed to overcome these challenges in order to improve the function of the co-op for the better? Do you foresee any challenges that Yebo might face in the near future? What other services would you want the coop. to provide for it to have a greater impact on development? What mitigation measures would you put in place in order to overcome and make sure Yebo continues in years to come? 	<ol style="list-style-type: none"> In terms of operation, performance, funding, members? Is there a need to change some of the ways in which it operates, how? Do you foresee a potential risk in its operations that could develop into a problem in the future? What would you introduce into the co-op to protect it from potential risks you have mentioned? What should be continued, discontinued or introduced, in short what would you change in Yebo?

APPENDIX 5: Discussion guide for members of Yebo Cooperative

Objective /problem statement	Data Source	Research Tool	Problem state: Main Question	Probe or follow up question
To understand the establishment & continued expansion of the Yebo coop.	Members of Yebo coop.	Discussion guide	<ol style="list-style-type: none"> 1. How did you find out about Yebo? 2. Why did you decide to join the coop? 3. Which of Yebos' services do you use or participate in? 4. What do you think were the reasons for the establishment of Yebo? 5. When did Yebo establish itself in your area? 6. How many were you then and how many are you now? 	<ol style="list-style-type: none"> 1. Was it through a friend, family member or other? 2. Was it for a job (self employment), or to earn an income? 3. Are you baking, and which other service do you use? 4. Was there a need for a coop in your area or for you? 5. When did you join the group (Yebo)? 6. Have you grown since the establishment?
To evaluate the financial & economic impact of the Yebo coop. on its members & surrounding community in combating market failures	Members of Yebo coop.	Discussion guide	<ol style="list-style-type: none"> 1. In what ways has the coop changed your lives? 2. Has the coop changed your financial position? 3. How has the coop changed your and your family's economic and social standing? 4. In what ways has it affected your community? 5. What problems did you face before the coop was established? 6. Has the presence of Yebo alleviated your problems such as market inaccessibility/ market failure? 	<ol style="list-style-type: none"> 1. Are you better or worse off? 2. Are you financially more or less stable than before, has there been a change in your income? 3. In terms of jobs/income, education/training, health, food, family stability, and other social factors? 4. How has it contributed to your community eg infrastructure, social standing, job creation, is there less crime? 5. Could you elaborate more in terms of jobs, access to finance, access to commodity market, and other social problems? 6. What types of markets has it facilitated & how has it facilitated, e.g. labour, commodity, financial?
To analyse the success or shortcomings of the Yebo business activities in accessing markets to the poor.	Members of Yebo coop.	Discussion guide	<ol style="list-style-type: none"> 1. What are the problems you face as a member of the coop. and your business? 2. What successes or shortcomings have you encountered in your business activities? 3. How has Yebo changed your life and in what ways? 4. What are the Strengths, Weaknesses, Opportunities & Threats? 	<ol style="list-style-type: none"> 1. Are you well trained in managing the business and its operations? 2. Tell me some good you as a group have got out of the business? 3. Has it been positive or negative? 4. How has it facilitated market access in terms of labour, finance and commodity?
To analyse & examine the role of coop. & its ability in combating market failures and facilitating market access for the poor. Thesis	Members of Yebo coop.	Discussion guide	<p>Role of coops. Besides business, what other function does the coop play in your daily lives? *** Other part of question answered by first objectives of DGRV.</p>	<p>Besides business activities do you also meet for pleasure such as functions, weddings, and other ceremonies? *** Other part of question answered by first objectives of DGRV.</p>
To suggest possible ways to guide efficient & effective future coop activity in improving market access & function	Members of Yebo coop.	Discussion guide	<ol style="list-style-type: none"> 1. What challenges are you currently facing with the coop? 2. What do you think is needed to overcome these challenges in order to improve the function of the coop for the better? 3. Do you foresee any challenges that Yebo might face in the near future? 4. What other services would you want the coop to provide for it to have a greater impact on your livelihood? 5. What mitigation measures would you put in place in order to overcome and make sure Yebo continues in years to come? 	<ol style="list-style-type: none"> 1. In terms of operation, performance, funding, other members? 2. Is there a need to change some of the ways in which you operate, how? 3. Do you foresee a potential risk in you operations that could develop into a problem in the future? 4. What would you introduce into the coop protect it from the potential risks you have mentioned? 5. What should be continued, discontinued or introduced, in short what would you change in Yebo?

APPENDIX 6: Interview schedule of cooperatives

Name	Province	Activity	Period Of Interview
Contra	Gauteng	Street vending (fruits & vegetables), food catering, leather craftsmanship, sewing, hair dressing carpentry, butchery and others	Week 1 (1 - 07 DEC)
Mayibuye	Gauteng	Collection of recyclables (plastic, paper, glass) for recycling at the Dumpsite	Week 1 (1 - 07 DEC)
Asikhutulisane	Mpumalanga	Chicken Abattoir	Week 3 (15 - 21DEC)
Mkhiwa trading	Mpumalanga	Chicken production (Broiler)	Week 3 (15 - 21DEC)
Force Mazibuko Bakery	Mpumalanga	Bakery (Bread and scones)	Week 3 (15 - 21DEC)
Thohoyandou Savings	Limpopo	Savings club	Week 2 (08 - 14 DEC)