1. **The Portfolio Committee on Small Business Development visited KwaZulu-Natal Province during 30 January - 03 February 2017, Dated 08 March 2017**
2. **INTRODUCTION**

The Portfolio Committee on Small Business Development (“the Committee”) visited the province of KwaZulu-Natal (KZN) from 30 January to 03 February 2017. The aim of the Committee’s third visit was to assess the progress made by the Department of Small Business Development (“the Department”), alternatively, (“DSBD”) in implementing the Remedial Action Plan to Abalimi Agricultural Co-operative Pilot project(s) which DSBD had presented to the Portfolio Committee on the 7th of December 2016. Also, the oversight visit had other multidimensional motive(s) of interacting with the Co-operative Incentive Scheme (CIS) beneficiaries in the presence of the national, provincial and local spheres of government, traditional leadership (Izinduna, Izibonda and AmaKhosi), Ward Councilors and non-governmental organisation(s) (NGO) as key stakeholders that actively and regularly participate in Integrated Development Forums during the process of developing the Integrated Development Plans (IDPs) at local government level. It should be noted that this was a continuation of the 2016 oversight visit wherein, due to time constraints, only two projects situated at uMuziwabantu local municipality had been visited.

Interactions with these stakeholders were also intended to determine their extent of involvement in the projects, document relationship between the beneficiaries and these institutional support structures and also to ascertain how have they (co-operatives) performed since given a grant by the Department in January 2016. The degree of DSBD involvement in these projects during pre-and-post disbursement period, validation of transversal agreements as well as the critical importance of intergovernmental relations in ensuring that national government and provinces are properly positioned to support local economic development in a time of rapid transformation was also an area of focus for the Portfolio Committee. In 2016, the Committee resolved to utilise the twelve (12) agricultural co-operatives in KwaZulu Natal that had benefited from the CIS grant as case studies to assess whether the Department had a well thought-out strategy of developing co-operative enterprises that is anchored on the championing, coordination and transversal agreement mandate given to it by the State President when it was formed.

The 12 new farms of one hectare each, located across four (4) different district municipalities and one (1) metro, had been identified to serve as informative case studies that will guide the Department approach going forward. The Portfolio Committee had then adopted these projects in order to illustrate the wide range of alternative farming support systems that may potentially be adopted countrywide in commercialising (upstream agriculture) small scale farmers. The purpose of the new case studies is in essence aimed at demonstrating the diverse production and farm management practices that can be explored to improve sustainability across different farm commodity types, to highlight how innovative producers may address common challenges associated with moving towards greater sustainability, to highlight the significance of a sectoral as opposed to a generalist approach currently being pursued by DSBD as well as to better understand the role of larger social, economic, and institutional contexts in the development of these farms/projects.

So far the projects have provided some useful insight into the complexity of farming practices, diversity of approaches used to improve the commercialisation of farming systems and most importantly, stakeholder management which remains a very sticky issue and a major risk. The Portfolio Committee is of the view that this type of longitudinal study is a valuable way to identify the elements that influence long-term successes and challenges related to the National Development Plan (NDP) objective of building a developmental state with active citizenry, and to highlight the organisational and management strategies associated with agricultural co-operatives long-term viability.

There are a number of observations that shaped the Portfolio Committee methodology which include, amongst others, the fact that since inception in 2004, a number of co-operatives have benefited from the CIS grant. However, the impact of this financial assistance has hardly been felt, very minimal and negligible and at worst elicited negative externalities or unintended consequences e.g. misuse of fiscus as people register co-operatives for the sole purpose of accessing the CIS grant. Hence, the grant has proved futile in tackling a range of market failures encountered by co-operative enterprises with a national mortality rate averaging 88 percent. Also, the Portfolio Committee had noted with concern that both the 2016/2021 Strategic Plan and 2016/2017 Annual Performance Plan (APP) of the Department and its entities, Small Enterprise Finance Agency (SEFA) and Small Enterprise Development Agency (SEDA), had not paid attention to technical skills support required by co-operatives including of course the impact of the CIS in making co-operatives viable.

There are three distinct catastrophic errors that successive governing Departments, Trade and Industry as well as Small Business Development have failed to take into contemplation when administering the fund, one being an emphasis on the number of co-operatives assisted during a particular financial year (tick box mentality) with little attention given to the impact of the grant two, no service given to the post funding period, absence or lack thereof of monitoring and evaluation during disbursement phase and thirdly, absence of coordination at the project/local government level. The Portfolio Committee has consistently raised these concerns for immediate attention by DSBD and, for that reason, it designated certain of the recommendations for immediate action while others obviously require longer terms to be accomplished. It remains to be seen if numerous remedial actions put forward by the Portfolio Committee have been taken into consideration and included in the 2017/18 APPs of the Department and its entities, SEFA and SEDA as well as ISIVANDE which has not been utilised after the adoption of the Programme Review by DSBD.

1. **BACKGROUND**

The Department of Small Business Development was established in 2014 with an inclusive mandate of developing survivalist, small, micro, medium and co-operative enterprises (“Small Business”) as defined in the National Small Business Act, 1996. It plays a vital role towards the implementation of chapters three (3) and six (6) of the National Development Plan (NDP) that deal with the economy and employment as well as rural inclusive growth. The NDP is the country’s vision, with a target of creating 9.9 million new jobs from small businesses by 2030, while the New Growth Path (NGP) that aims to create five (5) million jobs by 2020 and bring about a new, more inclusive, labour-intensive and efficient economy, is a government strategy in pursuit of the country’s vision. According to the NDP (2011: 117), “the NGP is the government’s key programme to take the country onto a higher growth trajectory”.

Additionally, the Department has a responsibility to contribute to the two outcome(s) of the Medium Term Strategic Framework (MTSF), namely, outcome four (4): Decent employment through inclusive growth, and outcome seven (7): Rural development. At the centre of its mandate, the Department further carries a duty to observe, follow and implement policy articulations as contained in the successive State of the Nation Addresses (SONA), as such, the nine point plan, first announced by the President during 2015 SONA in particular ‘the revitalisation of agriculture and agro-processing value chains’, and ‘unlocking the potential of SMMEs, co-operatives, townships and rural enterprises’ remains the key policy premise that informs and guides the Portfolio Committee approach to holding the Department accountable.

The Portfolio Committee is responsible for the oversight and performance monitoring of the Department. To enable it achieve its constitutional mandate the Committee, in line with Parliaments Strategic Plan, developed 30 Strategic Objectives and each of these are linked to the Strategic Objective(s) and Outcome(s) of the fifth Parliament. The Strategic Objectives of the Committee are further informed by the Departments’ and its agencies’ priorities as stressed directly above including its five-year Strategic Plan and APP. As such, this visit was critical towards the attainment of the following Committee strategic objectives: -

* Ensure that the Department sign and implement transversal agreements at policy level with relevant State departments, all spheres of government and State Owned Institutions;
* Ensure that the recommendations contained in the tabled reports i.e. oversight reports, are implemented once considered and/or accepted by the Department;
* Ensure that the Department identifies key instruments and mechanism to address Co-operative failure rate (estimated to be at 88 percent);
* Ensure that the Department coordinates a process for the development of a South African Model for Co-operatives Master Plan to include the development role of Co-operative Bank Development Agency (CBDA) and formation of Co-operative Financial Institutions, Co-operative Development Agency (CDA), Co-operatives Training Academy as well as Co-operatives Tribunal;
* Improve the effectiveness of the Portfolio Committee to track the implementation of Recommendations by the Department and lastly;
* Ensure the Department uses Intergovernmental Relations Framework Act, Municipal Integrated Development Plans, National Spatial Development Perspective/Framework, Municipal Spatial Development Frameworks as well as Local Economic Development Plans to inform their programme planning and implementation;

Furthermore, it is vital to note that in fulfilling its mandate of contributing to the realisation of a developmental state and ensuring effective service delivery through discharging its responsibility, the Portfolio Committee has meticulously favoured impoverished provinces or areas that are earmarked as presidential poverty nodes in the National Spatial Development Perspective (NSDP), an important policy instrument to what the Portfolio Committee seeks to achieve and an approach that is quite glaringly missing in the Department selection of the most deserving CIS beneficiaries. Most of the poor live in rural areas of Eastern Cape province (Alfred Nzo, Chris Hani and OR Tambo District Municipalities), followed by the KwaZulu Natal province (uGu, uMkhanyakude, uMzinyathi and Zululand District Municipalities) and Limpopo province (Sekhukhune, Vhembe and Mopani District Municipalities) hence the Committee prioritisation of these three provinces. The Portfolio Committee has subsequently called into question the criteria that DSBD applies in selecting eligible recipients and recommended that it be reviewed to target poverty stricken and underprivileged areas with high rate of unemployment.

Why agricultural projects? The Portfolio Committee has also made successive recommendations to the Department to identify key economic sectors of interest to survivalist, small, micro, medium and co-operative enterprises in order to develop targeted strategies. Agriculture is one of the most important economic sector not just in the province of KwaZulu Natal but throughout the country. It is a major economic and social driver that provides livelihood for millions of households, from subsistence farmers to co-operatives and large commercial concerns. Also, according to the Companies and Intellectual Property Commission (CIPC) data more than 80 percent of registered co-operatives are ‘agricultural co-operatives’ and found mostly in rural areas. The potential to increase agricultural production levels is very high, especially if the power of the many small-scale farmers can be harnessed. It thus forms the pillar of socio-economic development in the province.

Presently, the majority of the population in KZN live in rural areas where the standard of living is low. The dualistic nature of the sector where on one hand, there is a well-developed/commercial and a poorly/underdeveloped sector of which the majority are African women in rural areas who mainly practice subsistence farming, is an anomaly that is of serious concern to the Committee and it cannot be allowed to continue. The KZN is South Africa's best watered province, it has a larger area of high quality agricultural land than any other province, and the national leader in several agricultural products. Regrettably, the province is still a net importer of agricultural produce, so is the country. In line with this thrust, the identification of crops and the creation of upstream opportunities for small businesses in the agro-industrial in line with the country’s agri-parks strategy is of utmost importance. It is therefore imperative to consider agriculture in particular these projects not just as farming alone but as a holistic value chain, which includes farming, wholesaling, warehousing (including logistics), processing, and retailing. The Abalimi Agriculture Co-operatives projects are being piloted in the province of KwaZulu Natal to hopefully serve as a yardstick to measure failure or success of the CIS programme in overcoming market failures, to pilot the Co-operatives Based Community Economic Development Model and the Kohwa Holdings Agricultural Farming Model.

It is worth mentioning that in all the 12 projects currently being piloted there is one common vulnerability, that is lack of supporting infrastructure which in many instances has brought many of these projects to a halt. The 2016 Committee’s oversight report dealt extensively with these bottlenecks and proposed various remedial actions. Consequently, during December 2016, as part of extenuating the risks concerning the pilot projects the Department undertook to implement the following risk mitigating measures: -

* In order to cover the shortfall, the Department endeavoured to embark on the process to speedily engage the National Treasury to see how certain funds can be ring-fenced that may be used to implement the identified areas that require immediate attention. In that regard deviation to the CIS policy will have to be requested in order to enable funding of the noted areas on such short-term basis given the fact that they fall outside the scope of the policy;
* Site visits to carryout due diligence will be undertaken by the Department to ensure that the needs of the co-operatives are well captured in order to ensure relevant investment is provided to co-operatives;
* Engage National Treasury to determine if virement will be allowed with respect to shifting funds from CIS by ring-fencing funds dedicated to fund the project;
* Unlock resources from other relevant national and provincial departments using transversal agreements accompanied by the rollout plans;
* Unlock resources from municipalities by ensuring that the projects are introduced to the five municipalities and to assist with monitoring and supporting the co-operatives (i.e. ensure their inclusion in the IDPs).

Additional proposed solutions by DSBD included but not limited to the establishment of the Project Steering Committee (PSC), mobilising local municipalities to form part of the implementation of the project, mobilise funding to close the gaps identified and raised by the co-operatives through internal and external sources of funding, afford the project a pilot status within the Department and set aside financial and non-financial resources to guarantee successful implementation and review the funding model for co-operatives to ensure success and long-term sustainability of co-operatives. The implementation of these corrective measures is still a work in progress.

The requirement for the development of agricultural infrastructure in order to grow the economy of the sampled municipalities in accordance with the targets set out in their Integrated Development Plans (IDPs), Provincial Growth Development Strategy (PGDP) and the NDP is urgent. Graduating from phase one to phase four of the Co-operatives Based Community Economic Development Model by co-operatives, require setting up of, inter alia, storage facilities, pack-houses, processing facilities and distribution centres for these farms/projects and this is one big issue that needs to be tackled collaboratively by all three spheres of government, state owned entities (SOE) supported by the private sector and NGOs. Building of rural roads and bridges, rural telecom and rural electrification and provision of water and sanitation services need to be accelerated and coordinated.

All these projects are eligible for fast-tracking as Strategic Infrastructure Projects (SIP 11) as provided for in the Act No. 23 of 2014: Infrastructure Development Act assuming effective coordination among the national, provincial and local authorities is explored. While it is recognised that funding must follow functions, this appear to have triggered other departments to hold on to some of the functions that they are not mandated to perform that legitimately belong to DSBD. The estimation that more than R15 billion appropriation meant for small businesses that otherwise could have been disbursed as investment towards the development of infrastructure for the agricultural sector, with only one percent of this funding gets allocated to the Department of Small Business Development, points to a lopsided nature and cavity of our budgeting systems and processes. Streamlining of these functions remains one of the crucial task awaiting the Department with the support of National Treasury. The Portfolio Committee is well aware of the sector’s potential to create jobs and eradicate poverty, and most notably cognisance of the DSBD mandate of signing transversal agreements to leverage external resources. It is therefore on standby to provide necessary guidance and support in assisting the DSBD fulfil this critical function.

1. **OBJECTIVES OF THE OVERSIGHT VISIT**

The objective of the oversight visit is drawn from the mandate of the Portfolio Committee of conducting oversight over the Department of Small Business Development. Since inception in July 2014 the Committee has systematically interacted with a number of stakeholders including the retail sector as a market, Development Finance Institutions (DFI), other government departments and non statutory bodies representing small businesses with a view to strengthening and consolidating its understanding of the sector as a whole. Over and above the policy pronunciations and prescripts as painted above, the purpose of the latest visit was also informed by the strategic plan of the Portfolio Committee including assessing whether DSBD is effectively and efficiently executing its mandate of: -

3.1 Championing the development of survivalist, micro, small, medium and co-operative enterprises in South Africa;

3.2 Coordinating support services needed and designed to develop small businesses which are located in other government departments, other spheres of government and state owned entities;

3.3 Signing of transversal agreements with other departments and spheres of governments, including SOEs with the aim of facilitating sustainability of survivalist, small, micro, medium and co-operative enterprises;

3.4 Assessing whether the existing support service provided to co-operatives by the Department is able to address the felt needs of co-operatives;

3.5 Implementing the Remedial Action Plan to aid Abalimi Agricultural Co-operative Pilot project which was presented to the Portfolio Committee by DSBD on the 7th of December 2016;

3.6 Facilitating the alignment of the pilot projects to the IDP process of local government in order to activate the required support services that are core mandates of other government departments;

3.7 Facilitating the establishment of the Project Steering Committee (PSC) in local and district municipalities to ensure coordination, alignment of activities and effective project management;

3.8 Evaluating the potential of co-operatives as representatives of the civil society in economic development, job creation and poverty reduction and one of the three pillars of the South African mixed economy;

3.9 To broadly promote training, skills development, and various other initiatives dedicated to the support for rural enterprises and co-operatives;

3.10 To identify stakeholders with a role to play in the process of developing Primary and Secondary Co-operative Initiatives;

3.11 To identify changes that need to be made to enable co-operatives to play a meaningful role in revitalising community economic development;

3.12 Promoting access to financial support for women, youth, rural enterprises and co-operatives through targeted new product development;

3.13 Explore and forge innovative business model(s) based on public-private partnerships (PPP) principles and strategies, as well as procedures to start or expand lending models especially for rural enterprises and co-operatives which often do not possess required collateral (Co-operatives Based Community Economic Development Model developed by the Chairperson of the Portfolio Committee on Small Business Development, adopted by the ANC Study Group on Small Business Development, and supported by some financial institutions and NGO as well as Local Government Sector Education and Training Authority (LGSETA));

3.14 To establish a shared understanding of challenges faced by co-operatives and jointly develop a strategy to assist the Department eliminate bottlenecks faced by co-operatives that it supports and lastly;

3.15 To discuss and forge a common understanding of the support services designed for co-operatives and ultimately deliberate on possible interventions required by the Abalimi Agricultural Co-operatives Pilot project and replication of the project in KwaZulu-Natal during 2017/2018 financial year and in other provinces during 2018/2019 financial year and onwards.

1. **ANTICIPATED OUTCOMES**

4.1 Capacitation of government departments/spheres participating in the workshops to engage in the process of developing co-operatives from an integrated common perspective of community economic development through co-operatives thereby reducing a myriad of barriers to co-operatives growth, red tape, confusion and duplication of activities thereby enabling various departments to play complimentary roles and focus on their core mandates rather than the current confusing competing roles amongst government departments that have resulted in 88 percent failure rate of co-operatives;

4.2 The Department, with the assistance of the Service Providers to urgently provide diagnostic services to ten (10) co-operatives that have not achieved similar level of success as attained by uLimo 12 Co-operative in uMuziwabantu LM under uGu DM, and Selulele Co-operative in uMzimkhulu LM under Harry Gwala DM. Both co-operatives are gearing for phase two;

4.3 Participants to agree on what needs to be done moving forward in reversing 88 percent failure rate of co-operatives to 88 percent viability with positive impact on community socio-economic development;

4.4 Develop the Department foresight, prudence, knowledge in order to acquire new perspective to better assume its project championing and coordination roles of developing co-operatives;

4.5 The Committee aims to utilise Abalimi Agricultural Co-operatives as case studies to further sharpen its oversight responsibility. The Department, with the assistance of the Service Providers, including SEDA and SEFA to develop an online diagnostics tool with ‘early warning indicators’ to circumvent similar challenges from occurring in the future and/or in other provinces;

4.6 The formation of a Project Steering Committee (PSC) comprising of various role players from national, provincial and local government level, state-owned entities (SOEs), private sector, civil society and non-government sector with its secretariat monitored and funded by the Department;

4.7 The Department of Small Business Development would assume the same role that was assumed by the Department of Sport and Recreation when South Africa was preparing to host the 2010 FIFA Soccer World Cup;

4.8 The Committee would use the information gathered from the visit to write an Oversight Report and encourage the Department and its Agencies to include in their 2017/18 Annual Performance Plans (APP) recommendations of the Portfolio Committee;

4.9 Re-evaluate and introduce new financial products and/or refine current products to better suit the needs of the co-operatives and;

4.10 The Committee would introduce a participatory development oversight approach to Parliament.

1. **COMPOSITION OF THE DELEGATION**

The delegation comprised of members of the Portfolio Committee on Small Business Development, Parliamentary Officials, officials from the Department of Small Business Development, Small Enterprise Development Agency (SEDA) and Technical Supporter for Abalimi Primary Cooperatives, Kohwa Holdings. Small Enterprise Finance Agency (SEFA) was not represented in this oversight visit and there is no reason advanced why they could not be part of the visit. Also in attendance were the Department of Water and Sanitation (DWS), Provincial Department of Cooperative Governance and Traditional Affairs (KZN COGTA), Department of Economic Development, Tourism and Environmental Affairs (KZN EDTEA), Department of Agriculture and Rural Development (KZN DARD), Metro, District and Local Municipalities, namely, eThekwini Metro, iLembe District Municipality, uGu District Municipality, iMpendle Local Municipality, uMsunduzi Local Municipality, uMzimkhulu Local Municipality, Ndwedwe Local Municipality, Enterprise iLembe and Institute for Co-operatives and Community Economic Development (ICCED). The following District and Local Municipalities did not respond to the Portfolio Committee invitations, namely, uMgungundlovu District Municipality, Harry Gwala District Municipality and Ray Nkonyeni Local Municipality.

* 1. **Members of the Portfolio Committee on Small Business Development**

Ms NR Bhengu, MP (ANC) Leader of the delegation

 Mr SB Bekwa, MP (ANC)

 Mr N Capa, MP (ANC)

 Ms N Mthembu (ANC)

 Rev KRJ Meshoe, MP (ACDP)

 Mr SC Mncwabe, MP (NFP)

* 1. **Parliamentary Officials**

Mr NK Kunene Committee Secretary

Ms N Jobodwana Committee Assistant

 Ms N Zixesha Executive Secretary

 Mr S Gumede Content Advisor

 Mr J Molafo Parliamentary Communication Officer

* 1. **Department of Small Business Development Officials**

Mr Linton Mchunu Chief of Staff: Ministry

Mr Noko Manyelo Parliamentary Liaison Officer

Mr Jeffry Ndumo Chief Director: Cooperatives Development Unit

Ms Pertunia Digomo Deputy Director: Co-operatives Development

Mr Petrus Mathonsi Assistant Director: Co-operatives Incentive

Ms Ramadimetja Lekganyane Assistant Director: Communication & Marketing

Mr Didy Vollenhoven Personal Assistant

Mr Thembinkosi Kunene Branch Manager: SEDA

**DAY ONE: STAKEHOLDER WORKSHOP AND SITE VISIT**

In terms of the Portfolio Committee programme the first day of the oversight was dedicated to a stakeholder workshop in Durban, courtesy of eThekwini Metro, and a site visit to Sinothando Primary Co-operative in Molweni, Hillcrest. The Secretariat had extended invitations to uMgungundlovu DM and its local municipalities, iMpendle and uMsunduzi, iLembe DM and its local municipalities Maphumulo and Ndwedwe, as well as economic development agency for iLembe DM, Enterprise iLembe. Other provincial departments and agencies that were invited are KZN DARD, KZN COGTA and KZN EDTEA. The Department had notified the technical partner Kohwa Holdings, the CIS beneficiaries from the neighbouring municipalities as above and one non-governmental organisation (NGO) ICCED funded by LGSETA to provide community economic development training to Municipalities and in particular to the LED unit of municipalities had joined the workshop and did a presentation.

Subsequent to a briefing between members of the Portfolio Committee and Her Excellency the Mayor of eThekwini Ms Zandile Gumede the workshop was duly opened by the Deputy Chairperson of Economic Development in eThekwini Metro Councillor Madlala who extended a warm welcome to the members of the Portfolio Committee, Parliamentary staff, the Department, representatives from various organs of state, civil society, business sector and wished participants productive deliberations. All the attendees introduced themselves. The workshop provided a great opportunity for discussions and sharing of ideas among the participants. It was presided over by the Chairperson of the Portfolio Committee Honourable Ruth Bhengu and was roughly divided into two inter-related parts a) presentations and b) discussions.

1. **Introductory Presentation by the Chairperson of the Portfolio Committee**

The Chairperson of the Portfolio Committee made a brief presentation which included the purpose of the oversight visit, brief introduction of Abalimi Agricultural Co-operatives Pilot project, expected roles of provincial and local spheres of government in relation to these projects. She noted that despite repeated reprimands and recommendations as contained in the successive 2015 and 2016 Oversight Reports of the Portfolio Committee there is little effort that has been made by the Department to introduce these projects to the local governments, and flagged this as a main source of instability to the projects. For instance, it was brought to the attention of the Portfolio Committee that eThekwini Metro was only made aware of these projects a week before the oversight visit by the Secretariat.

* 1. **Historical Perspective**

In her presentation, the Chairperson of the Portfolio Committee gave a brief synopsis of the historical background and inconsistencies between what is proposed by the Committee and the Department. On the former, the Chairperson touched on the mandate of the Department which is to develop survivalist, small, micro, medium and co-operative enterprises throughout the country. During its formation, DSBD had also been given a mandate to sign transversal agreements with other departments so as to facilitate collaboration amongst them in order to accomplish maximum results with limited resources, and also to reduce duplication of activities and confusion at community level. Prior the establishment of the Department of Small Business Development, the mandate of developing co-operatives was with the Department of Trade and Industry (**the dti**) which interestingly in 2009, had commissioned a strategy “2012 - 2022 Integrated Strategy for Promotion and Development of Co-operatives” to assess the progress made in the development of co-operatives. The strategy discovered that there was 88 percent failure rate of co-operatives in South Africa. It had further made practical recommendations that needed to be considered to make co-operatives sustainable but these were not implemented by **the dti**.

Following 2014 general elections the DSBD was then established followed by the formation of the Portfolio Committee. The Committee had then asked the DSBD to review all programmes inherited from **the dti**, including other programmes that had been inherited from other departments such as Economic Development Department (EDD). In 2015, during its oversight visit to KZN the Committee came across Kohwa Holdings, its technology and farming methodology. Impressed by this farming technique the Committee then recommended to the DSBD to pilot the methodology used by Kohwa Holdings. In the same year the Chairperson of the Portfolio Committee presented a co-operatives development model to the Portfolio Committee that link the process of developing co-operatives to service delivery and job creation. This model was adopted by the Committee and recommended that the DSBD also adopts it.

In November 2015 DSBD approved funding for 12 co-operatives in KZN and in 2016, these 12 co-operatives were adopted by the Committee as a pilot project with a service provider appointed by DSBD to provide technical support. The PC then resolved to focus its oversight on the 12 co-operatives in KZN and use them as a case study for reducing the high mortality rate of co-operatives, guided by its Strategic Plan that it had adopted in 2016, in particular, the strategic objectives that relates to the application of Intergovernmental Relations Framework Act and implementation of the Transversal agreements mandate by the Department.

* 1. **Contradictory Approaches**

The difficulty, however, towards accelerated implementation of this model has been the divergence of approaches between the Portfolio Committee and the Department summarised herein as follows: -

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|  | **The Portfolio Committee** | **The Department** |
| 1. | The Committee emphasises the need for DSBD to lead policy change, develop an integrated model and Master Plan similar to what Sport and Recreation did prior 2010 during preparations to host 2010 Soccer World Cup;  | The DSBD approach emphasises Research and Policy development; |
| 2. | The Committee is of the view that SMME and Co-operative Programme from DDG level require different support systems and should be separated; | The Department wants to combine SMME and Co-operative Programmes into a single or under one unit or Deputy Director General (DDG); |
| 3. | The Committee supports the use of sector development approach and prioritisation of agriculture and rural development to reduce poverty and unemployment in underdeveloped areas and produce black industrialists; | DSBD approach is generalist, focus on mainstreaming and high performance businesses; |
| 4. | DSBD strategies must encompass exit plan of poor households from social grant indigent registers and broadening of revenue base of municipalities; | DSBD has no position; |
| 5. | Gauge performance through measuring impact on job creation as opposed to the number of co-operatives funded; | DSBD performance is based on the number of co-operatives registered and funded; |
| 6. | Assess progress made by ability of co-operatives to take off the ground, job creation and participation in mainstream economy; | Assess progress by monitoring post disbursement of Co-operatives Incentive Scheme and delivery of good paid by the Service provider which the DSBD had paid for; |
| 7. | Work more closely with Municipalities and use IRFA to include co-operatives in the Integrated Development Plans; | Reluctant to work with municipalities but prefers to work with other national departments to sign transversal agreements; |
| 8. | To move away from silo mentality.  | The approach is inward looking and hell-bent on maintaining **the dti** approach and systems to co-operatives development even if such resulted in 88 percent failure rate; |

The Chairperson concluded her introductory remarks by reiterating the purpose of the visit being to: -

* follow up on the oversight and workshop undertaken on the 14th and 15th of September 2016 in order to assess if DSBD has addressed challenges of co-operatives which were identified during that visit. Those challenges are reflected in the report of the Portfolio Committee that was subsequently adopted by Parliament;
* to follow up on the implementation of the Remedial Action Plan presented by the DSBD to the Portfolio Committee on the 7th of December 2016;
* to interact with other key government departments and municipalities needed for development of co-operatives and assess their involvement in development of co-operatives more particularly the inclusion of these projects in the IDP process which would facilitate provision of critical infrastructure for economic development by other departments as well as alignment of budgets and support services to make these co-operatives sustainable;
* to identify the role played by LGSETA in the process of implementing the NDP so as to radically transform the economy;
* to assess progress made by the DSBD in signing transversal agreements with relevant municipalities to ensure that the model is implemented in KZN and integrated in the IDP process for 2017/ 2018 financial year and;
* to get the views of municipalities, key provincial government departments and other role players who have an interest in development of co-operatives.
1. **Presentation by eThekwini Metro**

The Programme Manager for Co-operative Development Programme Ms Nonhle Memela presented the eThekwini Co-operative Development Policy approved by the Council in 2015. The purpose of the policy is to create an enabling environment for growth, and enhance sustainability of co-operatives through the development and provision of enhanced financial and non-financial support services utilising improved institutional arrangements to address the social and economic needs, to create awareness of the co-operative model and to change the perceptions and mind set about co-operatives. The City’s presentation was comprehensive and covered a wide range of aspects of interests and concerns not only for the co-operatives but also for the Department and the Portfolio Committee. The City’s presentation is available.

In relation to the Abalimi Agricultural Co-operative Pilot project, as alluded to above, the eThekwini Metro did indicate that they were not aware of these co-operatives/projects. During the presentation it emerged that the City has more than enough budget earmarked for the survivalist, small, micro, medium and co-operative enterprises to the tune of more than R600 million. Also, the City has adequate resources i.e. machinery and equipment to assist disadvantaged communities including small scale ventures such as Sinothando project. After having been made aware of the project the officials from the City visited the site for inspection a week prior the arrival of the Portfolio Committee, got to mingle with the co-operative members in an effort to collating and documenting all the issues for actioning by the eThekwini Metro, a true demonstration of pragmatism and proactive attitude. The City was also sensitised that following the local government elections (LGE) of 2016 Vulamehlo Local Municipality was disestablished and its municipal area merged into [eThekwini Metropolitan Municipality](http://www.municipalities.co.za/metropolitans/view/5) and [uMdoni Local Municipality](http://www.municipalities.co.za/locals/view/81) under uGu District Municipality. As a result, the two projects under then Vulamehlo Local Municipality now forms part of eThekwini Metro. In terms of traditional leadership both wards where these projects are situated fall under iNkosi Nkosinathi Maphumulo who also joined the initial part of the workshop but left just before lunch due to other commitments.

* 1. **Observations and findings**

The Committee observed and found the following:

* + 1. Members of the Portfolio Committee were very receptive to the City’s presentation. It touched on many facets of co-operatives development, highlighted a number of challenges that require a rigorous and cooperative effort from national to local government level but struggled to unearth a number of low hanging fruits that could be leveraged by co-operatives in a metro municipality, such as infrastructure maintenance as identified in the Back to Basics document of the Department of Cooperative Government and Traditional Affairs;
		2. The City’s Co-operatives Policy presented is aligned to the National Development Plan, New Growth Path, National Co-operatives Development Strategy, National Industrial Policy Framework, Provincial Growth and Development Strategy and Co-operative Amendment Act of 2013. It is insightful and provides a very useful model vis-à-vis the local government approach or bottom up approach to co-operatives development;
		3. The City’s co-operative strategy is aligned to the Radical Agrarian Socio-Economic Transformation Mechanism (RASET) Strategic Master Plan which is coordinated by KZN DARD. During the presentation it emerged that the City has embarked on the implementation of this programme which will be rolled out to communities. This broad-based programme will cover a majority of players in the agriculture sector by eradicating poverty, unemployment and inequality;
		4. However, the strategy needs to be augmented to include a clear plan around supplier development and access to market beyond government departments which is a role that is played by Kohwa in the case of Abalimi Agricultural Co-operative Pilot projects to provide technical skills training and access to private sector and export market. For instance, a sum of R630 million for the Mega Park Incubator infrastructure at Durban Fresh Produce Market and farmer support development that has been set aside by the City will certainly go a long way in boosting the agricultural ventures in and around eThekwini Metro. The facility will be used as an incubation programme for emerging farmers;
		5. According to HIS Global Insight, one of the world’s largest repositories of global economic, financial and industry data, the sectoral composition of the eThekwini Metro Gross Domestic Product (GDP) in 2015 identified the leading economic sectors as community services and finance at 20 percent, manufacturing and trade at 19 percent, transport at 14 percent while agriculture was one (1) percent, just above mining which is second from last. The City’s intervention with respect to co-operatives participation in the lucrative sectors that constitute largest portion of the City’s economy as indicated above, or, the strategy of expanding the agricultural sector say from one to five percent or so is not clearly expressed in the strategy;
		6. As indicated above, most registered co-operatives are in the agricultural sector. Therefore, the strategy should demonstrate awareness of this and include target(s) around increasing the sector as a whole, including agro-processing using mainly agricultural co-operatives;
		7. The City prides itself of owning the third ranked fresh produce market in the country in terms of turnover and tonnage, Durban Fresh Produce Market (DFPM). The DFPM is the only bulk market distribution centre in the eThekwini Region and surrounding areas with a remarkable turnover of R1.2 billion for the 2014/15 financial year, second after Tshwane Fresh Produce Market at R1.9 and third after Johannesburg Fresh Produce Market at R2.9 billion during the same financial year. This is a remarkable opportunity for agricultural co-operatives in and around eThekwini Metro particularly given that Kohwa Hodings farming model and various other innovative farming models e.g. organic farming do not really require huge acres of land space;
		8. The Strategic framework consist of the three areas of focus for the City a) access to information and incubation programme, b) access to markets and c) access to finance. These are no doubt critical, however, an important omission that is known to have grounded a number of survivalist, small, micro, medium and co-operative enterprises is absence of measures aimed at reducing the bureaucratic red tape at a Metro or municipal level i.e. onerous supply chain management requirements, provision of critical infrastructure such as transport, energy, telecommunication, water and sanitation;
		9. The motto of the co-operatives strategy is ‘heartbeat of the economy’. A member of the Portfolio Committee probed the usage of an English slogan in a province where people are predominantly Zulu speakers and the target audience of the co-operative strategy being previously disadvantaged individuals;
		10. The Portfolio Committee was informed that eThekwini has on average 800 co-operatives registered on its database of suppliers but coincidentally, Sinothando Primary Co-operative was not one of them, as well as the other two co-operatives located in Vulamehlo, another form of bureaucratic red tape which necessitates the need to have one national central supplier database (NCSD) catering for all spheres of government;
		11. The Portfolio Committee was impressed to learn that eThekwini Metro has opened itself as a sustainable market for co-operatives. A total of 550 co-operatives were said to be contracted by the City, although the presentation was not explicit in terms of classifying or breaking down how many of the contracted co-operatives are owned by women, people with disabilities, young, blacks, or the number of jobs that these co-operatives create as well as their impact on poverty reduction including creating an exit of poor households from the indigent register of eThekwini Metro;
		12. The Portfolio Committee is of the view that the composition of the 550 co-operatives should be broken down in the co-operatives development strategy to indicate desired targets with respect to the level of women, youth, people with disability participation. The skewed nature of eThekwini economy in particular access to market in favour of a certain race group and gender is a ticking time bomb and the City must develop a plan of action tactically tied to the co-operative strategy to diffuse these tensions;
		13. According to the 2016/17 City’s IDP the key issues relating to the economy of eThekwini that should have featured predominantly in the co-operative strategy include, persistently high unemployment, 41 percent of population being subject to conditions associated with poverty and the need for greater diversity in the economy. Members of the Portfolio Committee did raise concern that the City’s economic activity and representation lacks inclusivity and diversity, and what was being done to address this;
		14. The presentation did not make mention of the critical stakeholders, the role of traditional leadership in as far as access to land is concerned. From the Portfolio Committee point of view especially in KwaZulu, the traditional leadership and Ingonyama Trust have on many occasions proven themselves to be indispensable. AmaKhosi or Tribal Chiefs, the custodians of the land, are fully supportive of such projects but they want to be part of these processes right from the inception phase;
		15. The Municipality acknowledged the importance of implementation of the Intergovernmental Relations Framework Act (IRFA) in coordination in order to intensify sustainability and development of co-operatives. To date, like other municipalities that the Portfolio Committee has visited, eThekwini Metro has identified the role each institution could play in mitigating high failure rate of co-operatives;
		16. The City was in full support and strongly advocated for the creation of an Interdepartmental Committee to be spearheaded by the Department of Small Business Development to ensure alignment of product and service offerings to co-operatives;
		17. The eThekwini Municipality has the capacity to finance and provide a sustainable market for agricultural co-operatives and should therefore be seen by DSBD as a strategic partner with capacity in comparison to other municipalities that have no revenue base. Engagements between the DSBD and eThekwini and their service providers would be more about cross alignment of the strategies and cross pollination;
		18. The City of eThekwini total budget for 2016/17 is R42 billion, up from R31 billion in 2011. It is therefore in the DSBD interest to form partnership with eThekwini Metro specifically the signing of project or sector specific Transversal agreement;
		19. Members of the Committee observed that the City’s approach to co-operatives does not include poverty eradication and job creation as the rationale behind the co-operative movement is to exterminate these social ills, their view is, it should not be packaged as a nice to have but an instrument to disrupt joblessness and poverty;
		20. The Portfolio Committee observed that the co-operative strategy of eThekwini Municipality is silent on how to integrate people on the indigent register of the City to assist them become self-sufficient, exit the indigent register as they begin to afford payment for rates and services supplied to them by the municipality thereby broadening the revenue base of the municipality which is part of playing a meaningful role in the economy. A plea was therefore made by members of the Portfolio Committee to the City to use the indigent register to target poor families and organise them to form co-operatives and develop them into active economic participants;
		21. Members also noted that the City’s model or strategy was mainly focusing on co-operative development model at the exclusion of the community and private sector involvement, when in actual fact the role of the City should be to create a favourable environment for co-operatives to become catalysts for private sector and public sector investment in underdeveloped areas;
		22. As a result, on access to finance for instance, only Standard Bank and Ithala had been mentioned as strategic partners even though SEFA, an agency of DSBD, has been reconfigured to specialise on financing of survivalist, small, micro, medium and co-operative enterprises. The agency has a programme launched recently with the Fresh Produce Markets targeting survivalists, street vendors and co-operatives and this could be one of the lever to address both access to market and finance. Also, the role of Co-operative Financial Institutions (CFIs) in unlocking finance for co-operatives was another aspect of consideration by the City which was missing in its approach. Most communities are already engaged in this form of savings called township stokvels. Nevertheless, what they do thereafter is to buy huge quantities of food stock instead of creating CFIs to finance the creation of secondary co-operatives to operate as retailers. This is an area that require substantial attention by the government;
		23. In relation to the sectoral composition of eThekwini economy, members felt that the strategy presented did not incorporate a plan of expanding co-operative enterprise participation in the leading lucrative sectors such as marine, construction and transport, where coincidentally many of the state owned entities like Transnet, Passenger Rail Agency of South Africa (PRASA) and South African Airways (SAA) are found. During the 2015 oversight visit to KZN the Portfolio Committee interacted with PRASA where firm commitments had been made by the Agency to prioritise co-operatives;
		24. The presentation did not touch on a critical issue that is raised sharply on the NGP, the space where small businesses could conduct their commercial activities or trade. Members of the Committee made reference to this omission as this issue has repeatedly been raised by small businesses as a major hurdle negatively affecting them;
		25. The Portfolio Committee applauded eThekwini for establishing a partnership relationship at international level specifically with the International Labour Organisation (ILO) which positions co-operatives as an important pillar for attainment of the millennium goals and also acknowledges that cooperatives are a tool for community economic development;
		26. The Portfolio Committee suggested to eThekwini to also work closely with South African National Apex Co-operatives (SANACO) so as to create an opportunity for SANACO to build its capacity as the APEX body and learn from the ILO on how to influence government policies in favour of co-operatives. A partnership with ILO would also benefit DSBD to broaden its understanding on the role of cooperatives in community socio-economic development particularly during this phase of implementing the NDP and radically transforming the economy.
1. **Presentation by KZN COGTA**

The mission of KwaZulu Natal Co-operative Governance and Traditional Affairs (KZN COGTA) is to strengthen cooperation among all spheres of government, support and build the capacity of local governance institutions, and facilitate and coordinate stakeholder engagement in pursuit of people-centred development, accelerated service delivery. Its strategic goals are sustained performance of institutions of local governance, strengthened cooperative governance, efficient and effective oversight, and improved organisational capacity and proficiency of the Provincial Department and Ministry. KZN COGTA is responsible for performing oversight and provide support to 54 municipalities, including 296 Traditional Leaders and their respective structures.

The presentation was very informative and educational. It covered a number of initiatives, LED projects currently being funded by KZN COGTA in various municipalities. However, what it did was to lay bare mandate overlaps and duplication of functions between/among KZN COGTA and its sister Departments such as KZN EDTEA, KZN DARD and perhaps few other departments i.e. KZN Department of Social Development (KZN DSD), KZN Department of Education (KZN DOE), KZN Department of Health (KZN DOH) and KZN Department of Correctional Services (KZN DCS). All these Departments have little units/sections, not supply chain management units, that develop, fund, provide training to SMMEs and co-operatives but are not centrally coordinated.

The presentation by KZN COGTA assisted to expose challenges that informed the establishment of the Department of Small Business Development and why it was given a mandate to coordinate support services designed for development of small businesses. The presentation further uncovered overlapping and duplication of activities which creates a lot of confusion at community level in terms of which department is mandated to do what in the process of developing co-operatives. Another worrying factor which became clear to the Portfolio Committee as a result of the presentation made by KZN COGTA is the amount of resources that are dispersed in almost all government departments that gets ploughed into community investment projects, albeit haphazardly, leading to an utter misuse of government fiscus by beneficiaries resulting only in 12 percent success rate and 88 percent failure rate a situation that needs serious attention by DSBD.

* 1. **Observations and findings**

The Committee observed and found the following:

8.1.1 It is important to note that all the Departments mentioned in this report have specific constitutional mandates. In provinces, powers and functions of developing small businesses reside under the corresponding Economic Development Departments (EDD), KZN EDTEA in the case of KwaZulu Natal, while at local government level such powers and functions fall under the Local Economic Development (LED) Programmes;

8.1.2 KZN COGTA provide financial and non-financial support direct to co-operatives, indirect to co-operatives through, among others, consultants and service providers, and indirect to co-operatives via local economic development (LED) units within the respective municipalities;

8.1.3 There is likelihood that some of the projects and co-operatives funded by KZN COGTA also get financial assistance from National Departments of Agriculture, Forestry and Fisheries (DAFF), Rural Development and Land Reform (DRDLR), Trade and Industry (**the dti**) and Small Business Development (DSBD), Provincial Departments of Agriculture and Rural Development (KZN DARD), Economic Development, Tourism and Environmental Affairs (KZN EDTEA) as well as District and Local municipalities;

8.1.4 There is thus a real possibility that the R15 billion estimated by DSBD meant to assist survivalist, small, micro, medium and co-operative enterprises is much more than what the Department, with the assistance of National Treasury had quantified. There is a lot of ‘triple dipping’ on benefits and unaccountability;

8.1.5 The Portfolio Committee notes that most provinces such as KwaZulu Natal, have several state owned entities tasked with parallel mandate(s) of supporting survivalist, small, micro, medium and co-operative enterprises, such as, KwaZulu Natal Agri-business Development Agency (KZN ADA), KZN EDTEA Small Business Development Agency (KZN SBDA) situated in Umhlanga, an affluent area where most typical small business owners are struggling to reach, five municipal funded district economic development agencies, namely, uGu South Coast Development Agency, Harry Gwala Development Agency, Enterprise iLembe, uThungulu Fresh Produce Market and Amajuba Economic Development Agency, which do more or less the same activities;

8.1.6 Members also notes that most of these agencies do not have capacity to package mostly, LED, agriculture and tourism projects, and often end up outsourcing most of their functions to consultants and service providers, the biggest beneficiaries of this ineptitude and small business sector remaining the biggest loser;

8.1.7 The Portfolio Committee also notes that some of these municipalities such as King Cetshwayo and uGu District Municipalities received millions of grant funding from KZN COGTA to put up supporting infrastructure for emerging farmers and agricultural co-operatives, these include uThungulu Fresh Produce Market and uGu Fresh Produce Market. Nevertheless, the lack of supplier development in the form of small scale farmers and agricultural co-operatives, resulted in uGu Fresh Produce Market becoming a financial burden to uGu District Municipality which ended up renting the facility out to Isuzu to reduce expenditure and prevent vandalism. Such facilities however remain a strategic marketing channel to connect agricultural co-operatives and their target market;

8.1.8 The absence of central planning, a co-operatives development master plan and a model championed and coordinated by a lead Department created this situation which the Department of Small Business Development is mandated to address. The capacity in DSBD to champion and coordinate all these entities is a cause for concern to the Portfolio Committee;

8.1.9 The KwaZulu Natal is one of the few provinces with a Planning Commission. It has a bird’s eye view of what is taking place on the ground. It is housed within the Office of the Premier so as to ensure coordination, harmonisation of functions and prompt identification of areas of overlap. KZN COGTA, owing to its limited or rather specific mandate as outlined above, may not necessarily be in a position to distinguish some of these functions but through partnership with the KZN Planning Commission lot of efficiency can be achieved;

8.1.10 Likewise, the Portfolio Committee notes that DSBD is not taking its rightful place in emulating the role that was played by the Department of Sport and Recreation when South Africa was preparing to host the 2010 FIFA Soccer World Cup and position itself at the centre of co-operatives development to ensure that all other departments play a complementary role instead of duplicating services and operating outside each department’s core mandate;

8.1.11 KZN COGTA is well within its right to support local economic development. However, KZN COGTA should be supporting underfunded LED units of municipalities and building their capacity to enable them to play a meaningful role than just development of the Local Economic Development Strategic Plans and Integrated Development Plans. There is a need for municipalities to become more active in spatial planning at ward level in order to reverse apartheid settlement patterns and create a platform for development of new towns in underdeveloped areas and provision of critical infrastructure for economic development;

8.1.12 Project Rebirth for National Fresh Produce Markets is an initiative which has been established and institutionalised as a collaborative effort between government and the fresh produce industry stakeholders to revive the operations and service standards of national fresh produce markets across the country. KZN COGTA must thus encourage municipalities to take an active interest in these developments;

8.1.13 This include agri-parks initiative announced by the President of the country in 2015. The government set aside R450 million for the establishment of Agri-parks in KwaZulu-Natal out of a total budget of R2 billion for the national roll out. However, not even a single agri-park is operational. The agri-parks initiative will be implemented alongside KZN Cabinet’s Radical Socio-Economic Transformation (RASET) model and the Province’s Poverty Eradication Master Plan. There is already a provincial steering committee on agri-parks which its mandate could be expanded to include new initiatives such as Project Rebirth;

8.1.14 KZN COGTA should, in line with its mandate, assist municipalities to focus on developing co-operatives to aggregate buying power and generate opportunities for collective marketing. Municipalities should be assisted to have a defined approach and strategy for co-operatives as part of the municipal LED strategy;

8.1.15 KZN COGTA and EDTEA are better resourced to assist municipalities understand the nature of their local economy, competitive advantages, and target areas within the production value chain where the opportunity for co-operatives (or other small scale businesses) are reasonably abundant to supply services and resources to larger scale local producers, that is to strengthen interdependence between the first and second economy;

8.1.16 The municipalities must be encouraged to establish or create a sustainable environment for co-operatives in order to develop their local economies and facilitate with other organs of state, private sector, NGOs and educational institutions to facilitate their involvement in the development of small businesses i.e. SEDA has lagged behind in the provision of access to business training and skills development;

8.1.17 KZN COGTA with support of other state organs can help municipalities focus on the spatial environment for co-operatives to thrive such as improvements in basic services, investment in hard and soft infrastructure, such as access roads, fresh produce markets and abattoirs;

8.1.18 Facilitation of an integrated development approach to reduce duplication of activities and facilitate complementary working relationships to achieve maximum results using limited resources should be one of the key areas of delivery for KZN COGTA;

8.1.19 As a result of its mandate, KZN COGTA is better placed to reduce competition and confusion concerning which department is responsible for what service, which may lead to each department focusing on its core mandate;

8.1.20 Co-operatives development require practical and hands-on approaches if co-operatives are to be more successful.

1. **Presentation by KZN EDTEA**

The interaction between the Portfolio Committee and KZN EDTEA was the third of its kind in two years. During the 2015 oversight visit the KZN EDTEA had presented a range of product and service offerings from survivalists or informal economy, small, micro, medium to co-operative enterprises. The difference between then and now is that the focus of the Portfolio Committee was strictly on co-operatives development specifically as it relates to Abalimi projects. The Regional Manager for the eThekwini and uGu regions Mr Gcina Mbhele made a brief presentation on the Department’s approach in as far as it relates to the development of co-operatives.

The mission of KZN EDTEA is to develop and implement strategies that drive economic growth, to be the catalyst for economic transformation and development, to provide leadership and facilitate integrated economic planning and development and create a conducive environment for investment. Its strategic goals are therefore to lead and coordinate integrated economic planning and development, facilitate sustainable and inclusive economic growth to ensure job creation, develop and transform tourism sector. The KZN EDTEA presentation also covered the basics on training i.e. contract with Coastal college to provide training on business development, conflict management, marketing etc, touched on Memorandum of Understanding with the University Zululand.

Inferring from the presentation, it appeared that most of what KZN EDTEA offer co-operatives, is mostly limited to training. The Portfolio Committee has met officials from KZN EDTEA three times already, but they have not been presented with substantial interventions or projects where co-operatives are actively involved, bearing in mind that KZN is the third poorest province in the country. Members of the Portfolio Committee were for instance keen to know if KZN EDTEA has any role or strategy around ocean’s economy, small fisheries, its role in as far as coordination is concerned considering level of duplication between and among provincial departments and entities. The Portfolio Committee further teased KZN EDTEA to outline things or actions that need to be changed or improved be it policy, act or legislation in the area of co-operatives to improve synergies, eliminate wastage or what other members termed, ‘fiscus dumping’, stemming from duplication of functions and mandates.

**9.1 Observations and findings**

The Committee observed and found the following:

9.1.1 The province of KwaZulu Natal has at least two critical economic sectors of interest to co-operatives, tourism and agriculture. The transformation of the agricultural sector is central to the future growth and well-being of KwaZulu-Natal. The population of KZN rural areas accounts for 54 percent of the total provincial population, and therefore makes it one of the most rural provinces in the country;

9.1.2 The province affectionately known as South Africa’s playground or garden province, synonymous with beaches, beautiful mountains and savannah populated by big games, does not unfortunately have a strategy or a long term vision of how to develop co-operatives around these two specific comparative and competitive strengths of the province;

9.1.3 When the Portfolio Committee members enquired if there has been any form of contact between KZN EDTEA and DSBD regarding these projects, Mr Mbhele informed the workshop that he had heard for the first time of the Abalimi Agricultural Co-operative Pilot project a week before the oversight visit. This is in spite of KZN EDTEA having been represented by head of co-operatives, Ms Manzi, during the 2016 oversight visit and workshop held at uMuziwabantu Local Municipality;

9.1.4 The Committee observed that mandate overlaps, territorial protection, duplication of functions and silo mentality within the Departments, from national to local government level is a huge problem and it is costing government lot of money. However, these challenges should not distract KZN EDTEA from sticking to its mandate to ‘lead and coordinate integrated economic planning and development, facilitate sustainable and inclusive economic growth to ensure job creation, develop and transform tourism sector’;

9.1.5 KZN EDTEA does not have a provincial-wide co-operative strategy that ought to have provided guidance to other provincial departments and local government in terms of what their limitations are in as far as co-operatives development is concerned. During the 2015 oversight visit, the Portfolio Committee had been informed of the SMME Development Strategy, the Co-operatives Development Strategy, the Youth Development Strategy and a Draft KZN Women Economic Empowerment Strategy designed to provide empowerment to enterprises;

9.1.6 KZN EDTEA has a comprehensive function at provincial level to coordinate all activities, financial and nonfinancial, of survivalist, small, micro, medium and co-operative enterprises. Co-operatives projects needs to be amplified in the province and this is unequivocally its mandate;

9.1.7 KZN EDTEA remains one of the key provincial and strategic partner that DSBD has not signed any Transversal Agreement with. This is long overdue and the process should be set in motion without delay.

1. **Presentation by the DSBD**

The DSBD presented its Integrated Strategic Approach on the Development of Co-operatives. The presentation is available and it covered introduction and background, outline of the strategic approach, economic profile of co-operatives, unique features of co-operatives, opportunities for co-operative development, model for co-operative development and proposed integrated strategic approach to co-operatives. Integrated Strategic Approach on the Development of Co-operatives is essential shaped by the National Development Plan which identifies poverty, inequalities and unemployment as key challenges facing South Africa. The NDP further calls for the creation of 11 million jobs by 2030 and co-operative enterprises are at the core of realising this mammoth task. The Integrated Strategic Approach on the Development of Co-operatives is therefore proposing six thematic areas of focus by the Department as follows: -

1. Special target groups, Partnerships, and improved co-ordination and integration of co-operative support;
2. Support services for cooperatives across the entire business cycle in South Africa;
3. Four strategic pillar aimed at developing Co-operatives in South Africa;
4. Developing the entire Cooperatives value chain (amalgamation of cross - functional co-operative types);
5. Developing user co-operatives as provider of critical services that enhance efficiencies and competitiveness of small, micro, medium, and co-operative enterprises and informal businesses;
6. Developing new model co-operatives in across the co-operative value chain and;
7. Support services to the development of Co-operatives.

The presentation further covered DSBD turnaround strategy and proposed various interventions regarding the Abalimi pilot projects herein summarised as follows: -

1. Introduction of the projects to all five municipalities to aid with support and monitoring the project including dispatching letters to the corresponding Municipal Managers, ensure establishment of steering committee at uMuziwabantu LM, to be followed by steering committees in other four municipalities leading to the creation of National Integrated Steering Committee. This has not been achieved;
2. National Integrated Steering Committee to form part of a bigger National Interdepartmental Committee on SMMEs and Co-operatives. The Department has not fulfilled this undertaking;
3. Implementation plan developed to rollout for the rest of the 3-year agreement, this has also not been done;
4. Close short-fall by funding working capital based on business needs. The deadline has also been missed;
5. Close the shortfall by re-capitalizing the cooperatives to purchase chemicals, fertilizers and pesticides needed for prevention of crops from dying as a matter of based on business needs through CIS ring-fenced funds, target missed; and;
6. Popularisation of the project by launching it during the harvest period is still a work in progress.

The observations and recommendations made by the Portfolio Committee during its successive visits to KZN in 2015 and 2016 have not been implemented. The Department has missed but all the targets as contained in both oversight reports. The project plan outlining the DSBD turnaround strategy as outlined above was presented to the Portfolio Committee during November and 7th of December 2016 but none of those have been put into action thus far. DSBD presentation on Integrated Strategic Approach on the Development of Co-operatives is available.

1. **Presentation by Kohwa Holdings**

This being the third oversight visit by the Portfolio Committee where Kohwa Holdings has on both occasions been represented and did presentations, for the purpose of this report the discussions on its farming model, including issues, observations and recommendations raised on the 2015 and 2016 oversight reports, will not be repeated as most issues have remained unchanged. The presentation is readily available.

1. **Presentation by Institute for Co-operatives and Community Economic Development**

The Institute for Co-operatives and Community Economic Development (ICCED) is a 100 percent Black Female Owned progressive non-governmental organisation (NGO) that was established in 2016. ICCED philosophy is premised on the model that propagate the promotion of co-operatives to be afforded an opportunity to take its rightful place as one of the main three pillars of SA mixed economy for the successful achievement of radical economic transformation. The model was developed by Ms Ruth Bhengu, the Chairperson of the Portfolio Committee on Small Business Development. The presentation is available.

**12.1 The NGO is founded on the following principles: -**

* Recognition of co-operatives as a 3rd pillar of South Africa’s mixed economy;
* Facilitating radical economic transformation;
* Lobby for the inclusion of enabling co-operative to be incorporated within Municipal IDPs and LED strategies;
* Promotion of co-operatives as a tool through which community economic development can be realised;
* Further development and empowerment of co-operatives mainly in the agricultural sector and lastly;
* To serve representative of the civil society to address inequalities, job creation and poverty eradication.

**12.2 Objectives of the Learning Programme**

* It is intended to inculcate culture of long life learning within the community especially to those participating in community development structures;
* It evolves with time and updated to cope with the ever changing economic development climate;
* The syllabus is designed to integrate different learning disciplines thus creating coordinated developmental interventions;
* In that participants are able to grow and pursue various learning disciplines in accordance with their different occupations;
* It is career driven as it composes of fruit cocktail of unit standards leading to number of different qualifications;
* Thus gives an opportunity of continuous learning long after leaving public platform;
* The learning programme advocate for synergies amongst participants working in different occupations. (Wherein with the current learning framework, does not exist);
* Cooperatives to become a vehicle in support of councillor roles and responsibilities in terms of community economic development including community infrastructure projects;
* It is aimed at creating an enabling environment for further self-development to every participant/role-players.

**12.3 Outcomes of the Learning Programme**

* Radical economic transformation (Local economic development);
* Increase on municipal revenue base;
* Service delivery realizes upward trend;
* Improved community living conditions;
* Reduction on poverty levels;
* Employment levels improved;
* It reduces dependency of poor households on government free services and social grants thereby enabling such households to become self- sufficient, self-reliant and affordability to pay municipal services;
* Lowering of the number of individuals and families registering on Indigent Register and;
* Decrease in number of individuals benefiting from child support grant.

**12.4 Target Population**

* Municipalities
* Government Officials (LED)
* Civil Society Structures;
* Political Community Structures
* Ward Councilors and;
* Ward Committees.
* Religious formation leadership;
* Traditional leaders;
* Public Private Partnerships;
* Co-operatives and;
* Sector for Education and Training Authorities (SETAS).

Kohwa Holdings is the ICCED technical partner providing technical skills support within the agricultural sector and LGSETA. Through Public Private Partnerships the NGO is currently pursuing other like-minded and progressive institutions and partners that it will ratify Service Level Agreements (SLA) and Memorandum of Understanding with.

1. **Sinothando Primary Co-operative Site Visit**

Following a successful completion of the workshop in Durban the Portfolio Committee headed to the site for inspection. Sinothando Primary Co-operative Limited is one of the beneficiaries under the CIS grant programme facilitated by Kohwa Holdings. The co-operative has a total of five (5) members, located in Ward 9 Molweni near Hillcrest, under iNkosi Mthembu. This project falls within eThekwini Metro and 45 kilometres North West of the city centre. During the City’s presentation the Portfolio Committee learnt that little effort was done by members of the co-operative to alert or sensitise local leadership, both political and traditional leadership, about the project. But members of the co-operative informed the Portfolio Committee later that former Ward Councillor was alleged to have been made aware of the project but lugged his feet bidding to instil himself to the project. As a result, the co-operative itself is not even registered on the municipality’s database nor known by the City.

When the Portfolio Committee visited the site not much had happened. The material was delivered in June 2016 and all the supplies are stored in a container stationed within the site. The co-operative Chairperson cited a number of reasons why the progress recorded has been insignificant in terms of infrastructure installations such as their land not being prepared and ready, lack of finance to lack or absence of irrigation scheme. Shortage of machinery and equipment i.e. tractor, including lack of support from KZN DARD, KZN EDTEA, KZN office of the Department of Water and Sanitation (DWS), eThekwini Metro as a result of these departments having not been consulted by DSBD to officially introduce the project and request the necessary support for the project were some of reasons cited why this project is delaying.

It is equally imperative to mention that the Rural Area Based Management (ABM) Office of eThekwini Municipality has been driving the development of an agricultural development strategy for the rural areas of eThekwini which this site is part of. The programme includes three phases as follows: -

1. Analysis of the agricultural status quo, focussing on the:
* Land potential;
* Existing infrastructure to support agriculture (roads, rail, electricity);
* Current agricultural activities and projects (commercial, emerging and subsistence level);
* Current stakeholders, role-players and support services;
* Existing policies and legislation impacting on agricultural development
1. Development of a Rural Agricultural Policy for eThekwini (those areas falling under the Rural ABM Office);
2. Development of Agricultural Framework Plans and Spatial Development Plans for the two Agricultural Regions that make up the Rural ABM area.

The status quo confirmed the potential for agricultural development and served as the basis for the development of the Agricultural Policy and the Agricultural Development Framework Plans for the two Agricultural Regions. Therefore, the Agricultural Policy for eThekwini centre on six important themes: -

* The focus of agricultural development, identifying strategic focus areas for agricultural development in rural eThekwini;
* Institutional structuring, focussing on the roles and responsibilities of stakeholders and the creation of an institutional structure for coordination and delivery;
* Land issues, including a focus on land ownership, land planning and development, and land rates;
* Support services, focussing specifically on extension services, research, input suppliers and other service providers;
* The environment, providing guidance specifically on integrating the conservation of the environment and the promotion of agricultural production and;
* The production focus, identifying specific agri-enterprises (primary production and agri-processing) to be promoted and supported, relating to both the subsistence and commercial sectors.

While the purpose of the Agricultural Development Framework Planfor the two Agricultural Regions within rural eThekwini is to guide agricultural development in the area, provide guidance on which agricultural activities are suitable for which areas and too make recommendations about activities to be supported by the City. These are very important milestones that should be of great interest to the co-operative members. A lot of progress has been achieved in setting up structures to implement the programme which will put every Municipal staff that deals with agriculture under one roof and is also aimed at improving the value chain of food production and supply for underprivileged farmers and emerging agro businesses.

* 1. **Observations and Findings**

The Committee observed and found the following:

* + 1. Unemployment in the informal settlement of Molweni is prevalent. All members of the co-operative are unemployed. The co-operative struggled for a long time to raise money to hire a tractor to start the process of land preparation;
		2. The process has now been set in motion, the ploughing and disking will commence shortly courtesy of the City’s intervention. The site has already been fenced and installation of the irrigation system will resume in due course to be followed by ploughing and technical skills training;
		3. The site location is exceptionally positioned, adjacent the tarred road. Population density, the distance to the market in Hillcrest CBD is roughly 8 kilomtres while the City’s third largest Fresh Produce Market in the country is approximately 45 kilometres away and these are some of the project competitive strengths. This renders Sinothando one of the most auspicious projects out of the 12;
		4. In the 2016 oversight report the Portfolio Committee cautioned that while Kohwa Holdings has managed to secure letters of intents from potential buyers, however, these are not contract farming or purchase agreements. Municipal fresh produce markets, eThekwini Plan and RASET are the only secure and guaranteed market for these co-operatives;
		5. In fact, SEFA is on record that if such a trilateral arrangement can be formalised by way of legal instruments it will go a long way towards unlocking much needed capital by co-operatives;
		6. The majority of all the Abalimi Agricultural Co-operatives Pilot projects are women owned co-operatives;
		7. Similar to other projects that the Portfolio Committee has visited previously, the eThekwini Metro had **only become aware of this project a week before the oversight visit of the Portfolio Committee as DSBD had not introduced the project to the municipality. The Portfolio Committee is on record having flagged this posture by DSBD as a negation of the Department mandate, Intergovernmental Relations Framework Act and also preventing any support to the project that would have been made available to the co-operative purely as a natural consequent of their inclusion in the Integrated Development Plans of eThekwini Metro.**
	1. **Recommendations**
		1. **The recommendations by the Portfolio Committee following its oversight visit in 2016 are equally relevant and applicable for all the projects and these include but not limited to, t**he Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year;
		2. All the additional resource requirement must be carefully documented for inclusion in the annual performance plans (APPs) of the Department and its entities;
		3. Appropriate documentation of all activities and costing will not be feasible without a properly constituted Project Steering Committee (PSC) with eThekwini Metro and other stakeholders, including assigning a dedicated official from DSBD as a Project Manager responsible for overseeing the implementation process of the pilot project before the 2016/17 financial year;
		4. The Department must urgently conclude the review of the CIS but most importantly to incorporate the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;
		5. Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;
		6. The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;
		7. Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites that the Portfolio Committee has visited;
		8. There is an urgent necessity for the Department to start the process of reviewing the Co-operatives Act in particular section(s) that prohibits the establishment of a secondary co-operative by primary co-operatives that have not operated for a year. The Portfolio Committee is of the view that secondary co-operative provides services to its members which could be needed from day one of the formation of the primary co-operatives. If this had been the case with Abalimi Agriculture Co-operatives Pilot projects some of the challenges they are going through could have been averted and addressed by the secondary co-operative;
		9. In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 annual performance plans the Portfolio Committee will cautiously interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action.

**DAY TWO: IMPENDLE/MSUNDUZI LM AND SITE VISITS**

1. **Visit to Impendle Local Municipality**

The second day of the KZN oversight visit was devoted to the visits to Impendle and Msunduzi local municipalities. The first visit was some 50 kilometres road trip to Impendle from Pietermaritzburg where the Portfolio Committee was camping for two nights. The Portfolio Committee was warmly received by the Mayor of the local municipality Councillor S Ndlela. Following the introductions, the Chairperson of the Portfolio Committee made a brief presentation outlining the objective of the oversight visit, brief overview of Abalimi Agricultural Co-operative Pilot projects, expected roles of provincial, district and local spheres of government in relation to these projects. She indicated that there is one co-operative in the local municipality that has benefited from the CIS grant as part of the pilot project and thus the Committee was there to ascertain the progress on the project.

Similarly, the Mayor of the local municipality made few remarks in support of the initiative, criticised the approach applied by other Departments in helping the local municipality. For instance, the committee learnt that KZN DARD, without the local municipality’s or its local economic development unit involvement, had donated 12 tractors to four (4) co-operatives in the area. However, none of these assets were being put into productive use. He also mentioned that there is 50 hectares of arable land set aside for co-operatives in each of the four wards. He went further to summarise socio-economic landscape of a four-ward municipality, highlighting key challenges facing the municipality and some of the important attributes are summarised underneath.

* 1. **Overview of the Impendle Local Municipality and Site Visit**

Impendle Local Municipality is a Category B municipality located within the uMgungundlovu District Municipality. It is one of the seven municipalities in the district. It is situated outside the primary and secondary movement systems of the district, and is some distance away from the major tourist and trade routes, although two important roads mark its borders. It is situated on the south-western boundary of the uMgungundlovu District Municipality and shares a boundary with the Harry Gwala District Municipality to the south and the Dr Dlamini Nkosazana Zuma Local Municipality, which includes towns such as Underberg and Himeville. To the north is the uMngeni Local Municipality – which is closely tied to the Impendle Municipality in terms of agriculture and potential tourism (Midlands Meander) – and to the east is the Msunduzi Local Municipality which house the capital of the province and economic hub of the district. To the west are the District Management Areas of the Drakensberg that fall under the Trans frontier Development Initiative related to the World Heritage Site.

Farmline Food Co-operative consist of five members, situated in Ward 3 Kwa-Nxamalala under the traditional leadership of iNkosi Zuma. The distance from Impendle CBD to the actual site is roughly 10 kilometres and most of it is untarred, making the site inaccessible during unfavourable weather conditions. Similar to what the Portfolio Committee witnessed in other projects the material was delivered in June 2016 but irrigation installation and fencing had recently been completed albeit not adequately due to shortage of material. The actual or physical location of a site in relation to the distance from the water catchment/river compared for instance to uLimo 12 Co-operative site which is just adjacent the river bank, makes a convincing motivation to review the CIS grant to be proportionate with the project being developed.

* 1. **Observations and Findings**

The Committee observed and found the following:

14.2.1 Impendle local municipality is one of the poorest regions in the country. The NSDP classifies such areas, including the municipal IDP as having modest advantage in agricultural sector;

14.2.2 The local municipality has no revenue base and the level of unemployment is rife, there is not a single banking facility except automated teller machines (ATM);

14.2.3 Impendle CBD does not have big chain stores, shops are mainly owned by foreign nationals of Chinese and Pakistan descent, the distance to Pietermaritzburg and where the district-owned fresh produce market is located is approximately 55 kilometres. Transport and logistic costs imply that various plot of farms ought to be consolidated in order to realise economies of scale;

14.2.4 The municipality is displaying a decreasing population and it is not attractive to industrial development. Through its Integrated Development Plan, it is targeting basic social, infrastructural and skills development, with a view to exploiting mainly tourism and agricultural development, together with some local economic development.Hence itseconomy is based primarily on agriculture, tourism and social services sectors;

14.2.5 Commercial farming, particularly large-scale forestry dominates the landscape and it provides employment for locals. There are several tourism attractions in the area, focused largely on wildlife and the natural beauty of the landscape. While not yet fully exploited, the area’s natural assets provide an important opportunity for future tourism development in the area, an opportunity waiting to explode for small, micro, medium and co-operative enterprises;

14.2.6 The area mainly consists of scattered rural and semi-rural settlements. A substantial traditional area known as the Nxamalala Traditional Area exists to the south of Impendle town and it is where the Farmline Food Co-operative is located;

14.2.7 There is not a chance that the cost of erecting infrastructure particularly the piping could be similar for all projects considering the distance from the site to the river where the water is pumped;

14.2.8 Of interest to the Abalimi pilot project and agriculture as the key economic sector in the area is that the municipality is positioned at the foot of the Drakensberg, which makes it a highland area and an important source of water within the KwaZulu-Natal Province. It is in the catchment area of the uMkhomazi River in the south and uMngeni River in the north-east;

14.2.9 One of the reasons why the project delayed was again because of the machinery and equipment i.e. tractors, yet within the same vicinity there are 12 tractors donated to by KZN DARD to the four co-operatives that are underutilised. This speaks to the coordination and transversal agreement mandate of the DSBD that the Department has no appetite of implementing;

14.2.10 During its visit to the municipality the Portfolio Committee learnt once more that that DSBD had not formally introduced the project to the municipality. It was therefore not known until the previous week of the scheduled visit.

**14.3 Recommendations**

**14.3.1 The local government will be finalising the IDP process in June 2017. The five year strategic plans are being discussed and they will be concluded soon;**

**14.3.2 The recommendations by the Portfolio Committee following its oversight visit in 2016 are equally relevant and applicable for all the projects and these include but not limited to, t**he Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year.

14.3.3 The Department must urgently conclude the review of the CIS but most importantly to incorporate the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;

14.3.4 Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;

14.3.5 The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;

14.3.6 Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites the Portfolio Committee has visited;

14.3.7 There is an urgent necessity for the Department to start the process of reviewing the Co-operatives Act in particular section that prohibits the establishment of a secondary co-operative by primary co-operatives that have not operated for a year. The Portfolio Committee is of the view that secondary co-operative provides services to its members which could be needed from day one of the formation of the primary co-operatives. If this had been the case with Abalimi Agriculture Co-operatives Pilot projects some of the challenges they are going through could have been averted and addressed by the secondary co-operative;

14.3.8 In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 annual performance plans the Portfolio Committee will cautiously interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action.

1. **Visit to Msunduzi Local Municipality**

Following a successful site inspection at Impendle the delegation headed back to Pietermaritzburg where the Mayor of the uMsunduzi local municipality Councilor T Njilo welcomed the Parliament delegation, DSBD and staff. There were few welcoming and introductory remarks by the Mayor and the Chairperson of the Portfolio Committee. As above the Chairperson of the Portfolio Committee made a brief presentation outlining the objective of the oversight visit, brief overview of Abalimi Agricultural Co-operative Pilot projects, expected roles of provincial, district and local spheres of government in relation to these projects. Due to time pressures the meeting was fairly cut short in order to create sufficient time for the site visit.

**15.1 Overview of uMsunduzi Local Municipality**

The Msunduzi Local Municipality is a Category B municipality situated within the uMgungundlovu District in KwaZulu-Natal. It is the largest of the seven municipalities situated on the N3 highway at the junction of an industrial corridor (from Durban to Pietermaritzburg) and an agro-industrial corridor (stretching from Pietermaritzburg to Estcourt). The local municipality unsuccessfully applied for a Metro status but it has not given up on this ambition. On a regional scale, it is located at the cross-section of the N3 Corridor and the Greytown Road Corridor to the north, a tourist route to Drakensberg, and Kokstad Road to the south. Pietermaritzburg, the second largest city in KwaZulu-Natal, falls within the boundaries of Msunduzi municipality. The city is both the administrative and legislative capital of the province, which boosts investor confidence, resulting in the city’s economy growing at an astounding rate. Pietermaritzburg is more than just a favourable investment destination, it is one of South Africa’s most desirable residential cities with well-laid-out suburbs (uMgungundlovu District Municipality IDP: 2015/1).

The House of Glory Primary Co-operative is situated in Hardingdale farm under the private land. It is a church based co-operative. The irrigation installation and fencing were completed in November 2016. However, there is no activity on the site. The co-operative has five members. When members of the Portfolio Committee and leadership of Msunduzi Municipality visited the site, it was discovered that the area or site actually falls under uMshwathi local municipality which correspondingly falls under uMgungundlovu District Municipality. Nonetheless, all members of the co-operative reside under Msunduzi local municipality. The Chairperson of the co-operative clarified the reasons why the project had stalled. Most of the reasons have been well documented and captured on the 2016 oversight report for enactment by the Department.

**15.2 Observations and Findings**

The Committee observed and found the following:

15.2.1 Installation of the irrigation systems and water tanks were completed during 2016, the fencing was also done in 2016 and the water pump is fully installed but no activity is taking place on the site;

15.2.2 Not far from the site there is a dam where the water pump is mounted so water is not a problem;

15.2.3 Members of the Portfolio Committee were quite impressed with the youthful nature of the members of the co-operative from an urban ward;

15.2.4 However, they were equally not pleased **concerning why the project had not progressed. The Mayor of Msunduzi local municipality was very upfront and pointed out that shortage of machinery and equipment such as tractor must not be used an excuse, members ought to have at least planted a quarter of a hectare garden as a demonstration of their seriousness and commitment to the project;**

15.2.5 There were numerous reasons given regarding the failure of the project to take off i.e. that members reside in Msunduzi LM while the site is in uMshwathi, there are therefore travel cost implications to the members of the co-operative, there were challenges with the site initially identified at Msunduzi, former Chairperson not reporting to members and not doing proper hand-over to the new Chairperson;

15.2.6 The Msunduzi municipality is hybrid of an urban, semi-urban and rural expanse but its economic growth trajectory resembles that of a big metro. The key economic drivers within the local municipality in 2015 were community services at 29 percent, finance at 18 percent, manufacturing at 15 percent and trade at 14 percent with agriculture only contributing four (4) percent to the economy of Msunduzi, an opportunity for the co-operative to participate in growing the sector;

15.2.7 Although subsistence agriculture plays an important role in the Msunduzi Municipality, commercial agriculture is not as prevalent as in surrounding municipalities. Many surrounding municipalities within the uMgungundlovu Municipality supply produce directly to the markets in the Municipality;

15.2.8 Hardingdale is a 570-hectare land claim farm of which 470 of that belong to families which have not been assisted financial or otherwise. Consequently, the portions of the farm are being leased out to other people;

15.2.9 A total volume of 60 781 tons of fresh produce worth R 252 million were sold through the Msunduzi FPM in 2015 while 56 873 tons worth R 251 million were sold in 2014;

15.2.10 As alluded to above these municipal fresh produce markets provide ample opportunities for small scale producers in particular co-operatives like House of Glory which their target sector is agriculture.

**15.3 Recommendations**

**15.3.1 As above the recommendations by the Portfolio Committee following its oversight visit in 2016 are equally relevant and applicable for all the projects and these include but not limited to, t**he Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year.

15.3.2 **The local government will be finalising the IDP process in June 2017. The five year strategic plans are being discussed and they will be concluded soon;**

15.3.3 The Department must urgently conclude the review of the CIS but most importantly to incorporate the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;

15.3.4 Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;

15.3.5 The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;

15.3.6 Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites the Portfolio Committee has visited;

15.3.7 There is an urgent necessity for the Department to start the process of reviewing the Co-operatives Act in particular section(s) that prohibits the establishment of a secondary co-operative by primary co-operatives that have not operated for a year. The Portfolio Committee is of the view that secondary co-operative provides services to its members which could be needed from day one of the formation of the primary co-operatives. If this had been the case with Abalimi Agriculture Co-operatives Pilot projects some of the challenges they are going through could have been averted and addressed by the secondary co-operative;

15.3.8 In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 annual performance plans the Portfolio Committee will cautiously interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action

**DAY THREE: UMZIMKHULU AND RAY NKONYENI LM SITE VISITS**

**16. Visit to uMzimkhulu Local Municipality**

On Wednesday the 1st of February 2017 the Portfolio Committee travelled to uMzimkhulu Local Municipality for site inspection of Ncebazakhe Women’s Primary Co-operative and Selulele Primary Co-operative projects. The Parliament delegation including the Department was welcomed by the Speaker Mr KE Thobela, Municipal Manager Mr ZS Sikhosana and the Deputy Mayor Ms S Nkala. There were few welcoming and introductory remarks by the Speaker and the Chairperson of the Portfolio Committee. As above the Chairperson of the Portfolio Committee made a brief presentation outlining the objective of the oversight visit, brief overview of Abalimi Agricultural Co-operative Pilot projects, expected roles of provincial, district and local spheres of government in relation to these projects.

**16.1 Overview of uMzimkhulu Local Municipality and Site Visits**

uMzimkhulu Local Municipality is one of the four local municipalities that constitute the Harry Gwala District Municipality. It is located in the historical East Griqualand Region, bounded by the uMzimkhulu River in the South and uMkhomazi River in the North. It is bounded by Ixopo in the East, Underberg in the North, Matatiele in the West, Kokstad and Harding in the South. It is a Category B municipality and the most populated of the Harry Gwala municipalities accounting for 40 percent of the district’s population. Households headed by women are in the majority of the population. According to its IDP there is a need to implement youth development programmes and, for the most part, to target women in stimulating nodal economic growth. About 90 percent of the population reside in rural areas, while the remaining 9 percent are urban based. The local municipality faces severe backlogs with respect to water, sanitation and electricity provision. In addition, road infrastructure remains poor and provides only limited access to the area.

The leading economic sectors are agriculture, forestry and tourism. High rainfall, good climate and rich soil give the area a high propensity for agricultural development. A wide variety of products are currently produced, including cattle, red meat and dairy, poultry, wool, maize, sugar cane, citrus, vegetables and timber. Most farming operations are at subsistence level, in spite of the potential for commercial-scale ventures. Forestry makes up most of the income generation in uMzimkhulu however most of these forests are privately owned. The tourism sector, one of the low hanging fruits for co-operatives after agriculture, is declining. Nevertheless, it still commands massive potential for growth.

**16.2 Selulele Primary Co-operative**

The first and furthest project to be visited was Selulele Primary Co-operative in Readsdale Ward 10, under the traditional leadership of Chief Sethuse. The Chief was an active participant in the proceedings, visibly enthralled by having members of the Parliament visiting the village, and offered more land space to the co-operative for expansion. All the infrastructure had already been installed towards the end of 2016 with little challenges experienced other than those already documented for execution by DSBD. The site is not far from the river but water scarcity remains a real threat which demands that forward planning to supplement water source be put into motion to guarantee uninterrupted supply of the produce. Readsdale is one of the poorest areas in uMzimkhulu. Out of the 12 pilot projects Selulele Primary Co-operative is one of the four that has successfully planted the first crop.

In fact, when members of the Portfolio Committee arrived, co-operative members had recently harvested a very good quality produce, spinach, and it had all been bought by Spar in Kokstad and Harding. As uLimo 12 Primary Co-operative, Committee members were very impressed by the member’s undying spirit to improve their village, commitment and hunger for more projects was very assuring. Though members of the co-operative were visibly weary as a result of hard work but they were equally triumphant. The Committee strongly believe that a project like that one need to be amplified. Advancement of this project to a second phase needs to be rolled-out immediately and without delay in order to keep momentum.

**16.2.1 Observations and Findings**

16.2.1.1 Installation of the irrigation systems, water tanks, piping and fencing were all completed in 2016. Thereafter the project took off without delay. The first crop was also planted in 2016 with harvesting due early 2017;

16.2.1.2 The co-operative is majority owned and run by women;

16.2.1.3 The Provincial Department of Agriculture and Rural Development had initially not been part of this project. However, an extension officer from the Ward, after having seen the project offered to assist the co-operative with various services and part of this included transporting the fresh produce to the market, after having tried unsuccessfully to solicit cost effective transport;

16.2.1.4 When the Portfolio Committee delegation arrived, it was met with ululation, contemporary co-operative dance and songs. However, on the site there was nothing indicating that this was DSBD project, not to mention placards or branded t-shirts.

**16.3 Ncebazakhe Women’s** **Primary Co-operative**

From Readsdale the delegation went back to Ncebazakhe Women’s Primary Co-operative, eThembeni in Ward 20 under the traditional leadership of iNkosi Dlamini. The Chairperson of the co-operative Ms Florence Nene was part of the participants in a workshop held at uMuziwabantu local municipality during September 2016. She had pointed out a number of challenges that Ncebazakhe co-operative was experiencing and put forward reasonable requests for immediate attention by DSBD such as accelerating the formation of the Project Steering Committee to include KZN DARD which was very negative towards the project, Land Reform because one of the risky challenge that the co-operative was facing at the time was access to more farm land. As a result, the co-operative had leased the farm land where the owner demanded 10 percent of the proceeds made by the co-operative and this was evidently not going to be sustainable. They therefore had to relocate to a different site in ward 20.

When the Portfolio Committee finally visited the site it was informed that it does not have running water. Back in 2016 the co-operative had, with the assistance of the Service Provider, negotiated the purchase of a borehole but the CIS grant was not sufficient to cover this item. Like all other projects that the Portfolio Committee had visited this project will also require warehouse, ablution facility, storage and working capital. The DWS had visited the site in 2016 to establish the nature of support it could provide. But due to budgetary constraints, members of the co-operative were informed that the project can only be accommodated during 2017/18 financial year. During the recent oversight DWS officials were present throughout the duration of the Committee stay in the province and the lines of communication between DSBD and DWS have finally been cleared.

**16.4 KwaXolo Fresh Produce Primary Co-operative [Ray Nkonyeni LM]**

From uMzimkhulu local municipality the delegation headed east to Ray Nkonyeni local municipality where it was received by Mr Reggie Xolo and members of the co-operative, officials from uGu district municipality, officials from KZN EDTEA and KZN DARD. There were no officials from Ray Nkonyeni LM on site despite having been invited and made aware of the Portfolio Committee itinerary which included this site visit. Following the local government elections in 2016, eZinqoleni Local Municipality was merged into Hibiscus Coast Local Municipality and renamed Ray Nkonyeni Local Municipality. The Local Municipality is a Category B municipality situated within the uGu District. It is the largest of four municipalities in the district, making up a third of its geographical area. It covers an area of approximately 90 kilometers of coastline comprising 21 beaches, and extends 30 kilometers inland, covering a vast, rural area under the leadership of six tribal authorities. It has its administrative seat in Port Shepstone and is the most concentrated economic hub within the district.

KwaXolo Fresh Produce Primary Co-operativeconsist of five (5) members and situated in Manzamhlophe, in Ward 5 KwaXolo. The site is strategically located along the busy road. It was donated by Chief Xolo to the co-operative. It is not fenced, irrigation systems have not been installed, ploughing had only been done a week or so ago when the Portfolio Committee visited the site on the 1st of February 2017. Committee members were told by members of the co-operative that material was delivered as early as July 2016. For the purpose of this oversight report challenges that have brought this project to a standstill will not be repeated as these have already been captured in the 2015 and 2016 oversight reports. The remedial actions as put forward by the Portfolio Committee now form part of the turnaround strategy and implementation plan of the Department of Small Business Development.

**16.5 Recommendations**

**16.5.1 As above the recommendations by the Portfolio Committee following its oversight visit in 2016 are equally relevant and applicable for all the projects and these include but not limited to, t**he Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year. In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 annual performance plans the Portfolio Committee will cautiously interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action;

16.5.2 **The local government will be finalising the IDP process in June 2017. The five year strategic plans are being discussed and they will be concluded soon;**

16.5.3 The Department must urgently conclude the review of the CIS but most importantly to incorporate the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;

16.5.4 Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;

16.5.5 The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;

16.5.6 Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites the Portfolio Committee has visited;

16.5.7 There is an urgent necessity for the Department to start the process of reviewing the Co-operatives Act in particular section(s) that prohibits the establishment of a secondary co-operative by primary co-operatives that have not operated for a year. The Portfolio Committee is of the view that secondary co-operative provides services to its members which could be needed from day one of the formation of the primary co-operatives. If this had been the case with Abalimi Agriculture Co-operatives Pilot projects some of the challenges they are going through could have been averted and addressed by the secondary co-operative;

**DAY FOUR: STAKEHOLDER WORKSHOP**

**17. Introductory Presentation by the Chairperson of the Portfolio Committee**

The workshop took a similar approach to the one in Durban. It was attended by members of the Portfolio Committee on Small Business Development, officials from the Department of Small Business Development who are directly responsible for the Co-operative Incentive Scheme and Co-operatives, the Acting Mayor of uGu District Municipality Councilor M Chiliza and officials from the LED office of uGu District Municipality, official from the KZN Department of Economic Development, Tourism and Environmental Affairs (KZN EDTEA) responsible for uGu DM as well as members of the co-operatives. The Secretariat had extended invitations to Harry Gwala DM and its local municipality uMzimkhulu, uGu DM and its local municipality Ray Nkonyeni. The workshop was chaired by the Committee Secretary Mr King Kunene.

The Acting Mayor of uGu District Municipality Councillor Chiliza welcomed members of the Portfolio Committee and everyone in attendance. He thanked the Portfolio Committee for fulfilling its undertaking made during the September 2016 workshop to follow up on these pilot projects until they come to fruition. He extended special word of thanks to iNkosi Xolo for taking up this initiative with both hands. He provided brief background on uGu Fresh Produce Market and contextualised reasons why it was underutilised. However, the Acting Mayor was emphatic that he wants to see the FPM being put into productive use without delay and also to be tied to other national and provincial initiatives such as Agri-parks, RASET and supply of perishables under national school nutrition programme and effective use of iNhlabamkhosi Training Centre.

The Chairperson of the Portfolio Committee made a brief presentation which included the purpose of the oversight visit, brief introduction of Abalimi Agricultural Co-operative Pilot projects, projected responsibilities of provincial and local spheres of government in relation to these projects. She clarified why the Portfolio Committee had visited the District Municipality in the past, indicating that most of the local municipalities where Abalimi projects are being piloted, are flagged as presidential poverty nodes with the exception of eThekwini Metro. Most of co-operatives are from rural municipalities and their revenue base or source(s) of income is derived mainly from grant income from the national government. Her presentation was followed by brief remarks from uGu DM, Kohwa Holdings, DSBD, DWS, Institute for Co-operatives and Community Economic Development (ICCED) and deliberations. All the presentations are available.

**17.1 Observations and Findings:**

17.1.1 uGu Fresh Produce Market was established with the financial assistance from KZN COGTA and uGu District Municipality in order to create demand for agricultural produce so as to benefit co-operative enterprises, emerging farmers and the private agricultural sector within the district;

17.1.2 However, it appears, little was done to ascertain if uGu LED is capable of living up to the task of operationalising the FPM. uGu DM LED is under resourced, both financial and human resources;

17.1.3 The initiative collapsed due to lack of development of agricultural co-operatives, and adequate support to emerging famers. Then uGu DM leased the premises out to an Isuzu car dealer for R 1.3 million per annum to counterbalance annual operating costs of R3.5 million;

17.1.4 The facilities currently under lease are a pack-house, ripening facility, market floor and a warehouse. The District Municipality currently uses the office space of the market for a Fleet Unit and storage space for Auxiliary, Finance, Disaster Management, Treasury and Communications Units;

17.1.5 The General Manager for Economic Development Ms Zakithi Mbonani informed the workshop that since the last Portfolio Committee visit to the facility in 2015, no developments have taken place since. They are still engaging various potential partners with a view to forming a secondary co-operative to run the FPM;

17.1.6 The existence of uGu Fresh Produce Market presents an opportunity for development of agricultural co-operatives and improving the performance of emerging farmers in around uGu District Municipality;

17.1.7 Following the KZN Cabinet Resolution for each District Municipality to have its own Economic Development Agency, Hibiscus Coast Development Agency was broadened and became a District-wide Development Agency called uGu South Coast Development Agency in 2015;

17.1.8 uGu District Municipality does not have formal LED programmes and its interaction with co-operative is on an adhoc basis. Local Economic Development budget is a mere R1.7 million excluding the District Development Agency which has an annual budget of R15 million during this financial year;

17.1.9 One of the uGu DM local municipality, uMzumbe, has a strategic facility that is underutilised which the Portfolio Committee visited called Nhlabamkhosi Training Centre. The visit was triggered by the Acting Mayor’s remarks during the 2016 oversight visit to uGu DM where he said skills training of co-operatives could be done from the facility. The facility has all the amenities required by agricultural co-operatives;

17.1.10 The issue of coordination was revisited. Participants expressed frustration that until this issue is dealt with decisively there was likely to be a continuous duplication of functions and inefficiencies. For instance, there is R45 million allocated for each agri-park per District, all the necessary compliance documentation such as business plan and feasibility study are all done but there is no implementation plan;

17.1.11 Providing clarity regarding the roles and responsibilities in relation to coordination, an official from KZN DARD emphasised that KZN DARD responsibility in projects of this nature is to advise, when to plant, how to plant, land preparation, planning, type of soil, Bio Resource Unit (BRU) to monitoring of the plant but commercialisation is definitely not KZN DARD mandate but of KZN EDTEA;

17.1.12 Members of the Portfolio Committee appreciated DWS presentation as informative and educational but were likewise concerned as to who will help co-operatives navigate a complex bureaucratic process of acquiring water use license;

**17.2 Recommendations**

17.2.1 A recommendation made by the Portfolio Committee during its oversight in 2015 was that uGu DM should consider using Public Private Partnership (PPP) model towards resuscitating and operation of the fresh produce market in order to extract necessary resources (such as relevant personnel with relevant expertise);

17.2.2 Following the Council’s approval for the creation of a new and bigger municipal entity, uGu South Coast Development Agency, uGu DM may want to consider amalgamating uGu FPM as a sub-programme of the District Development Agency. The District LED function has already been transposed under the municipal entity;

17.2.3 The Department must incorporate in its strategic plan and APP for 2017/18 the two strategic facilities which are uGu Fresh Produce Market and iNhlabamkhosi Agricultural Training Centre and further ensure alignment of its strategic plan to that of uGu and other District Municipalities.

**DAY FIVE: MAPHUMULO/NDWEDE LM AND SITE VISITS**

**18. Visit to Maphumulo Local Municipality**

The last day of the oversight Friday the 3rd of February 2017 was earmarked for a visit to Maphumulo and Ndwedwe Local Municipalities both under iLembe District Municipality for site inspections of Yahweh Shamaah Primary Co-operative and Insabalele Primary Co-operative projects. The Parliament delegation including the Department was warmly received by the District Mayor Councillor S Gumede, Speaker of the Local Municipality Ms CS Shange, Local Mayor Zibuyisile F Khuzwayo-Dlamini, Deputy Mayor Ms CZ Ncalane and District Municipal Manager Gamede. There were few welcoming and introductory remarks by the District Mayor and Local Mayor, Chairperson of the Portfolio Committee and staff. As above the Chairperson of the Portfolio Committee made brief statements giving overview of the purpose of the oversight visit, brief synopsis of Abalimi Agricultural Co-operative Pilot projects, expected roles of provincial, district and local spheres of government in relation to these projects.

**18.1 Overview of Maphumulo Local Municipality**

The Maphumulo Local Municipality is a Category B municipality under iLembe District Municipality. The most distinguishable characteristic of the Municipality is its predominantly rural character, comprising mostly tribal land, 99 percent, which is administered by the Ingonyama Trust on behalf of local communities as constituted under The Ingonyama Trust Act of 1996. The R74 is the main road, which provides access from KwaDukuza to the hinterland, and then leads on to Kranskop and Greytown. The linkage to the N2 is vital as it provides for migrant labour transport, access to commercial and employment markets in the Durban Metro, and to Tongaat / Maidstone, the Dolphin Coast, KwaDukuza, Darnall and Isithebe areas. The Maphumulo Town is the centre of formal activity and provides support services and facilities to its hinterland. The poor absorptive capacity of the local economy and the search for a better quality of life results has resulted in a loss of human capital for the municipality which further weakens the ability of the local economy to grow.

The economic base of the local municipality comprises the service industry, farming and remittances from people working elsewhere. Cultivated land is dominated by subsistence agriculture with the main crops being sugarcane, maize, sorghum and vegetables. Subsistence agricultural activities in the form of small cropping areas attached to traditional family units dominate land usage in the Municipality. Produce includes staple diet crops such as maize, sorghum, and some vegetables. As the Municipality is not well served by roads the potential of farmers in the area to grow fresh produce such as fruits and vegetables for the larger markets is limited. The steep terrain in the region inhibits large-scale farming. Successful pilot projects have emphasised the need for an integrated agro-processing facility. In a development driven by iLembe District municipality, emerging farmers from Maphumulo, Ndwedwe and Mandeni are growing products such as chillies and paprika. These are delivered to African Farms agro-processing plant in Glen Anil. The chilies are processed, turned into products and have found their way into supermarket shelves all over the country.

**18.1.1 Site Visit**

Yahweh Shamaah Primary Co-operative is located in Ward 08 Mbizeni, under the traditional leadership of iNkosi Ngcobo. The co-operative has five members and it is one of the CIS beneficiaries. The Chairperson of the co-operative, Ms Ruth Thwala, had attended the 2016 oversight visit and workshop in Harding where she also listed a number of challenges that this co-operative was grappling with. Accordingly, upon visiting the site eMbizeni, there was absolutely nothing to show as the project has not progressed nor started. The Portfolio Committee was told that the site was a new one, it had recently been given for use to the co-operative after it had relocated from where it was initially due to misgivings with the landlord. The site is however fairly far from the watercourse and this may mean additional financial implication. The material was delivered towards the end of June 2016 to an old site but relocated later to eMbizeni, it is kept safely.

**18.2 Visit to Ndwedwe Local Municipality**

The Ndwedwe Local Municipality is one of the four local municipalities within the iLembe District. It is the largest of four municipalities in the district, making up a third of its geographical area. The municipality consists mainly of black communities whose livelihoods depend on subsistence farming. Located in a relatively close proximity to major urban and economic developments such as Dube Trade Port, the area has remained substantially underdeveloped, disadvantaged and poor. External access and internal linkage are substantially limited to east-west roads, while north-south links are few and of poor quality. Activities in the Municipality are limited to commercial agriculture in the north-east and east of the area, and subsistence farming in the remainder of Ndwedwe. Smaller areas of afforestation and local commercial activities are also to be found.

There are some community gardens in the municipality, where vegetables and ground nuts are cultivated. Plans for growth include Ndwedwe's tourism potential and the unexploited agricultural land in the area. Initiatives to encourage economic development in Ndwedwe are programmes to support small-scale farmers; to develop a tourism sector; and to promote the establishment of small and medium-sized manufacturing enterprises (which might include the commercial development of local crafts).

**18.2.1 Site Visit**

Insabalele Primary Co-operative is situated in Ward 03, eNgonweni reserve also under iNkosi Ngcobo. The recent demarcation following the LGE has separated co-operative members from the site. The municipal ward where members now reside falls under eThekwini Metro whereas the site still remains under Ndwedwe local municipality. The site is fully fenced and irrigation system fully connected. Though not easily accessible by a small vehicle owing to the terrain and its location but the site is well positioned just adjacent the river banks and not too far away from the tarred road. The co-operative planted its first crop, spinach, towards the end of 2016 but it was regrettably all destroyed, the Portfolio Committee was told, this was as a consequent of incorrect irrigation and weeding methods that was applied by the co-operative.

According to a guide by the National Department of Agriculture, Forestry and Fisheries (DAFF) spinach fields are sprinkler irrigated to ensure the germination of the seed. The very first irrigation is performed immediately after planting, and a second one can follow just before emergence. The first irrigation will be needed to germinate the crop, but several short sprinkler applications are often necessary to prevent soil crusting. Once a uniform stand is established, most growers switch to furrow irrigation. With respect to weed control, hand-weeding is an expensive component of the crop production. A more economical alternative is to hoe the field when weeds are small and have not flowered yet. Sometimes two hand-hoeing methods may be necessary. Shallow cultivations are also used to control the weeds on spinach fields. Only registered herbicides can be used during the production of spinach. A typical weed control programme includes the use of a pre-plant incorporated or a pre-emergent herbicide. This herbicide is applied before the plants are planted and after planting but before emergence. The most effective and efficient control of weeds is by integrated pest management. It seems in this scenario a combination of incorrect irrigation, weeding method and herbicide may have led to the crop destruction.

**18.3 Observations and Findings**

18.3.1 Both projects had neither been introduced to the district nor local municipalities and therefore could not leverage external assistance other than that provided by DSBD in the form of CIS grant;

18.3.2 The representatives for both co-operatives had attended the workshop at uMuziwabantu local municipality and made extensive contributions which were not attended to by DSBD;

18.3.3 Accordingly, the remedial actions presented to the Portfolio Committee on the 7th of December 2016 have not been implemented;

18.3.4 All the various municipalities and provincial departments that the Portfolio Committee interacted with underscored and shared the same perspective with the Committee that the introductions of the projects at local municipalities is one grave error that DSBD omitted to factor in its risk profile;

18.3.5 Lack of activity coordination by DSBD is therefore and unintendedly leading to the felt needs of recipients not being addressed;

18.3.6 Most of the challenges currently being experienced by co-operatives would easily have been flagged and tackled had the Department proactively used the principle of cooperative governance as encapsulated in the intergovernmental relations framework act.

**18.4 Recommendations**

**18.4.1 As above the recommendations by the Portfolio Committee following its oversight visit in 2016 are equally relevant and applicable for all the projects and these include but not limited to, t**he Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year. In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 annual performance plans the Portfolio Committee will cautiously interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action;

18.4.2 **The local government will be finalising the IDP process in June 2017. The five year strategic plans are being discussed and they will be concluded soon;**

18.4.3 The Department must urgently conclude the review of the CIS but most importantly to incorporate the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;

18.4.4 Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;

18.4.5 The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;

18.4.6 Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites the Portfolio Committee has visited;

18.4.7 There is an urgent necessity for the Department to start the process of reviewing the Co-operatives Act in particular section(s) that prohibits the establishment of a secondary co-operative by primary co-operatives that have not operated for a year. The Portfolio Committee is of the view that secondary co-operative provides services to its members which could be needed from day one of the formation of the primary co-operatives. If this had been the case with Abalimi Agriculture Co-operatives Pilot projects some of the challenges they are going through could have been averted and addressed by the secondary co-operative;

**19. Conclusion**

In conclusion, having visited all twelve projects the Portfolio Committee on Small Business Development hereby wish to register the following observations and recommendations for implementation by the Department: -

**19.1 Observation**

19.1.1 There is a discord in what the Department considers to be its mandate and key deliverables vis-à-vis its actual directive as proclaimed by the State President during its inception in 2014 which is to champion the development of small businesses, coordination of various government departments and signing of transversal agreements. As a result, the Department has stumbled in assuming the leadership role in the development of small businesses;

19.1.2 The Portfolio Committee notes that DSBD is not taking its rightful place in emulating the role that was played by the Department of Sport and Recreation when South Africa was preparing to host the 2010 FIFA Soccer World Cup and position itself at the centre of co-operatives development to ensure that all other departments play a complementary role instead of duplicating services and operating outside each department’s core mandate;

19.1.3 The Committee observed that mandate overlaps, territorial protection, duplication of functions and silo mentality within the Departments, from national to local government level is a huge problem and it is costing government lot of money;

19.1.4 The duplication of functions and programmes tailored for small businesses is prevalent across the entire government and there is no strategy from DSBD on how to coordinate these functions and eliminate such wasteful duplications;

19.1.5 Numerous observations and recommendations made by the Portfolio Committee during its successive visits to KZN in 2015 and 2016 have not been implemented. The PC is concerned that the Department has missed but all the targets as contained in both oversight reports;

19.1.6 During this recent oversight visit the Portfolio Committee also discovered that the Department had not done what it had committed to do on the 7th of December 2016 towards bringing Abalimi Agriculture Co-operatives Pilot project up to speed;

19.1.7 The Portfolio Committee is of the view that without strengthening agricultural research, technology development, institutional support systems, enhancement of the physical and economic connectivity of farm to market, post-harvest operations including the role of food processing industries and ultimately increasing the farmer’s income, rural employment and inclusiveness, all the government and DSBD efforts towards tackling unemployment, inequality and poverty will go in vain;

19.1.8 The PC notes that more than 80 percent of registered co-operatives are ‘agricultural co-operatives’ and found mostly in rural areas. However, the DSBD approach does not seem to recognise this fact;

19.1.9 The Portfolio Committee has subsequently called into question the criteria that DSBD applies in selecting most eligible recipients of CIS grant i.e. big towns and cities with sustainable revenue base and recommended that it be reviewed to target poverty stricken and underprivileged areas with high rate of unemployment;

19.1.10 The PC has made a number of proposals to the Department to instead of concentrating on the number of CIS beneficiaries funded in a particular financial year but focus on the impacts that the CIS grant has i.e. number of jobs created, the extent to which poverty is reduced and eliminated, reduction in the number of social grant beneficiaries to name the few;

19.1.11 The DSBD still does not have monitoring and evaluation unit and therefore does not conduct post disbursement visits to CIS beneficiaries. Ironically, it does not fund co-operatives without having paid them a visit to authenticate veracity of the project. Hence interaction with the CIS beneficiaries and municipalities have only been limited to the 12 co-operatives that were funded in KwaZulu Natal;

19.1.12 In preparation for the 2016 Local Government Elections the Department ought to have foreknown that the municipalities integrated development plans will resume. The PC is of the opinion that DSBD was supposed to have developed a forward looking project plan with a view of assimilating these projects into the IDPs;

19.1.13 All the projects that the PC visited had not been introduced to the local government hence they all did not acquire necessary support;

19.1.14 The PC has observed that instead of ratifying project specific transversal agreement informed by, among others, Intergovernmental Relations Framework Act and Integrated Development Plans, DSBD has embarked on a mission to sign bilateral agreements that are without legal standing;

19.1.15 The PC further notes that it is handicapped by the fact that the Department has not developed nor presented its revised co-operative strategy and therefore operate in a vacuum;

**19.2 Recommendations**

19.2.1 During its oversight visit to KZN in 2015 and 2016 the Portfolio Committee made extensive recommendations, these are equally relevant and applicable for all the projects and these include but not limited to, the Department needs to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year;

19.2.2 All the additional resource requirement must be carefully documented for inclusion in the annual performance plans (APPs) of the Department and its entities;

19.2.3 Consolidation of appropriate documentation for all activities that require costing will not be feasible without a properly constituted Project Steering Committee (PSC) at local government level and other stakeholders, including assigning a dedicated official from DSBD as a Project Manager responsible for overseeing the implementation process of the pilot project before the end of 2016/17 financial year;

19.2.4 The PC had previously recommended to the Department to speed up finalisation of the legislation on co-operatives, including review of the co-operative strategy so that everyone begin to sing on the same hymn sheet. This recommendation need to be implemented without delay;

19.2.5 The Department must urgently conclude the review of a developmental Co-operative Incentive Scheme that takes into account numerous features of a project being pursued, including but not limited to the provision of protective clothing such as straw hats, gum boots and two piece overalls which also gives small businesses an opportunity to supply these goods;

19.2.6 Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service offerings;

19.2.7 The issue of stipends during training for at least six (6) months has consistently been raised by members of the co-operatives for inclusion in the CIS;

19.2.8 Ablution facilities and restrooms are clearly some of the infrastructure desperately needed in all the sites that the Committee has visited. Invoking of SIP 11 as provided for in the Act No. 23 of 2014: Infrastructure Development Act as contended above through signing of transversal agreement with the Department of Rural Development and Land Reform may be one way of leveraging external resources;

19.2.9 The Committee would like to see DSBD immediately convening a strategic workshop so as to forge a common understanding of the small business sector in its entirety. The PC is alarmed by mandate discord that DSBD continues to demonstrate;

19.2.10 In approving the Department, SEDA and SEFA 2016/17 fourth quarterly reports and 2017/18 Annual Performance Plans, the Portfolio Committee will carefully interrogate these documents to ensure adherence and synthesis of its recommendations into a programme of action.

Report to be considered.

 08 March 2017

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**Ms NR Bhengu, MP Date**

**Chairperson: PC on Small Business Development**