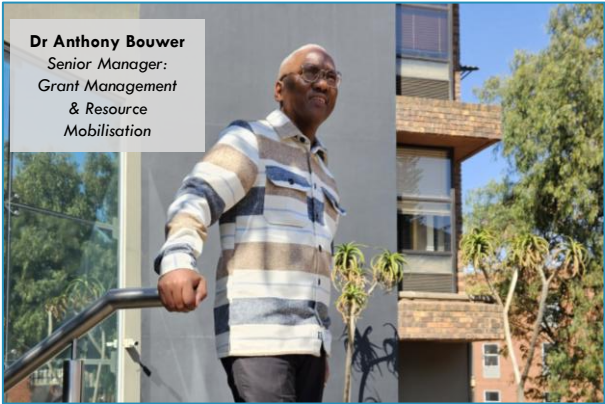


# CULTIVATING CHANGE: HOW COMMUNITY-OWNED ENTERPRISES CAN TRANSFORM POOR COMMUNITIES



## 1. INTRODUCTION: A MODEL FOR LOCAL DEVELOPMENT

In the face of endemic and persistent poverty and underdevelopment in South Africa's most underserved communities, the National Development Agency (NDA) has introduced a transformative model: Community-Owned Enterprises (COEs). Rooted in co-operative values and aligned with the District Development Model (DDM), COEs empower communities to take ownership of their economic futures through inclusive governance, strategic partnerships, and sustainable enterprise development.

In the context of the **National Development Agency (NDA)** in South Africa, the term "**community**" refers to:

**A group of people living in a particular geographic area or sharing common interests, challenges, or goals, who are engaged in collective efforts to improve their social, economic, and developmental conditions.**

The NDA views communities and their collective actions as **key agents of change** in the fight against poverty and inequality. It supports **civil society organisations (CSOs)** that work within these communities to promote sustainable development, social cohesion, and empowerment, especially in areas of developing capabilities of the youth, early childhood development, and proactive prevention of gender-based violence and femicide (GBV&F).

The NDA's adoption of the COE model is a strategic response to the high failure rate of co-operatives in South Africa, where 88% of registered co-operatives have failed, often due to poor governance, a lack of training, over-reliance on grants, and inadequate development support. COEs address these gaps by embedding co-operative principles within a structured, community-led development framework

## 2. UNDERSTANDING COOPERATIVES AND SECONDARY CO-OPERATIVES

- **Primary Co-operatives** are grassroots groups focused on specific production activities.
- **Secondary Co-operatives** are federations of primary co-operatives that centralize support functions like marketing, training, and equipment procurement.

While secondary co-operatives are the ideal structure for COEs, **NPOs and Community-Based Organisations (CBOs)** can also participate by signing **Service Level Agreements (SLAs)** with the NDA, allowing them to operate within the COE framework.

## 3. STRATEGIC DEVELOPMENT OUTCOMES AND BUSINESS ENGAGEMENT

The COE model is not only a tool for community empowerment but also a strategic development framework that aligns with national economic goals. It promotes inclusiveness, job creation, food security, and local economic development.

Businesses are encouraged to engage with COEs for several reasons:

- Access to local markets and supply chains
- Opportunities for inclusive procurement and enterprise development
- Strengthening corporate social responsibility and ESG commitments
- Building resilient and sustainable rural economies.

## 4. WHAT ARE COMMUNITY-OWNED ENTERPRISES (COES)?

COEs are enterprises owned, managed, and operated by community members. They are designed to be inclusive, sustainable, and responsive to local needs. A community can come together and start a group without legal formalities, but there are various legal structures that may be chosen as the means to run a community enterprise. Each has its pros and cons.

The main types include Limited company, Charitable company, Charitable trusts, NPOs, Industrial and provident societies (IPS), Co-operatives, Development trusts, Partnerships, Community Interest Companies. To establish a community enterprise, you need commitment, enthusiasm, and as much support and guidance as you can muster along the way.

## THE COE MODEL UNFOLDS IN FIVE KEY STAGES:

1. **Community Engagement and Planning** – Building trust, assessing needs, and co-creating a business plan.
2. **Enterprise Design and Structure** – Defining purpose, selecting a cooperative model, and establishing governance.
3. **Capacity Building and Training** – Equipping members with skills in leadership, financial management, and entrepreneurship.



1. **Funding and Resource Development** – Mobilizing grants, partnerships, and investments.
2. **Implementation and Operations** – Launching the enterprise, monitoring progress, and adapting to community needs.

## 5. LEGAL FRAMEWORK SUPPORTING COES AND COOPERATIVES IN SOUTH AFRICA

The formation and operation of co-operatives—and by extension, Community-Owned Enterprises (COEs) in South Africa are underpinned by a robust legal and policy framework designed to promote inclusive economic participation and community empowerment.

### 5.1 The Co-operatives Act, No. 14 of 2005

This Act provides for the formation, registration, and governance of co-operatives, including primary, secondary, and tertiary co-operatives. It promotes co-operative values such as self-help, democracy, equality, and social responsibility.

### 5.2 Alignment with National Development Priorities

The Act aligns with the District Development Model (DDM), Broad-Based Black Economic Empowerment (B-BBEE), and the National Development Plan (NDP).

### 5.3 Supportive Institutions and Policies

Institutions like the Department of Small Business Development, CIPC, NDA, and DRDAR support co-operative and COE development.

### 5.4 Flexibility for Non-Co-operative Entities

NPOs and CBOs can participate in the COE model through Service Level Agreements (SLAs) with the NDA.





6. CASE STUDY: INGQUZA FRESH PRODUCE  
SECONDARY CO-OPERATIVE (IFPSC)

Ingquza Hill Local Municipality (IHLM)

The Ingquza Fresh Produce Agricultural Secondary Co-operative (IFPASC) is a newly established entity formed by crop producers within the Ingquza Hill Local Municipality, aimed at strengthening and broadening participation in the agricultural sector through collaboration among primary co-operatives. This initiative focuses on resource mobilization, training, marketing, and management.

Ingquza Hill has a population of over 280,000 people, mostly residing in rural areas with a high incidence of poverty and high unemployment. The area is characterized by many households involved in subsistence agriculture and informal trade. There is a high reliance on cash transfers (social grants) and remittances. Agriculture is a key sector for food security, income generation, and job creation.

FORMULATION SUPPORT

The initiative began with community dialogues to identify local resources and needs. Ingquza Hill was chosen as a pilot site for the District Development Model, with the National Development Agency supporting the creation of a Community-Owned Enterprise (COE)/Secondary Co-operative. This co-operative would improve resource coordination and market access for the existing local co-operatives.

Key activities included an integrated stakeholder engagement session, where government departments, CSOs, and private sector entities pledged their support for the development of the ward and Ingquza Hill LM in general. Subsequently, targeted training sessions were conducted with cooperatives that form part of the secondary co-operative, including workshops on Co-operative Governance based on the German Co-operative and Raiffeisen Confederation (DGRV) model, compliance, management, and operational effectiveness, as well as a mindset shift session aimed at fostering a collective vision for sustainable development.

PARTNERSHIPS

The Services SETA facilitated training on the entrepreneurial mindset, equipping participants with the skills and confidence to innovate and manage enterprises effectively. These activities culminated in the establishment of the Secondary Co-operative, which now serves as a vehicle to drive development and economic empowerment in the broader Ingquza Hill area, fully aligned with the objectives of the District Development



Assets

The co-operative consists of nine primary co-operatives managing 230 hectares of land, focusing on high-demand crops like spinach, butternut, potatoes, cabbage, and peppers. While the primary co-operatives are operational, the secondary co-operative will enhance economies of scale, improved productivity, market access, and sustainability by offering centralized support.

The implementation of this initiative will occur in two phases:

- Phase 1:** Focus on securing mechanization, including a tractor with implements, a potato planter, and other critical inputs. This phase will increase production capacity and help meet market demand.
- Phase 2:** Expand support for additional training, market access, and resource coordination to ensure long-term sustainability.



Grant funding and Support

The secondary co-operative has requested R1, 966,442.50 from the NDA to procure a tractor with implements for Phase 1 and a potato planter, potato harvester, and disc ridger for Phase 2. This support will enhance the co-operative's production capacity, promote economic empowerment, and contribute to improving living standards in Ingquza Hill.

As a start-up, the secondary co-operative faces challenges common to new organisations, including the absence of operational systems, limited access to mechanized farming equipment, and insufficient resources to coordinate and support its members effectively. These challenges are compounded by the broader socio-economic issues faced by the people of Ingquza Hill Local Municipality, such as high levels of poverty, unemployment, and food insecurity.

This initiative aims to address these challenges by creating jobs, increasing income opportunities, enhancing food security, and driving local economic growth, but its success depends on overcoming its current capacity and resource limitations.



BENEFICIARIES

1. Masakhiwe Agricultural Co-operative:
2. Intaniso Primary Co-operative
3. Yamampondomise Primary Co-operative
4. Itha Lam Farm & Breeding Primary Co-operative:
5. Uncedo Primary Co-operative:
6. Amajabangqa Agricultural Primary Co-operative
7. Equwukeni Primary Co-operative
8. Mtshini Agricultural & Multi-purpose Co-operative
9. Magazi Farming Projects

BENEFITS TO THE COMMUNITY

IFPASC will bring several economic benefits to the community, including job creation through seasonal and permanent positions, which will help reduce unemployment. Local incomes will rise as community members earn from fresh produce sales, while the local economy will be boosted through increased trade and investment. The co-operative will also provide valuable skills development opportunities in farming, management, and business, equipping members with skills for various job opportunities. Additionally, it will support local businesses by sourcing materials and establishing market linkages, and promote sustainable agricultural practices, ensuring long-term economic and environmental benefits for the community. Through economies of scale, the co-operative will be able to reduce costs, increase production efficiency, and access larger markets, which will further contribute to the economic growth and sustainability of the community.

CONCLUSION: A BLUEPRINT FOR INCLUSIVE  
GROWTH

The story of the **Ingquza Fresh Produce Secondary Co-operative** is more than a local success—it's a **blueprint for rural development** across South Africa. It demonstrates that when communities are empowered with the right tools, training, and trust, they can build enterprises that are not only economically viable but socially transformative.

Through the COE model, the NDA is not just cultivating crops—it is cultivating **dignity, resilience, and hope**.

