

Shared Interest Unlocks Credit for Cooperatives



The cooperative movement in South Africa is growing – and with it the need for capital. As low-income rural communities of color work together to forge a path to self-sufficiency, they must overcome an apartheid and colonial legacy that has robbed them of productive land and the tools and finance to develop it productively. Furthermore, given the sophistication of white-dominated agribusiness in the country, the new cooperatives require an extra boost to compete. In this context, Shared Interest and its South African partner, Thembani, are working with four agricultural cooperatives by providing a loan guarantee and insuring it is accompanied by the technical support the cooperatives need to succeed.

In Tonga, Mpumalanga, at the Siboshwa cooperative, 216 rural families are raising cane. Literally. For three years, they have worked diligently to establish a sugar cane cooperative that will support them, and create jobs and wealth for their children. They have recently planted their first crop with the help of a bank loan partially guaranteed by Shared Interest.

The coop's history is rooted in the country's past. The traditional community still resides in South Africa's Nkomazi district (between Swaziland and Mozambique) to which it was forcibly removed by apartheid authorities in 1954. One rainy night, approximately 300 members of the community were taken from the land they had inhabited for generations, and "dropped" far away on damp ground with no shelter of any kind. Slowly they built homes and developed survival techniques as part of a South African "homeland."

While some families raised fruits, vegetables and a bit of maize, the community -- like so many others -- has struggled with extreme poverty for more than half a century. Some members were able to find jobs at the local sugar mill or as informal traders in town, but the majority have been forced to export their men to the province's mines or factories in Pretoria and Johannesburg, or to rely on meager pensions. The local economy has remained completely stagnant.

In 2003, South Africa's democratic government installed water pipes and issued the community a R7.5 million grant. The next year, the community formed the cooperative and developed a plan to cultivate sugarcane commercially. With a guarantee from Shared Interest, the cooperative received its first bank loan for working capital (including hiring technical consultants), and began planting sugar cane.

Without the guarantee and technical support, the cooperative would not have received a loan. Lacking traditional collateral, a credit history, and the profile of wealth and whiteness that still enhances access to capital in South Africa – Siboshwa could have floundered. Instead, it is on its way to success.

Isaac Khoza, a highly respected community resident in his 50's, is proud that the 216 coop members elected him as farm manager by a secret ballot vote. Although Isaac's family did subsistence farming when he was young, he had to leave the destitute area to support his five children, and spent 28 years working in a Johannesburg chemical factory, returning once a month to see his family. Isaac is still learning how to run a farm, with agricultural training from the National Development Agency and TechnoServe.

He enthusiastically envisions the project becoming profitable within three to five years. "It will be completed and we will know where we are," he says. "Then we will be having enough money to support our families...Apartheid remains history," he concludes. "It will never be practiced again."

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