1. From Co-ops to Economic Co-operation

1.1 Charting a New Strategy

The early days of the co-op programme had taken place against the backdrop of the final stages of the state of emergency and high levels of repression. But in 1990, the task of representing the democratic movement to meet Nelson Mandela as he finally exited from prison went to Ramaphosa, and by 1993, Ramaphosa was leading the country’s constitutional negotiations. The Reconstruction and Development Programme (RDP) was under negotiation between Cosatu, the South African Communist Party and the ANC, and a transition to democracy seemed plausible, if not yet certain. The idealised socialism of the imagination was not yet dead, even if the socialism of the Eastern Bloc was crumbling. It was a definably different era from
the one in which the co-op programme had begun. It had new possibilities, new spaces within which to work, and the promise of transition ahead.

Nevertheless, retrenchments in the mining industry continued unabated. In 1991, NUM initiated the first Mining Industry Summit, bringing together labour, the industry and government to negotiate a social plan to address the crisis of retrenchments in the industry, but the outcomes were disappointing. (The Shop Steward Vol 7 No 2 1998)

By 1993, the NUM Co-op Unit had drawn the conclusion that support to co-op development was not an effective strategy for job creation, and represented an insufficient response to the challenges confronted. A quest for new and more inclusive ways of reaching ex-miners and their communities began. It would be incorrect to portray a seamless transition from a project focus to a service delivery focus, although that is the critical shift that took place, with MDA providing enterprise development services through Development Centres, to the community at large. The focus was on micro- and small enterprise, and on promoting sustainable livelihoods rather than on ‘jobs’ in the formal sense of the term. (Philip 2002 (1): 15).

By 1995, the NUM Projects Unit had also been converted into a separate non-profit entity called Mineworkers Development Agency. Until then the NUM Co-op Unit had reported to a sub-committee of NUM’s National Executive Committee, made up of the elected leaders of NUM. This group formed the core of the Board of Directors appointed by NUM, with some external or non-NEC members also appointed for the first time. These included Professor Sehoai Santho, an academic and civil society activist from Lesotho, and later Keshan Pillay, from Mineworkers Investment Company. James Motlatsi joined the Board when he stepped down as NUM President and became the head of the Mineworkers Investment Trust, followed by Simphiwe Nanise when he took over this post. The Board was chaired by Gwede Mantashe while he was Deputy General Secretary of NUM; when he was elected General Secretary, he stepped down and Moramang Montsi became the Chair. Montsi was a shaft-steward from Vaal Reefs Mine, and had served on MDA’s board from the start.
MDA’s strategy was focussed on the establishment of an institutional grid of Development Centres, first targeted at rural mine-labour sending areas, and later also at mining towns. By 2002, MDA had established Development Centres in the following places:

In South Africa:

- Kokstad, E. Cape/Kwazulu Natal;
- Mhala, Bushbuckridge, Northern Province
- Welkom, Free State
- Klerksdorp, North West Province
- Morokweng, North West Province
- Batlharos, near Kuruman, Northern Cape
- Jane Furse, Sekukhuneland, Northern Province (inception phase).

In Lesotho:

- Maseru, Lesotho.

The core services typically offered at centres are captured in the diagram below. The focus, in the early stages, was on the ‘economic services’ and training and counselling. The focus on product development and access to external markets will be covered in more depth in Chapters Seven and Eight.

Figure 4: Services at MDA Centres (‘The Mineworkers Development Agency’s Roots are in the National Union of Mineworkers’: MDA Brochure 1996)
Before exploring the rationale, outcomes and impacts of Development Centres any further, a case study of the development of the Mhala Development Centre illustrates the transition that took place from the methods of the co-op period, to new forms of development organizing, as well as new forms of economic co-operation that arose when the initiative was placed clearly in the hands of ex-miners and their communities, without the somewhat prescriptive paradigm of co-op development to delimit the options.

1.2 Innovation in organising

Amcoal’s Arnot Colliery in NUM’s Witbank Region was a particularly well-organised mine. Andrea Nzima was the union branch chair. He was also one of the NUM National Executive Committee members on the NEC’s Co-op Sub-committee, to which the Co-op Unit reported. He had therefore been in close contact with developments in the co-ops, and had been deployed at various points to mediate co-op conflicts, particularly in Swaziland. This meant that he came to the process with none of the illusions about co-ops that were still common inside and outside NUM.

When, in that context, Arnot Colliery was faced with retrenchments, he and others in the union branch took the initiative to innovate. They organized workers on the mine into ‘district contact groups.’ These groups met while they were still on the mine, and discussed their livelihood strategies for the future and how they would invest their retrenchment packages. They also created a communication network to stay in contact after leaving the mine. Andrea Nzima, Douglas Mboweni, Colin Ndlovu and William Nyathi were all from a string of villages in the Bushbuckridge lowveld, near Tulamahashe, that was then part of the Gazankulu Bantustan.

It was a bleak day when Andrea Nzima was retrenched from the Arnot Colliery near Middelburg. The father of eight children had given 15 years to the mine and the prospect of going home to the Bushbuckridge area of the Northern Province did not fill him with hope. It was the lack of jobs in the region that had driven him to find employment on the mine in the first place.

But Nzima and 34 of his fellow retrenched mineworkers from the areas did not return with their heads bowed and their hearts filled with despair. They were determined not to succumb to the kind of future that awaits many retrenched miners: one of despondence, government hand-outs and possibly alcoholism.

Instead they used some of the money from their retrenchment packages to buy an ox for the community. The beast was slaughtered and cooked.
It was the perfect bait to ensure increased attendance at the community gathering. For this, the men had planned, was a “welcome home” party in disguise. Their true intention was to garner support to start a community development project. (Stucky: Mail and Guardian: MDA press clippings file: date illegible)

At this community meeting, the ex-miners announced that they did not intend to return to the mines, and aimed to create jobs in the local community instead. They invited members of the community to join them.

The ‘district contact groups’ set up at Arnot were then converted into village groups; these now included members of the community. These village groups decided to hire transport collectively to buy live chickens from a farmer some 60 kilometres away in Hazyview, on the assumption that they would be able to make a decent profit selling them locally. They were right.

The critical facilitation and organizing roles in this process were performed by ex-NUM leaders, applying old skills in new ways. The work was done on a voluntary basis. Later, Nzima was paid a stipend, and then became an MDA employee, but that was not on the agenda at this stage. Participation in the village groups was based on self-selection, and each member decided the level of their own involvement and risk, and placed their orders for chickens accordingly.

While some took 25 birds a week, others took 5 or 50. Some grouped together to build holding pens for their chickens, others did it alone. Some arranged to sell from a particular roadside site in rotation, others sold their birds independently. All of these choices and arrangements were made on the basis of decisions and reciprocities that participants defined for themselves, and while these entailed economic co-operation, they did not require collective consensus. Each person decided his or her own level of involvement, risk, time and money, and earned accordingly - and separately. The problem of ‘democratic management’ simply never arose. Within weeks, about forty people spread across six villages were earning incomes from buying and selling live chickens.

Dr Ed Wethli, adviser to MDA on poultry development issues throughout this period confirms that participants each paid R2 per bird for the hire of a truck from a local person. The birds cost R12 from the farmer, and they could sell them for R18. They
generally sold the birds within a day or two, and so feed was based on leftovers and scraps rather than commercial poultry feed. They kept them at their homes, and sold them locally, so other expenses were minimal. Essentially, they were able to make about R4 a bird. (E-mail correspondence with Dr Wethli, 2006).

For those people selling 25 chickens a week, this meant a weekly net income of R100, or R400 a month. This was significantly more than co-op members were earning at the time. For those able to sell 50 chickens a week – and some did – they were able to make R800 a month, matching what many had been earning on the mines, where the minimum wage had in the meantime gone up substantially.

From NUM’s side, there was no capital input or direct subsidy to the process. There was the time of organizers Stanley Mathebule and Francis Dipholo; and the largely voluntary time input of the ex-miners from Arnot.

These returns also need to be contextualised in relation to the wider local economy. Ted Baumann estimates that, taking informal activity into account, unemployment in the area was ‘in the 50-60% range’:

Most estimates suggest an average household income of R630 per month, which gives a per person figure of around R100 per month. Mozambican refugee villages have much lower household incomes. All of these estimates include the value of self-produced food. (Baumann n.d. 3)

The contrast with the co-op programme was stark. Here was a network of people - self-selected, self-financed, in business and earning incomes from an activity that often took only two days out of their week. The barrier to entry was low, and the returns on investment were rapid and reasonable. Returns from micro-enterprise activity were certainly not always this easy, but these outcomes at Mhala were a revelation to NUM staff who had been grappling with co-op viability issues for years.

Later, NUM facilitated access to micro-loans, initially running this as a NUM service, but then outsourcing this to the Rural Finance Facility, whose core competence this was. The scheme was underwritten by a guarantee from the Amcoal/NUM Fund, which was a jointly controlled fund negotiated by NUM to support development initiatives, as part of the retrenchment settlement negotiated at Arnot Colliery - in negotiations that had been led by these same worker leaders.
The establishment of such jointly-controlled mining industry funds became a standard part of retrenchment negotiations, and it was these funds that financed the establishment costs of the majority of the Development Centres – a key innovation in the use of union power at mine level to leverage resources for development in the labour sending areas.

With micro-loans that started at R300, participants were able to buy their first 20 birds – and start trading. With each successful payment cycle, the loan amount available doubled, up to R1,200. A printout of the loans in the Mhala group from 23 September 1993 below provides an illustration of the programme. In this example, the borrowers are in their second loan cycle.

![Figure 5: RFF Schedule of Amcoal/NUM Loans at Mhala: September 1993](image)

Six months later, these groups were ordering a standard 500 birds a week or 2,000 birds a month – with a combined monthly turnover of about R36,000 and a net income of R8,000 a month going into this rural local economy. When it became clear
that the network could sustain these orders, the viability of localizing the supply of chickens became apparent also.

Andrea Nzima and his team then identified a large, abandoned poultry farm in Mhala, with the capacity to produce 1,200 birds a week, owned by the Gazankulu Development Corporation, just opposite the Rolle Station railway siding. They negotiated to purchase the use-rights of the farm, along with a portion of land and a small house. This was to become the Mhala Development Centre, funded by the Amcoal/NUM Retrenchment Fund.

The house was converted into an administration and training unit, and a large warehouse space was constructed to house the ‘community production centre’ and business supply store that were to follow.

The poultry unit started at full capacity, selling 1,200 pre-ordered, fully-grown birds per week to the existing network of poultry entrepreneurs, hence with a minimum of start-up risk. Over time, many of the group members then set up their own outgrower sheds, and started to order three-week old chicks through the centre, taking them at an age when the key risks of mortality are over. This doubled the capacity of the sheds. Next, some participants started to take day-olds, ordered in bulk with the centre’s order. So by January 1995, the Mhala Development Centre (MDC) was able to report to an MDA workshop on Centres as follows:

**Poultry Centre:**

- The poultry centre is going well. It has started to do training for groups and community members - on day-old to 6 weeks, at a cost of R200.
- Groups and the community are buying equipment, feed and vaccinations from the centre.
- The poultry centre is making enough profit to assist in covering the costs of the centre as a whole: it is the financial base of the centre.
- There is a shift in demand from 6 week birds to 3-week birds; and even day-olds.

This reflects that the centre is achieving its aims of building the independent enterprises of the members - but there is a catch: as the groups become more independent, the profit base of the centre is undermined: there is less profit to be made from day olds and 3-weeks than from 6 week birds. We need to plan so that over the next two years, we build alternative sources of income for the centre.
In this way, a process that began with an apparently marginal retail activity was able to localise and expand production over time. Unemployed people with no enterprise experience and few other formal skills, who started out with an apparently marginal, survivalist economic activity, were able to make the transition from being retailers to being producers.

This brief overview of the origins of the wider Mhala Development Centre illustrates a number of central themes. Firstly, today, this would be used as a localised example of ‘making markets work better for the poor,’ in which facilitation processes were able to catalyse change in the structure of the local poultry market, with greater retention of value in the local economy, and improved returns to local entrepreneurs.

Secondly, while there were elements of organisation that were specific to their context, the form taken by ‘economic co-operation’ in this instance is nevertheless very similar to the ways in which user co-ops have developed in other parts of the world to secure preferential access to inputs for farmers or other entrepreneurs. The label ‘co-op’ was not attached to such processes by MDA or by the participants, but the theme of economic co-operation re-emerges as a critical factor shaping the terms on which marginalized entrepreneurs are able to change the nature of their location in markets. As we saw in the last chapter, a key critique of worker co-ops was that while they change relations of ownership and control within the enterprise, they have no wider impact on the workings of markets, and compete within them like any other enterprise. The same is not true of other forms of co-op or other forms of economic co-operation, where – although this does not constitute a challenge to the market system as such - the creation of economies of scale can indeed be used to leverage change in aspects of the way markets work.

Finally, the quote above flags the tension that soon emerged between Mhala Centre’s development objectives and the commercial sustainability of its poultry supply unit. The role of business services such as this, and the vexed issues of sustainability in development is another critical theme to follow.
Ted Baumann was commissioned to do a case study of Mhala Development Centre in 1998 for the Department of Constitutional Development, as part of exploring different approaches to LED, and summarises the Mhala Development Centre experience as follows:

MDC is a useful example of an informal approach to community-driven LED. MDC has been successful because, for a variety of reasons, it has generated local solutions to local problems, based on local opportunities. The specific solutions may not be as important as the processes that generated them. The case suggests that in some instances it is not a useful approach for local governments wanting to promote LED to develop a check-list of ‘do’s and don’ts’ to be implemented. Instead, local governments can learn to support what is already happening in ‘civil society’, rather than rely solely on ‘creating’ such processes. (Baumann: 7)

2. MDA and Development Centres

2.1 The Rationale for the strategy

2.1.1 Diversification in local markets

The experience of co-op development had given NUM an in-depth taste of the challenges of enterprise viability on the margins of the economy, and of the constraints and challenges within local economies and ‘weak’ markets. Substantial lessons from the co-op development period were carried forward into this next phase.

In Chapter Three, it was noted that by the time the 1987 strike took place, many rural economies had reached a ‘tipping point,’ and rather than subsistence activity subsidizing low wages, as in the early days of the mining industry, these local economies had become highly dependant on wage remittances from migrant workers as well as on pensions as their main sources of cash income.

In MDA, this was understood to have a set of consequences for local economic development: firstly, local economies had become increasingly dependent on remittances to ‘kick-start’ and sustain a limited set of local economic activities, including local taxis, spaza shops, and the sale of chickens, sheep and goats. Dependence on remittances also meant that increasingly, people had become consumers without being producers. The decline in local manufacturing also reflected
a growing dependence on consumer goods mass-produced in SA’s core economy.  
(Philip 2002 (1): 16)

In addition, for many, limited access to land had removed the possibility of producing agricultural surpluses. This further removes people from engaging in trading cycles as producers, and it also means they have no need or opportunity to explore more ‘value-added’ processing activities with agricultural produce, because they consume everything they produce. The limits on access to land also mean that even agricultural skills have often been eroded, and while people may be rural, this does not translate into their having the skill or desire to engage in agricultural activity. Much of rural South Africa consists of sprawling low-density townships, to where people were removed in the apartheid years.

The net effect of all of this is that there is a very limited range of economic activity taking place in most rural economies, focussed mainly on retail, with some services and very limited manufacturing activity. The rapid decline in migrant remittances from the mines had a negative spiral effect on the local economy as a whole; with local activity often grinding to a halt. Philip 2002 also notes the tendency towards ‘copycat’ entrepreneurship, where one successful enterprise will be copied by others, until they all collapse under the weight of their own competition.

As part of a study funded by the Department of Trade and Industry, MDA commissioned Coopers and Lybrand to co-ordinate an MDA survey of entrepreneurs. While the focus of this survey was on identifying business input supply needs, it served also to illustrate the lack of diversity in local economy activity.

A detailed survey was conducted in Ngqeleni District in the Eastern Cape, where MDA had conducted training, and from where entrepreneurs were travelling to MDA’s Umtata office to buy inputs for their enterprises. The process involved participation by approximately 600 local entrepreneurs. Attendance at these meetings was not targeted at people linked to MDA’s programmes, but at local entrepreneurs who were invited to discuss their input needs. The table below tracks the types of enterprise activity present in each village.
MDA Project
Rural procurement strategy formulation
Projects represented from the various villages

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<th>Poultry</th>
<th>Vegetable farming</th>
<th>Wool growers</th>
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Figure 6: Projects represented from Villages in Ngqeleni District, Eastern Cape


The preponderance of bakeries reflects the market response to the perceived demand expected to arise from the school feeding schemes at the time, as well as the scale at which ‘bread-baking projects’ were being set up as part of ‘poverty alleviation’ programmes. In fact, during the survey, approximately 836 mini-bakeries were identified in the Transkei. (Pieters 1997)

A key initial target of MDA’s centres was to try to expose people to a wider range of micro-enterprise options, to try to break the strangle-hold of copycat entrepreneurship, and to promote diversification ‘horizontally’ in the local economy. All aspects of the centres were designed to contribute to this goal in some way, with the training, the technology demonstrations, equipment hire, equipment supply, and the bulk supply of raw materials all being complementary aspects of an approach that attempted to respond to the challenge with an integrated set of mutually-supportive mechanisms.

The centres offered training on up to 33 micro-enterprise options, including the ever-popular mini-bakeries and poultry, as well as cement products such as lintels, gutters and paving stones, leather processing and leather goods, tyre repair, ice-making, ice-
lolly production, solar drying, peanut butter production, welding and others. Most of the enterprise options and associated training courses were put together by Rutec, the Rural and Urban Technology Company (in which MDA later became a shareholder, in an ill-fated joint venture with the Land Bank).

2.1.2 Economic Services

In exploring how to ensure an integrated approach to supporting diversification, MDA used the concept of economic services:

From the start, it was clear that training alone did not take new entrepreneurs far in overcoming the constraints they faced; and that a range of business support services was needed to tackle these. MDA Centres offer a range of ‘economic services’ that help to trigger and enhance the viability of local enterprise activity, but are themselves viable business units. (Philip 2002: 16)

Mhala’s Poultry Supply Centre was a classic example of such an ‘economic service’. These services were understood as missing links in local input supply chains for entrepreneurs, the absence of which added costs and constraints to local economic activities and opportunities; and the provision of which was meant to catalyse new opportunities in the local economy.

MDA was soon to be exposed to the market development approach to business development services, and these economic services clearly fitted this profile. The implications of this debate for MDA’s Centres are the focus of Chapter Six.

The other key service offered at the centres was the supply of inputs through Business Supply Stores. MDA identified the lack of access to any but the most basic raw material inputs for production activities as a critical constraint on diversification in the rural local economy.

Brass buckles for leather sandals and belts, or T-shirt printing inks for T-shirts are only available in major centres, and the logistics of finding suppliers are beyond the capacity or affordability of most entrant entrepreneurs.

The lack of packaging supplies is also a key factor limiting the formalization of production activities. It is easy enough to make atchar at local level; but it is not so easy to find a supplier of basic plastic atchar containers within which to package the product. ...The same applies in relation to egg boxes, peanut butter jars, foil caps and containers for yoghurt or fruit juice; screw-top containers for juice pulp concentrate,
bag-sealers for biscuits or dried fruit, 5kg reinforced paper bags for milled maize.

In Lesotho, a co-op of women producing candles could not source wax from within Lesotho. They had to take a taxi to Sasolburg in SA to buy the wax in 50kg bags, and it took three of them to carry the bags: the costs of transport and accommodation simply overburdened the project, and other strategies of procurement were beyond their organizing capacity. (Philip 2002: 18)

Suppliers of these kinds of inputs are simply not geared towards the distribution needs of far-flung rural producers. Low levels of working capital mean entrepreneurs need to buy in relatively small quantities, and while spaza shop suppliers such as Metro Cash ‘n Carry had started to do ‘bulk breaking’ to service these needs in the Eastern Cape, few suppliers of production or packaging inputs were doing the same. (Abt Associates and Brij Consulting: 1998)

Small-volume purchases made regularly from the nearest centre such as Umtata or Hazyview (and often Durban or Nelspruit) meant exorbitant transport costs, with taxis charging not only for the passenger but for their goods also. This gap in input supply markets was identified as a critical factor in local economic development, that the Business Supply Stores at the Development Centres were intended to fill.

In a context in which there is such a limited range of success stories for people to learn from, the demonstration of technology options became a key conceptual element in the design of the centres. The sale of equipment was one of the economic services offered, and the hire of equipment on site was a mechanism that allowed people to experiment with production options at a minimum of risk or capital outlay.

Baumann highlights how the Mhala Centre was able to integrate these different elements in relation to the metal sector in the Bushbuckridge area:

*Steel fabrication*

Since the beginning of the ‘90s, many small manufacturers of window and door frames and gates have emerged in BBR, responding to the growth of local housing investment. There are presently about 50-60 micro-enterprises involved in this activity who are in regular contact with MDC.

Many of these micro-enterprises got started via MDC. Aspirant steelworkers would come to MDC to learn how to cut steel rods, weld,
manage a business, and so on. Once in business, goods would be
manufactured at MDC's site, using its welding equipment, electricity, and
transport, for which MDC would charge a fee. Once sufficient profits were
accumulated, however, the manufacturer would invest in his or her own
machinery, using credit and equipment-supply connections facilitated by
MDC, and start manufacturing at home or on site, closer to the ultimate
client, further reducing costs.

These manufacturers use steel bought from Nelspruit suppliers. MDC has
played an important role by acting as a local warehouse and distributor
for bulk steel, rendering it unnecessary for manufacturers to travel
personally to Nelspruit. MDC's profits now come mainly from ongoing
supply activities and commissions on credit and equipment sales.
(Baumann: 1998)

He describes a similar process in relation to cement products. Based on interviews
with centre staff, he characterized the role of the Centre as follows:

MDC provides established clients with administrative, coordination,
marketing, credit, and risk-management services. For example, MDC
tracks local construction opportunities and advises clients on how and
where to tender. MDC also helps clients to arrange direct purchase of
materials from suppliers, and marketing of finished goods. Clients needing
larger-scale credit are counselled and referred to institutions such as the
Rural Finance Facility or AltFin. The impact of such services is hard to
measure but invaluable. They serve to reduce transactions costs ... and
risk by providing services for a number of enterprises in one place. This
lowers the cost of doing business for each individual micro-enterprise. It
would be expensive for each micro-enterprise to undertake such services
individually. Through MDC, clients can get cheap information on tender
opportunities. Similarly, MDC's marketing and supply services help to
reduce the risk of unsold products.

As with MDC's informal credit arrangements, these services have evolved
through informal local contact with target communities, supported by the
wider network of experience in other MDA-supported initiatives.
(Baumann 1998)

Referring back to North and the concerns of NIE, the Centres were contributing to
creating an environment conducive to market development in a number of ways.
While the economies of scale and localisation of supply improved the potential
competitiveness of local enterprise, the Centres also played a less tangible role by
facilitating information flows, which in turn enhanced the access of local
entrepreneurs to tenders, to suppliers and to finance. In addition, the Centres
provided a level of formality that bridged the gap between the high levels of
informality in the local economy, and the protocols of ‘anonymous exchange’
required to make deals and secure terms with formal sector suppliers in the core
economy. This was a two-way process: for Baldwin Steel, who offered Mhala Centre
a franchise as a consequence of the high volumes of steel traded, the Mhala Centre facilitated access to new markets also.

3. Assessing the Impact

3.1 Demographic data on MDA’s clients

By 2000, MDA had records of training delivery for 7,921 people for a three year period (Report from Training Data-Base, 2001). These figures do not include users of the economic services, such as the poultry supply stores or business supply stores. Development Centres collated quantitative figures that provided key demographic information about their clients, and in 1999, DFID consultant Caroline Pinder assisted MDA to conduct a formal impact assessment. The assessment period was from 1 September 1998 to 31 August 1999, and covered a random selection of 20% of clients trained at each centre during this period (excluding Lesotho). The process was repeated annually thereafter to 2002.

The core demographic data below relates to trainees trained by MDA Centres or by trainers at Head Office, who focussed on under-serviced areas. The figures exclude Lesotho.

![Figure 7: Gender Breakdown of Trainees: September 1998 - August 1999](image)

**Figure 7: Gender breakdown of Trainees: September 1998 - August 1999 (MDA training data-base)**
Figure 8: Age Profile of Trainees: September 1998 - August 1999 (MDA training data-base)

Figure 9: Relationship of Trainees to the Mining Industry: September 1998 - August 1999 (MDA training data-base)
Figure 10: Breakdown of links to the Mining Industry: September 1998 – August 1999 (MDA training data-base)

The demographic data on the programme outcomes illustrate a number of interesting trends. Firstly, when the decision was taken to target communities affected by mine downscaling in an inclusive way, the logical corollary was that not all clients would have a direct relationship to the mining industry. However, within the group that does have links to the mining industry, what is striking is the small proportion of the total that is made up of the ex-miners themselves – almost matched by the participation of employed miners – and dwarfed by the participation of the wives and dependants of both. This did vary quite substantially from year to year, however. In the year illustrated, ex-miners themselves were a particularly small 9% of the total; in 2000, they made up 28% of the total. (MDA Training reports 2000). The point remains, however, that the largest constituencies served by the programme were the wives and dependants of both the ex-miners and currently employed mineworkers.

The establishment of Development Centres in the mining towns of Welkom, and later Klerksdorp and Carletonville was intended to improve the targeting of ex-miners, and to reach those ex-miners who were gravitating back from rural areas to the informal settlements surrounding mining towns; but it did not substantially change the gender breakdown of MDA’s client profile, as the figures for Welkom illustrate.
In practice, the core underlying issue was understood to be that ex-miners wanted other jobs, preferably on the mines. It was not uncommon – and was in fact a negotiated part of the Placer Dome Social Plan – that ex-miners could opt to bring their wives to the Centres as their proxies to take up training opportunities negotiated with the mines and to get support to start businesses, while the ex-miners tried to find other jobs. (Interview with Salae: 2004)

This was certainly a strategic issue for MDA, and increasingly informed other parts of MDA strategy. For example, MDA’s Social Plan Unit was tasked with targeting the ex-miners directly, with complementary programmes more focussed on skilling them for other forms of formal employment. The focus in this thesis will, however, remain on ‘enterprise on the margins’ in the mine-labour sending areas - where a sizeable majority of MDA’s clients were women.

3.2 Qualitative Outcomes

The demographic figures in the section above highlight the outputs of the Development Centres in quantitative terms. Clearly, in terms of a development approach, the shift from a project focus to a service delivery focus had significantly expanded the scope and scale of MDA’s reach. Far harder to gauge, but far more important were the qualitative outcomes of this process, and it was on these that the Pinder review was primarily focused:

The criteria for assessment would be to establish:
- the extent of enterprise activity which followed MDA’s training;
- whether, and to what extent, that enterprise activity had contributed to improvements in clients’ living standards and/or increased household assets
- what were the constraints which had impacted on clients’ capacity to start enterprise activity following training, or subsequently limited business growth. (Pinder 2000: 5)

Pinder notes the logistical difficulties of conducting such a review:

MDA’s clients were found in some of the most remote and rural areas; the random sampling methodology took us to 16 different districts in the Eastern Cape alone, reflecting the depth and breadth of MDA’s penetration in rural areas. In most regions, there were some clients who could not be reached because rain had made roads impassable, reflecting also the conditions in which they engage with the outside world. (Pinder 2000: 14).

A total of 163 clients were interviewed. The process found the following:
The findings of the report were that on average across the programme, 70% of MDA’s trainees take the initiative to use the skills learnt to initiate or expand on enterprise or income-generating activity. A year after the training, 77% of those who did apply the skills (or 54% of total trainees) were still engaged in such economic activity. This reflects a high degree of empowerment through training, and compares well with international benchmarks for this sector. (Barton: 2001)

This was the good news. More sobering were the insights into the depth of the challenges faced by such entrepreneurs, and the limited returns to such effort that were the norm. The findings in this respect do, however, need to be qualified in various ways.

Methodologically, the validity of impact assessment of enterprise development programmes is a highly vexed issue, particularly where there is an attempt to link an enterprise support intervention to improved income returns in individual enterprises. Despite the best efforts of SME agencies to promote proper record-keeping - motivated in part by the desire for accurate figures for their own purposes - these are rarely in place, and are rarely accurate.

In addition, the same confusions typical in co-ops abound over terms such as ‘net profit’ and ‘turnover’, and over the distinction between income to the business and income to the entrepreneur. Even where enterprises do have accurate figures, entrepreneurs are often reluctant to divulge detailed business information, and are as likely to exaggerate their returns as to understate them, depending on the context. There is therefore no way to adjust data for predictable distortions.

Finally, there is the problem of attribution - the impact of any intervention is never immediate, yet over time-lines of a year or more, the extent to which improved turnover in an enterprise can be attributed to services provided by an SME support agency is usually highly dubious. Rather than ever comparing apples and apples, impact assessment therefore always involves extrapolating trends from a basket of mixed fruit.

Duly qualified, the quantitative and qualitative outcomes of MDA’s various impact assessment processes drawn from below nevertheless provided insights that contribute to understanding dynamics in the sector, and this is the purpose, rather than to demonstrate any clear causalities linking MDA’s role to the outcomes.
This data translates into the following set of graphs illustrating monthly income returns.

![Figure 11: Summary Overview: Income Returns: IA 1999](image1)

(Data from Pinder: 2000)

![Figure 12: Income Returns by Centre: IA 1999](image2)

(Data from Pinder: 2000)
The breakdown by centre shows quite considerable variation across the different centres. Limpopo here includes both the Mhala Development Centre as well as training conducted in Limpopo from MDA Head Office.

### 3.3 The comparative context

The low returns raise the question of why people persist with these strategies. In exploring this, the returns need to be contextualised within the wider context of local poverty, and the alternatives. The 1999 IA also attempted to do this, by looking at the relationship between these monthly returns and household incomes:

Total income coming into participants’ households ranged from nil to R3 200, with income for an average per adult being R227. It must be noted, however, that around a third of clients were either unable or unwilling to answer questions about family members’ contribution to the household...

[The table below] gives an indication of the levels of cash income accruing to the households of the survey participants who did respond to this question:

<table>
<thead>
<tr>
<th>Province</th>
<th>Average income per household*</th>
<th>Average income per adult in household**</th>
<th>Average income per person in household***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape (Umtata &amp; Kokstad)</td>
<td>561</td>
<td>230</td>
<td>140</td>
</tr>
<tr>
<td>Northern Province (Mhala)</td>
<td>1308</td>
<td>311</td>
<td>231</td>
</tr>
<tr>
<td>Northern Province (mobile)</td>
<td>838</td>
<td>193</td>
<td>98</td>
</tr>
<tr>
<td>Free State (Welkom)</td>
<td>633</td>
<td>175</td>
<td>125</td>
</tr>
<tr>
<td><strong>Across all Provinces</strong></td>
<td><strong>835</strong></td>
<td><strong>227‡</strong></td>
<td><strong>149</strong></td>
</tr>
</tbody>
</table>

*average household size was 6

** adult defined as 16+, or 18+ if the form indicated the young person was still at school or in tertiary education

*** for all adults and all children, including infants

‡ compare to poverty line of R353 household expenditure per adult, quoted in Government of South Africa’s Report on “Poverty & Inequality”, May 1998

**Figure 13: Household Income (Pinder 2000: 29)**

These figures are aligned with later research by Cobus De Swardt (2003:23), which surveyed 733 households in Mount Frere in the Eastern Cape (which was one of the districts covered in the MDA IA also), and found the following:
‘In Mount Frere over 90 percent of households live below the official poverty line of R352 per monthly adult equivalent. The average household income is R690 per month, which amounts to R93 per person. Seventy six percent of households generate no income from wages at all and depend mainly on social grants.’ (De Swardt 2003: 14)

So while the returns to entrepreneurs are certainly low, the incentives for continued engagement in such activity have to be understood in the context of the baseline incomes per adult within participating households.

3.4 Enterprise Activity as part of wider livelihood strategies

Without in any way derogating from the bleak picture of income poverty and poor returns painted here, it is also necessary to contextualise these figures further. Pinder’s report comments that few participants were solely dependent on the proceeds of the enterprise:

They were engaged in a wide range of subsistence and survival activities (e.g. casual labour, working on their own and/or family plots) and this diversification of energies often inhibited the growth of enterprise activity as it meant larger orders were not sought for fear they could not be met within the time available to project members. (Pinder 2000: 30)

Many income generating activities are not full-time business operations, which has implications for how the time/value of such activity is measured and compared. Partly, this is about risk mitigation; but it is not always a matter of choice. In the gender appraisal, women cited the disruptive effects of traditional duties such as planting, weeding and harvesting in the chief’s fields as a constraint on their business activity and on business growth. (Pinder 1999: 8)

In addition, the figures on household income do not capture in-kind contributions, to which participants had great difficulty putting a value. This was also an issue in quantifying the returns to entrepreneurs from the enterprises themselves.

Initially, many people, particularly women in the focus groups, said they paid themselves nothing, thinking only of cash payments. Further questioning, however, revealed they often ‘paid’ themselves in kind, even if it was a small amount (e.g. baking extra loaves for themselves). Others said they occasionally bought a large amount of food with the proceeds of the business and shared this out amongst themselves. (Pinder 2000: 24)
In certain instances, women in particular preferred to receive payment in kind, going so far as to use project funds to purchase maize which they distributed to members rather than paying cash. (Pinder 2000: 24).

Finally, the 1999 Gender Appraisal also identified that there are incentives for women to keep enterprise activity marginal:

> Women often do not want their businesses to ‘grow’ in the style of western businesses: as was mentioned by MDA’s staff and some of the women, if they grow into large businesses their husbands want to take over, so it is not in their interest to grow; nor do they always want the increased responsibility of a larger enterprise even if that means greater income, as it increases their workloads still further and creates more conflict with their family responsibilities. (Pinder 1999: 16)

This issue was graphically illustrated by the case of a woman in Elukwatini, in Mpumalanga, who had attended training and had been running a thriving spaza shop. When MDA trainers and Pinder arrived to interview her, it transpired that her husband had taken over the business, in which she was now an occasionally-paid employee. (Pinder: 1999)

### 3.5 The prevalence of ‘projects’:

The IA process also cast a spotlight on the prevalence of what were termed ‘projects’, and the particular set of difficulties such projects faced. While the MDA Centres were now responding to demand from different types of enterprise on an inclusive basis, forms of group enterprise continued to be a significant constituency supported by the Centres. These were sometimes formally constituted as co-ops, but more often constituted informally as ‘projects’. In practice, work in enterprise on the margins is organized along a continuum of options that include (but are not limited to) the following:

**Community group enterprise or co-op**: This type of work organisation aims for more formal collective production activity, often with a division of labour.

**Serial business processes**: Instead of processes such as procurement, production and marketing taking place concurrently as a result of a division of labour, they happen one after the other. Production comes to a standstill while materials are bought; all participants then produce until those materials
are used up; then all focus on marketing while production stands still again, reliant on the sale of goods before materials can be bought for the next cycle. This is typical, for example, of many sewing groups. Division of labour is kept to a minimum, cash-flow management is simplified and, although there is likely to be a committee, most decisions are made in the group.

**Rotational use of productive equipment:** A number of people (or different groups of people) may share the use of an asset such as an oven, on a daily or weekly basis. They either sell what they make separately, with no collective financial component, or try to find fair ways to share net returns.

**Part-time business:** The group meets a day or so each week to engage in an income-generating activity.

**Collectivised piecework:** Whether people come together in one space or work in their homes, collectivised piecework often involves collective procurement of raw materials, against individual orders and payment from members. There may be either individual marketing and individual returns, or some form of group marketing.

All of the above tend to be included under the broad heading of ‘projects’ or ‘group enterprises’.

**Family business:** Authority relations and control are generally aligned with relations in the family. Everyone is expected to contribute in different ways, and income is often effectively family income, without direct payment to individual family members.

**Sole traders/ producers:** For sole traders/producers, there is often no alternative but to serialise business processes – to stop producing while they go to town to buy materials, or to sell. This significantly limits productive capacity. Many such self-employed individuals may come together to cooperate around buying and marketing, often ending up in a form of ‘collectivised piecework.’ Alternatively, they may involve someone else to perform some tasks while they do others – whether for payment in cash or kind, as a favour called in or incurred. For example, a live-in niece may
oversee the spaza shop while the entrepreneur takes a taxi to shop for supplies. As such enterprises formalise or grow, they may hire casual or full-time labour and become employers in a more formal sense.

The prevalence of projects was linked in part to the policy environment, in which programmes of project establishment have come and gone in waves. At the time that NUM was setting up co-ops, organisations like Operation Hunger and the Independent Development Trust (IDT) were ‘setting up projects’ along similar lines. Since 1994, a key development was the attempt by the Department of Welfare (now the Department of Social Development) to set up projects as part of what was termed developmental social welfare, as an alternative to traditional forms of social transfer, as described in Chapter Two.

Project approaches were further augmented by the Poverty Alleviation funds disbursed to departments by National Treasury, that replaced the Reconstruction and Development Programme, and which saw many individual departments enter the business of setting up projects. More recently, local governments grappling with the challenge of Local Economic Development have joined the fray, with municipalities providing funds for projects also.

A key feature of all of these programmes has been that the provision of grant funding is made conditional on the formation of a ‘community group’, with ownership vesting in ‘the community’ in a generally undefined kind of way. For MDA staff, the issues this raised were rather familiar – and the outcomes depressingly so also. The results from disaggregating the figures for income returns in relation to enterprise type are reflected below. These also separate out enterprises in their first 3-month ‘start up’ phase, when returns can be expected to be zero.
Figure 14: Income compared by Enterprise Type

Figure 15: Income Returns for Entrepreneurs
Working Alone:
IA 1999

Figure 16: Income Returns for Participants in Projects:
IA 1999

(Data from Pinder: 2000)
The poor relative performance of group projects is evident. The IA methodology was repeated for the period September 1999 - August 2000, with a larger sample of 33% of clients, and reflected a similar pattern. Pinder concludes as follows:

People working alone are more likely to earn a regular income from their enterprise activity, usually in cash topped up with ‘in kind’ such as groceries in the case of spaza owners and hawkers. Community projects are least likely to make regular payments, with the sheer weight of numbers of participants in these groups tending to dilute the economic benefit of their activities. (Pinder 2000: 25)

An interview with Ha re Jeng Bakery in Welkom, conducted by MDA’s Mothswane Mabogoane as part of the IA highlights some of the factors that lead to the high rate of failure of group enterprises.

This is a group of eight females that came together in 1998, the reason being to alleviate poverty in their community. Flory Moeketsi and Veronica Sojada who are wives of retrenched mineworkers initiated the project. They mobilised eight more ladies to try some form of economic activity...

The bakery was started out of pure layman’s feasibility study. What the two ladies did was to look around and search for what is consumed the most by people around. They identified bread as the only commodity that is bought almost in each and every household everyday. They realised that for them to be able to operate in any way, they need to have formal guidelines and governance documents. They drew up a constitution and they each contributed R20 that enabled them to open a bank account with R200.00

They approached the Department of Welfare for financial assistance. Indisputably so, the DoW does not have the capacity to help people insofar as business affairs (business plans) are concerned. DoW nonetheless helped them to draw up a business plan that would help them set up a bakery. They ultimately received about R56 000 from DoW. They then bought the equipment that they need...

They also invested in a delivery van costing them approximately R25 000. They were ill-advised about investing in a delivery vehicle cause no one within the team knows how to drive.

After buying all the equipment they (the whole group) attended a bread-baking course at Welkom Development Centre....two other members attended a business management course. They started production immediately after the training, and it was more of a trial-and-error situation. No one amongst them knew a thing about business so everything that they did was thumb sucking...

Since they have started their operations, they have never got any remuneration. That makes them think they are wasting their time because there are no rewards. (Pinder 2000 Annexes: 71)
3.6 Balancing the Picture

The random sampling methodology of targeting IA interviews tends to throw up a high proportion of group projects, in a context in which it is common for all members of such projects to attend training courses. The bias towards group projects was also particularly marked in the Eastern Cape, where the high levels of poverty made it a target area for the Department of Social Development, and where it is probably also fair to say that local MDA staff had a bias towards support for group-based enterprise.

The fieldwork done by Ted Baumann as part of his detailed case study of Mhala Centre provides a more disaggregated profile of enterprise types, that reflects the range of enterprise forms across the ‘typology’ described above - reflecting also that not all group enterprises failed, and not all sole operators were necessarily successful:

*Poultry production:* The head of household who established this business is a pensioner who was receiving approximately R100 per month in 1994, when he began operations. He now clears, on average, R1 600 per month. Most of this income is reinvested in order to increase his long-term income capacity.

*Fence-making:* A small fence-making cooperative of 10 members, established in 1997, is able to clear approximately R960 per member at full production. This is not enough for the members, who therefore plan to reduce their number to eight. This would increase each member’s potential income to R1 200 per month. It is important to recognise that this is income earned by only one member of a household, whose other members may be earning some income as well. Thus, earnings from this activity represent a potentially very large increase in household income.

*Steel fabrication:* A steel-working enterprise visited as part of the field research estimated its monthly turnover at nearly R10 000, with a resulting household income of around R1 200 per month. They regarded this as a significant increase. MDC’s lower-cost inputs and information on tender opportunities were regarded as the main factors behind this.

*Construction:* A local contractor, who began training with MDC in 1995, is now owner of a multi-million Rand construction company. The reasons for his success clearly go beyond MDC’s involvement. Nevertheless, his story does raise interesting issues, to which we will return. In addition to his own vastly increased income, he claims to have created employment opportunities for nearly 100 households.

*Candle-making:* A small candle-making cooperative of young people earns a little over R70 per member per week. This is regarded as a significant contribution to members’ household income.
Juice-making: The woman engaged in this activity only recently realised that she was losing money through juice production. Her costs were higher than her total sales revenue; because she had not been keeping separate home and business accounts, this only became apparent when she began to come short. (Baumann 1998)

While the focus of the above examples and of the IA processes in general were on returns to the entrepreneurs, a case study of an entrepreneur at Jane Furse illustrates the kinds of employment relations for which such forms of enterprise are not unjustly renowned. In this case study, an entrepreneur of the more classic lone wolf kind is running three businesses concurrently, with a mix of family and other labour. He runs a spaza shop, a fruit market and juice making operation and a restaurant. His two wives help him selling, and get paid in kind as specified below:

**What do you pay your workers?**
- 1 worker (spaza) gets salary sometimes
- There is in kind of bread (6 loaves)
- Owner doesn’t get salary
- 4 labourers get paid.

(Pinder 2000 Annexes: 76)

### 3.7 Access to Finance

Lack of start-up capital was of course a critical constraint on business – either constraining business start up from taking place at all, or acting as a break on the ongoing operations of the business. The RFF loans were pioneers in this area, along with the Start Up loans, managed by Trident Institute, and based on similar principles. Later, the Land Bank’s micro-loans were rolled out widely in rural areas, managed also by Trident Institute. While the Land Bank loan could at that stage ratchet up to R5,000, these micro-loans all started at levels that tended to lock people into trading activities. As described earlier, Mhala Centre did manage to act as an agent and intermediary for several financial institutions, but the problem of access to finance remained intractable.

However, although the financial institutions are no doubt at fault for failing to service this market, there is also a more fundamental problem that a narrow focus on access to credit fails to recognise. When financial institutions consider a business plan, one of the tests of viability they apply is that no business – and particularly no start-up business – should be funded purely by debt, even where that debt is secured. Some portion of the finance has to be in the form of capital, or the debt burden will simply
be too high for the business to carry. However, starter businesses in rural areas generally do not have capital or outside equity, and they often expect to finance the business entirely from loans. The reluctance of financial institutions to lend under these circumstances is not just bloody-minded profiteering; the reality is that a business funded on these terms will struggle to survive, and many do not. Lending under these circumstances is not just bad for business for the financial institution; it is not socially responsible either. This was particularly the case in the context of high interest rates prevalent in this period.

So the primary constraint in terms of access to finance is not actually the problem of access to loan capital; that is a secondary problem. The real issue is the lack of capital or equity with which such loan finance could be leveraged, and that is a problem rooted in the asset poverty of the target constituency - a much harder problem to solve.

3.8 Demand-Led vs Supply-Driven Training

Despite the ambitions of the Centres to facilitate diversification in local economies, there was a terrible sameness to the profile of courses actually taken, and business actually started. The development conundrum this posed was that, in practice, demand for courses was informed by the copy-cat syndrome, and participants were often very ill-informed about market opportunity or business viability or the impacts of more competition in the same enterprise in the local economy. People chose to do what they saw succeeding around them. The Centres - chasing training targets to cover their costs - offered what was in demand.

4. Conclusions

It is hard to find the right balance between presenting what can only be described as a bleak picture, with the need to capture the often remarkable 'triumph against adversity' stories. The entrepreneurial success stories don't always feature in the random sampling or in the picture told by averages. There is also the matter of context and of alternatives. The graph below highlights the limits of the alternatives once again, by placing the returns to enterprise in the margins in its context. It is taken from the 2002 IA, and reflects responses from 329 respondents, all of whom were clients of MDA.
In confronting both the bleakness of the situation and the lack of alternatives for many of the clients of MDA’s Centres, the Impact Assessment process catalysed a further stage in the development of MDA’s strategies to support enterprise development on the margins.

While the survival rate – or at least the persistence rate – of MDA’s client enterprises was within acceptable limits, and while the income returns to participants in this more inclusive approach to enterprise support were an improvement on outcomes in the co-op phase (particularly if group projects are excluded), the critical challenge identified was nevertheless to improve on the still meagre income returns to entrepreneurs.

In the IA report back and workshop with MDA staff, this was seen as having two components. The first entailed more and better follow up to assist enterprises to move beyond survivalism.

The second aspect, however, highlighted the need for a greater focus on market issues: on understanding the workings and opportunities in local markets, in facilitating market access, and on finding ways to secure higher volume and higher
value markets for local entrepreneurs. This included looking beyond ‘horizontal’ diversification in local markets, to external markets.

While the kinds of localisation of economic activity characteristic of the Mhala Cente in relation to poultry, steel fabrication and cement products illustrated the potential to identify and expand local economic opportunities, there was also a recognition that a strategy based on targeting local markets had limits – and the higher the levels of local poverty, the greater these limits. In addition, as Baumann highlighted, the success of many of these enterprises relied to a large extent on a form of ‘import substitution’ that derived its viability from the isolation of the local economy from outside competition – a probably unsustainable basis for local economic development.

The outcomes of this focus on market facilitation and market development will be taken up in Chapters Eight and Nine. In the interim, however, MDA had to confront a different kind of focus on markets that arose in the context of the ‘Market Development Approach to Business Development Services’. A new paradigm was developing in the enterprise development sector globally. In 2002, an Output to Purpose review conducted by Alan Gibson and Marshall Bear was to place the issues raised by this paradigm squarely on MDA’s agenda. In the context of these debates, the issue on the table was less how markets might affect the performance of MDA’s clients, than how MDA’s Development Centres and economic services were affecting the market for business development services in their local economies. It is to these debates, and the role of the Development Centres as market actors, that the next Chapter therefore turns.