

**THE COOPERATIVES MODEL AS AN APPROACH TO SMME
DEVELOPMENT IN SOUTH AFRICA WITH SPECIFIC REFERENCE TO THE
INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT) SECTOR**

by

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EXECUTIVE SUMMARY

Title of thesis:	The cooperatives model as an approach to SMME development in South Africa with specific reference to the Information, Communication and Technology (ICT) sector
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Small enterprise development is considered a priority in most developing countries and, South Africa's not an exception. The rationale for prioritising SMMEs is premised on their potential ability to contribute to the alleviation of the socio-economic challenges facing most developing countries such as unemployment, poverty and low levels of economic development. For South Africa, SMME development is seen as an appropriate strategy that could assist government in its endeavours of bridging the gap that exists between the two economies (first and second economy). To date, the government has utilised various business models to facilitate the entry and development of small enterprises in the mainstream economy. These models include amongst others a close corporation, cooperative and private company. Whilst all three models have been effectively applied across all sectors of the economy such as agriculture, retail services, manufacturing and others, the cooperatives approach/model has not been successfully exploited for the development of small enterprises within the Information Communication Technology (ICT) sector.

Using international case studies, this study has been able to demonstrate the critical role that could be played by the cooperative model in facilitating an

accelerated development of viable small enterprises within the Information and Communication Technology (ICT) sector in South Africa.

Internationally, cooperatives have played a pivotal role in their contribution to economic development in both developed and developing countries. The model has the potential to promote economic growth at the community and regional level, building on the spirit of cooperation that is already prevalent in rural areas. In the ICT sector, the cooperatives approach has been applied as a model for the development of sustainable ICT small enterprises. In actual fact, the model has been instrumental in enhancing small enterprise development in countries such as Argentina, Poland, USA and Bolivia, just to mention a few. It therefore becomes critical for South Africa to consider lessons from these countries, so as to take advantage of the opportunities offered by the cooperative model.

However, government needs to put in place appropriate ICT sector specific support structures that would assist people willing to start cooperative enterprises within the ICT sector. In the United States, government introduced a sector-specific bill to facilitate the establishment of the Rural Telephone Administration. The bill made it possible for long-term loans to be made to telephone cooperatives at low interest rates, thus accelerating the development and procurement of rural telephone systems. In Poland, government established a sector-specific Trust Fund referred to as “Balazs Social Trust Fund” solely to support the development of ICT cooperatives in rural areas. Thus, for South Africa to accelerate its pace of development it might need to adopt and customise this model. To ensure continuous monitoring and measurement of the impact of these interventions, government needs to put in place appropriate measurement tools.

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LIST OF ABBREVIATIONS

ASGI-SA	Accelerated Shared Growth Initiative of South Africa
ECA	Electronic Communications Act
CIPRO	Companies and Intellectual Property Registration Office
CC	Close Corporation
CIS	Cooperative Incentive Scheme
CPPP	Community Public Private Partnerships
DotSA	Digital Outreach South Africa
DTI	Department of Trade and Industry
ICA	International Cooperative Alliance
ICASA	Independent Communication Authority of South Africa
ICTs	Information and Communication Technologies
IOFs	Investor Owned Firms
ISPs	Internet Service Providers
MDGs	Millennium Development Goals
NBCA	National Cooperative Business Association
NCASA	National Cooperative Association of South Africa
NCGs	New Generation Cooperatives
NOIE	National Office of Information Economy of Australia
NTCA	National Telecommunications Cooperative Association
OECD	Organisation for Economic Co-operation and Development
PNC on ISAD	Presidential National Commission on Information Society
PFMA	Public Finance Management Act
REA	Rural Electrification Administration
SEDA	Small Enterprise Development Agency
SMMEs	Small Medium and Micro Enterprises
SACF	South African Communications Forum

SACRO	South African Patents and Trade Marks Office
TCCs	Telecommunication Community Cooperatives
UNDP	United Nations Development Programme
USA	United States of America
USALs	Under-Serviced Area Licenses
UYF	Umsobomvu Youth Fund
VANs	Value Added Network Services

