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Building Resilience in the Malawian Co-operative Movement

By Sara Vicari and Alexander Borda-Rodriguez

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Preface

We are delighted to introduce this College Paper on building co-operative resilience. What creates resilience? Are co-operatives particularly resilient organisations? If so, what explains it? And if there are aspects that are not so resilient, what can be about them?

These are issues of vital importance for co-operatives everywhere. This paper reports on the findings of a collaborative research project between the Cooperative College and The Open University. The research was carried out in Malawi, and we are sure the findings will have a wide resonance. Indeed, it is our hope that they will help inform strategies for co-operative development in many countries and parts of the world.

The success of this project was in no small measure due to the considerable support received from the co-operative movement in Malawi and this assistance is greatly appreciated. We would also like to record our thanks to the project researchers, Sara Vicari and Alex Borda-Rodriguez, and their commitment and tenacity throughout the research process. Finally, we thank the Leverhulme Trust, without whose funding support this research would not have been possible.

Linda Shaw, Co-operative College
Hazel Johnson, The Open University

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Contents

List of abbreviations	
ADMARC	Agricultural Development and Marketing Corporation
CFF	Central Financial Facility
COMSIP	Community Saving and Investment Promotion
CUNA	Credit Union National Association
FG	Focus Group
ICA	International Co-operative Alliance
ILO	International Labour Organisation
JICA	Japanese International Cooperation Agency
MK	Malawian Kwacha
MUSCCO	Malawian Union of Savings and Credit Co-operatives
MZCPCU	Mzuzu Coffee Planter Co-operative Union
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Non Governmental Organisation
OVOP	One Village One Product
RBM	Reserve Bank of Malawi
SACCO	Savings and Credit Co-operative
SCA	Smallholder Coffee Authority
SFPP	SACCO Financial Protection Plan
STIL	Sterling Timber International Limited
TMCU	Timber Millers Co-operative Union
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

Introduction

> *"We live in a time of global uncertainty. Multiple crises and natural disasters are testing even the most robust economies and communities. (...) Co-operatives can contribute to building resilience in all regions and all economic sectors."*
> Ban Ki-moon – UN Secretary-General
> Message for the International Day of Co-operatives, 6 July 2013.

In times of shock and uncertainties, whether climate related, political, or economic and social, understanding how people and institutions can become more resilient becomes crucial for promoting well-being worldwide. Building resilience assists people and institutions to deal with changes and to adapt to new circumstances. So, while this paper reports on research into the experience of co-operatives in Malawi, the issue of building resilience is of great relevance for co-operatives everywhere.

Co-operative enterprises have already displayed a degree of resilience in the face of the financial and environmental crises of recent years with many examples where co-operatives have proven to be more resilient than conventional companies. Anchored in local communities and guided by their core values and principles, even in difficult circumstances, co-operatives have continued to provide livelihoods for communities around the world (Roelants, 2013).

Globally, co-operatives have also increased in number and turnover in recent years. This is also evident in the case of Africa, where co-operatives have been undergoing a renaissance after decades of mismanagement and corruption. Grassroots co-operatives have been growing in many African countries, especially in the agricultural and financial sectors. As a result, co-operatives have become a source of decent work, food security, economic and social empowerment for millions of smallholder farmers, including women and youth (Develtere et al, 2008; Wanyama, 2013).

African co-operatives have also benefitted from the market liberalisation of the 1990s. This has allowed them space to begin to develop as demand-driven and market-oriented business but ones also inspired by shared values and committed leadership. (Wanyama, 2013). The passing of ILO Recommendation 193 in 2002 provided guidelines for new co-operative legal and policy frameworks which have since been adopted in a number of African countries.

This paper reports on the findings of a research project, "Understanding rural co-operative resilience: the case of Malawi" which was funded by the Leverhulme Trust. It is based on a partnership between the UK Co-operative College, the Open University and the co-operative movement in Malawi.

To date, there have been few studies of the contemporary co-operative movement in Malawi so this paper will also provide information and insights which have previously been unavailable. We hope the paper will also be of interest to anyone interested in real-life experiences of co-operative development in Africa as well as decision makers and policy makers who have an interest in the factors that can help to ensure organisational and enterprise resilience. We hope the findings can assist co-operative leaders and policy makers to make more informed choices for co-operative development by exploring some of the main factors conducive to co-operative resilience.

The paper is structured as follows:

- Section 2 provides some background on Malawi and its co-operative movement.
- Section 3 discusses the issue of co-operative resilience and how this was investigated in the research project via a co-operative resilience framework.
- Section 4 uses this framework to present four case studies of the main co-operative unions in the country.
- Section 5 summarises the key findings and offers some policy recommendations.

Co-operatives in Malawi

Malawi is a landlocked country in south eastern Africa. It is one of the world's poorest countries with almost 70% of the population, about 8 million people, living below the national poverty line. Agriculture is central to the economy with 90% of the population living in rural areas. Most farmers are smallholders dependent on subsistence farming to make a living and producing crops such as maize, beans, rice, cassava, coffee, tobacco and ground nuts. Food security is a serious challenge for Malawi with crops, including the staple crop of maize, being rain fed, and therefore vulnerable to changing weather patterns especially drought.[2]

A former British colony, Malawi gained its independence in 1964, but in the following decades, economic and social development was stunted with many Malawians little better off today than they were at independence. This was due in large part to the authoritarian rule of the long serving President Hastings Banda with limited democracy and a centralised state run economy.

1994 saw the end of the one party state when the President was defeated in a national referendum. Multiparty system elections were then held in the country and democracy reintroduced. Though progress has been made since then, the country's economy remains weak with macroeconomic instability and a high inflation rate (32.9% at May 2013). This makes the cost of living very high. Foreign exchange shortages, together with fuel and electricity shortages, degradation of natural resources such as land and forest, make private sector development very challenging. In addition, Malawi has experienced several natural disasters, such as floods and droughts, severe famine and HIV/AIDS pandemic which place the country in a difficult poverty trap.

Co-operatives in Malawi suffered under the Banda regime. They also share a similar historical background to those of many other African countries and were first introduced by the British colonial regime in the early 1900s as a means to involve smallholder farmers in cash crop exports and in the taxation system. At that stage co-operatives were not the type of enterprises that native farmers joined voluntarily. After independence, agricultural co-operatives were firstly used as agents of state-owned enterprises and then deregistered by the Banda government. They were then replaced with the Agricultural Development and Marketing Corporation (ADMARC), which had the monopoly power in inputs provision and smallholder produce purchase and marketing. Furthermore, Special Crops Authorities, such as the Smallholder Tea Authority and the Smallholder Coffee Authority, were set up to focus on smallholder production of export crops. With the advent of liberalisation and the reintroduction of the multiparty system in 1994, co-operatives began a new development phase in the country.

The co-operative law and policy were amended in 1997 and 1998 and draw on the 1995 ICA Statement of Co-operative Identity which emphasises the business identity of co-operatives and the importance of membership. In 2011, new legislation for the oversight of financial co-operatives was enacted. The Co-operative Policy explicitly states that the government shall encourage co-operatives in several sectors: agriculture, fishing, industrial, handicrafts, housing, credit unions, transport, consumer and multi-purpose. However, the Co-operatives Department is small and has limited capacity to translate these policies into specific actions.

At government level, co-operatives are represented by the Deputy Secretary and Registrar of Co-operatives at the Department of Co-operatives in the Ministry of Industry and Trade. The main functions of the Department are twofold: the legal function (registration, auditing, arbitration, liquidation, policy formulation in collaboration with main stakeholders of the co-operative sector, promotion of the enabling environment) and the development function (identification of potential co-operatives, provision of education and training, creation of linkages for co-operatives with markets, financial and technology institutions). There are eight officers in the Department, serving a population of 15 million. With only eight officers they have the task of providing training and capacity building to co-operatives across the whole country. The lack of effective policy implementation has led to the overlapping of policies targeting co-operatives from different ministries and has often created confusion amongst co-operators.

Co-operatives have had to develop in some very challenging circumstances. Nevertheless, the number of registered co-operatives has grown. In 2013, there were 681 registered co-operatives out of which 382 were in the agricultural sectors, 107 were saving and investment promotion co-operatives (COMSIP) and 192 were savings and credit co-operatives (SACCOs)[3]. The Department of Co-operatives reports that only 234 are active (134 agricultural co-operatives, 50 SACCOs and 50 COMSIP co-operatives).[4] Between 2010 and 2012 the number of active co-operatives in the agricultural sector has stayed relatively static.

Unfortunately, there is no national apex structure for co-operatives which can represent and advocate for the co-operative sector but many are organised at a secondary level into unions depending on the sector of business activity. Unions gather together primary co-operatives active in the same sectors and provide them with services. There are four functioning secondary co-operatives which are discussed in more detail in section 3:

- The Community Saving and Investment Promotion Co-operatives (COMSIP)
- The Malawi Union of Savings and Credit Co-operatives (MUSCCO)
- The Mzuzu Coffee Planters Co-operative Union (MZCPCU)
- The Timber Millers Co-operative Union (TMCU)

Apart from government assistance, there has been support for co-operatives from a number of different international development agencies. They have played a major role enabling access to training, technology, credit and markets. Their support has not been without its drawbacks. In some cases, co-operatives have not been capacitated to operate as autonomous enterprises. In others, co-operatives have been used to provide an 'exit strategy' being set up at a late stage in a project. The probability that these co-operatives will fail is very high. Such failures can have a negative impact on the reputation of the co-operative movement in the country, making its development even more difficult. Other support has been more beneficial. There are a number of organisations working to set up with farmer groups, such as the Japanese International Cooperation Agency (JICA), supporting the national programme One Village One Product (OVOP), and the National Smallholder Farmers' Association of Malawi (NASFAM).

The transition from one party to a multi-party political system and the advent of liberalisation has therefore created the conditions for the development of an autonomous co-operative movement which has indeed started to emerge. The gradual withdrawal of the state from the economy has opened spaces for co-operatives to engage in entrepreneurial activities. The challenge is to find ways to provide effective support for co-operatives so that they can become sustainable enterprises.

In this respect, the role of the Unions emerges as being of critical importance. In fact Unions can provide co-operatives with services and strategic partnerships which can make the difference in order to develop sustainable businesses. It is for this reason that four co-operative unions were chosen as the focus for this study.

Left: Authors conducting a focus group.

Below: People participating in the focus group.

Why co-operative resilience?

Resilience is a hot topic in current development debates and, as a result, a considerable academic literature on resilience has emerged. One key focus has been what resilience means in different contexts and especially in relation to organisations. Drawing on the literature, we conclude that organisations can be deemed resilient when they are able to maintain their core functions when dealing with shocks and stresses. This then brings into play a number of contributory actors including the ability to cope with risk and uncertainty; the capacity to plan for the future effectively as well as adapt to new situations.

Given their unique characteristics, being member-owned and democratically controlled enterprises, informed by specific values and principles, we also argue that there are some co-operative specific factors which need to be considered. We therefore identified five main factors that seemed to be critical for co-operatives to survive over time (Borda-Rodriguez and Vicari, 2013). There are number of additional factors that might affect resilience but the five listed in our framework are the most representative and recurrent in the literature. The key academic readings and evidence for this choice are summarised in Box 1.

The five factors are:

a. Values based membership.

b. Networks (including relations with development agencies).

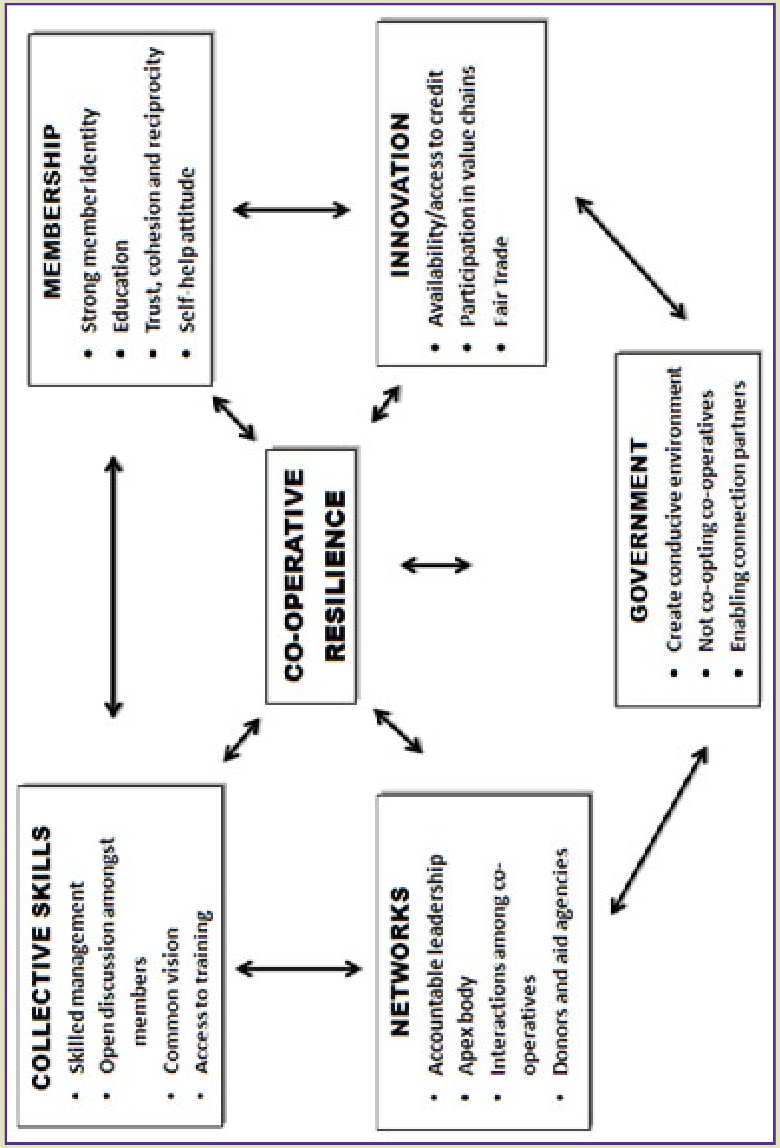
c. Collective skills.

d. Innovation.

e. The role of government.

The absence or presence of these factors can either weaken or trigger resilience. They are also interconnected and may be present in different degrees at the co-operative level. They are summarised in figure 1 next page.

Figure 1



BOX 1. An analytical framework to understand co-operative resilience

FACTOR CONDUCIVE TO CO-OPERATIVE RESILIENCE	DESCRIPTION
VALUES BASED MEMBERSHIP	Members driven by values and principles, such as self-help, equality and reciprocity, committed and loyal to the co-operative. They are members that actively participate in financial and economic terms as well as in decision-making. processes (Birchall, 2011; Mazzarol et al, 2011; Ruben and Heras, 2012).
COLLECTIVE SKILLS	The creation of a learning space for the development of collective skills (Shaw, 2011; Hartley, 2012). This in turn improves co-operative governance and strengthens the capacity of the co-operative to develop a common vision of challenges and strategies for development.
NETWORKS	The ability to establish networks amongst co-operatives and with external agents (Berdegué, 2001; Simmons and Birchall, 2008; Menzani and Zamagni, 2010; Münkner, 2012). This helps co-operatives to escape from isolation and bring in training opportunities as well as financial resources.
INNOVATION	Application of all types of knowledge that aims to improve existing goods and services and the ability to access credit and be included in domestic and international value chains (Haggblade et al., 2007; Elliot, 2008; ILO, 2011, OECD 2013).
ROLE OF THE GOVERNMENT	A favourable legislative and policy environments that recognises co-operative autonomy and fosters their development (Francesconi and Ruben, 2008; Münkner, 2012).

Having developed this broad based resilience framework for co-operatives, the next stage of the research was to undertake field work in Malawi. The aim of the fieldwork was to use this framework to investigate to what extent co-operatives were resilient organisations and to assess what factors affected resilience the most.

The factors are values based membership; networking; collective skills; innovation; and role of the state.

In collaboration with the Co-operative Development Division in the Ministry of Industry and Trade, the fieldwork was carried out in 2013. Four co-operative unions were chosen as the case studies. These were the largest co-operative unions in the country, namely two financial co-operative Unions – ie the Malawian Savings and Credit Co-operative Union (MUSCCO) and the Community Savings and Investment Promotion Co-operative Union (COMSIP); and two producer co-operative Unions – ie the Mzuzu Coffee Planters Cooperative Union (MZCPCU) and the Timber Millers Co-operative Union (TMCU). The membership of these four unions comprises over half of all active co-operatives in Malawi.

The methodology used for data collection and analysis was qualitative. Material for the case studies was collected via 21 semi-structured interviews and 7 focus groups (FGs) held with members, leaders, management and staff of the unions and affiliated primary co-operatives. FGs targeted mixed groups of male and female co-operative members from each of the four case studies. FG discussion data and interviews were analysed by coding the respective transcripts. Both FG participants and the interviewees were asked to identify challenges, opportunities and suggestions for improvement in respect to the co-operative movement and/or to their Union. In addition, a further 14 interviews were carried out with representatives of Ministries and national and international development agencies. A national level workshop was held in Malawi to report on the research findings and receive feedback from the co-operatives involved in the research.

Case studies

The following case studies have been adapted from material originally produced for open educational resources for the Open University OpenLearn website[5]. Each case study provides some background information on the co-operative union and then discusses to what extent co-operatives in Malawi are resilient organisations. This is explored in relation to the five factors of the resilience framework outlined above ie values based membership; networking; collective skills; innovation and the role of the state.

The Community Saving and Investment Promotion (COMSIP) Co-operative Union

Introduction

The Community Saving and Investment Promotion (COMSIP) Co-operative Union was set up in 2006/2007 and grew out of a World Bank project started in 2003 and due to end in 2015. The project aims “to empower individuals, households, communities, and their development partners in the implementation of measures which can assist them in better managing risks associated with health, education, sanitation, water, transportation, energy, and food insecurity, and to provide support to the critically vulnerable through a variety of sustainable interventions” (World Bank, 2003: 4).

Specifically the programme has tried to achieve this by mobilising savings in the communities through COMSIP Clubs and then investing the savings into income generating initiatives. Capacity building and the promotion of entrepreneurial culture and small business skills have been included as part of the project.

COMSIP Co-operative Union has developed as an independent organisation serving primary co-operatives that have emerged from the community clubs. The Union has received external funding from donors such as the World Bank, the Scottish Government and from Procasur, an NGO from the United States that supports innovation to reduce gender bias. Also important are the internal resources generated from interest on savings and share capital.

Membership, main activities and benefits

COMSIP has a membership of 51 community based co-operatives. In 2012, these co-operatives together had 1,949 members, an increase of nearly 17% from the previous year. The Union takes its mandate from a Board of Directors, made up of 9 democratically elected members from primary co-operatives and 4 non-voting technical members.

COMSIP Co-operative Union provides services to both affiliated co-operatives and non-affiliated co-operatives and groups (pre-co-operatives). In total, there are 75 non-affiliated co-operatives with 2,674 members (2012). Membership of non-affiliated co-operatives increased by 51% from the previous year. Moreover, in the period 2011–2012 3,298 pre-co-operatives were formed. Their membership is made up of 72,684 people (of whom 69% are women).

The Union operates in rural and poor peri-urban areas where traditional SACCOs (Savings and Credit Co-operatives) are not active. The Union's mission is to "deliver flexible savings and investment products and services to economically empower Malawians to improve their livelihoods through member owned savings and investment co-operatives"[6] Services provided by the Union are twofold:

i) Building the savings' capacities among among rural and peri-urban communities.

i) Training in business management and adding values to products and services.

In 2012 savings volumes in affiliated co-operatives rose to Malawian Kwacha (MK) 15,267,745 (US$46,266 or around £29,500) showing a growth of 155% from the previous year. This includes MK3,450,000 (US$10,450 or around £6,660) in union shares. Similarly in the same year savings in COMSIP from non-affiliated co-operatives increased to MK112,749,900 (US$341,670 or nearly £218,000) growing 113% from the previous year. Again in 2012 savings mobilised from groups were approximately MK311.5 million (approximately US$944,000 or around £602,200) compared to MK156 million (US$ 472,000 or around £301,180) in the previous financial year.

Overall the figures show that both affiliated and non-affiliated COMSIP co-operatives and groups have been experiencing a steady growth in terms of membership and savings.

- When interviewed, COMSIP members identified the following benefits:
- Access to loans at a lower interest rate than that required by microfinance institutions.
- Opportunity to initiate individual business.
- Wellbeing improvements at household level (food security, housing, children in school, savings, access to healthcare).
- Improved financial literacy and management through access to training.

Co-operative resilience

The development of COMSIP has not been without its problems. Two underlying and inter-linked challenges to building up a resilient Union and member co-operatives were identified. First is the low capital base (both at Union and co-operative level) and, secondly, there is a lack of understanding of the co-operative model and of the self-help approach. Because the COMSIP model has been implemented by donor agencies, there is still an expectation of hand-outs amongst members. This means that it is difficult for members to understand that loans need to be repaid, otherwise their own co-operative businesses are at risk of failing.

These challenges are being addressed in a number of ways. Firstly, through capacity building programmes and encouragement to buy shares in their co-operatives as collateral against loans. Second, the COMSIP model combines saving with investment in business activities. Investments in viable businesses are intended to increase members' capacity to repay loans and therefore ultimately the co-operatives' and the Union's resilience.

Membership

The membership of COMSIP co-operatives is relatively homogeneous. Members tend to belong to the same rural community with similar incomes and poverty level but may differ in terms of type of economic activity, which may be subsistence farming or small businesses.

Low repayment of loans remains a major challenge. Low levels of loan repayment can be attributed to a number of factors. Many small farmers, in particular, face risks of not being able to access markets, being exploited by middlemen or experiencing variation in weather patterns, all of which can undermine their capacity to repay loans.

Low repayment is also affected by aid dependency and the expectation of receiving assistance from outside donors. Some members are not accustomed to having to repay loans. As COMSIP was promoted initially as a development project with outside aid, some members find it difficult to understand that not repaying the loans will have a direct impact on their co-operative's and on the Union's sustainability. For the same reason, some members engage with non-governmental organisations and the co-operative at the same time, trying to obtain as much assistance as possible.

Where COMSIP's capacity building has been effective and members have generated profitable businesses, the membership has been more committed to the co-operative. Furthermore, successful members have been a driver for membership growth, since people from the community are more motivated to join the co-operative when they see successful experiences.

In this respect, an important driver of membership growth has been the participation of women. Women who engage with COMSIP co-operatives usually invest loans in their own small businesses. Their engagement with the co-operative has significantly increased household wellbeing, and many women members report that this has been generating a change in household relations, with husbands becoming more favourable to women's participation in the co-operative. Women's participation is also leading to increasing representation in decision-making positions. In the Union Board, women constitute over 30% of the membership.

There is also considerable potential for the involvement of youth in the COMSIP model, even though it is still at a very early stage. Providing financial services to youth and developing a culture of savings is seen as crucial for the future resilience of COMSIP. At the same time, youth's engagement could contribute to the development of their vocational skills.

People expect handouts from donors and from NGOs and that's a problem. So for them to understand that COMSIP is not providing handouts but capacity building for them to assist themselves it becomes a challenge'.
COMSIP CEO

Collective skills

The lack of adequately skilled leaders, members and managers poses a challenge for effective governance within COMSIP co-operatives. Only a few co-operatives keep records and almost none has a book-keeper. As a result, it is difficult for the Union to monitor and evaluate member co-operatives. The Union is therefore considering training a member in every co-operative as a book-keeper. This member would also act as a link between the Union and the member co-operative.

The most important skill developed by members participating in COMSIP co-operatives is the acquisition of a culture of savings. This is crucial for co-operatives to increase their capital base and their resilience.

Through collective work and training, members have developed a degree of entrepreneurial skills. Sharing experiences between members was reported as crucial to increasing members' self-confidence and identifying the most profitable and viable businesses. To support members in this respect, each co-operative has a loan committee whose role is to assess the viability of business proposals.

The common bond of belonging to the same community means that members know each other very well. This generates a degree of mutual control in terms of loan repayment. It also enables the loan committee to know more about the collateral held by the member who is asking for a loan. However, the most important collateral considered is the number of shares owned by the member.

Members also engage in joint co-operative business ventures, which generate resources for the co-operative. Potential is seen here for adding value to farming activities. Co-operatives have been engaged with value addition to a very small extent so far. In this respect, there is high demand for skills to improve business competitiveness that has to be met by the Union. The demand is mainly in the following areas: soap making, honey, bakery, batik, cane making, piggery management and poultry management. In the year 2011-2012 a very small proportion of members (133 out of 6,798 members) have been trained in honey processing, wine making and agricultural product packaging.

Other people in the community are invited to co-operative training events, which provide opportunities for further recruitment as well as enhancing the skill base in the community as a whole.

Networks

Even though COMSIP has evolved as an independent organisation, donor support is still an important component in providing services to member co-operatives, non-affiliated co-operatives and pre-co-operatives. However to build a resilient and independent Union requires sustainable member co-operatives, an adequate capital base, a committed membership and skilled leaders and managers. These features in turn require a strong, long-term vision amongst co-operative leaders to identify strategies for resilience.

As part of such a strategy, relations between COMSIP co-operatives have been seen as useful for sharing experiences and best practices. Increasing such connections is thus a priority, even though access to transport for members to travel between co-operatives remains challenging.

Although there are no relationships with other co-operative unions (in 2013), the Union's leaders and managers recognise the importance of establishing collaboration particularly for lobbying and advocacy purposes.

Being part of the co-operative I have learnt how to associate with others. When we are together there is no difference between women and men. Being in a group has helped to improve household well-being. Even our husbands have seen the fruits of being in a group'
COMSIP woman member

Innovation

The key innovation of the COMSIP model is that it aims to bring finance and production together in the same co-operative. As in SACCOs, members buy shares and can obtain loans. However, as indicated above, farmer members in particular struggle to repay loans because of the risks they face as subsistence farmers.

For this reason, COMSIP is working on a strategy to offer services to members similar to those provided by producer co-operatives: collective marketing at Union level for farmers' produce and support for investment in adding value to products in the primary co-operative (for example, those outlined above).

However there are some major challenges: COMSIP co-operatives have inadequate technologies, lack of specific expertise and difficulty in obtaining fair prices for their produce. Some co-operatives have obtained processing machines - for instance to produce tomato sauce - from national programmes, such as the One Village One Product (OVOP) Programme. However, other inputs such as training in using the technology and access to consistent supplies of electricity are required to enable this technological upgrade to be converted into profitable businesses.

Better coordination between different programmes in the country working with co-operatives is therefore needed to build up a resilient and sustainable co-operative movement.

Finally in the COMSIP model, as noted, co-operatives provide loans directly to members who buy shares in the co-operative. In contrast, even though co-operatives buy shares in the Union and receive in turn services in terms of capacity building, they cannot borrow money from the Union itself. This is because the Union does not currently operate as a source of credit for affiliated co-operatives. The Union shares from the co-operatives are not kept in the Union but invested into a trust fund. The Union tries to facilitate relations between co-operatives and commercial banks to access financial loans, although interest rates are usually too high. Therefore, due to the difficulty of accessing credit experienced by COMSIP co-operatives, which limits their capacity to innovate and develop their business, the Union is now exploring the possibility of enlarging the range of services offered to affiliated co-operatives, including providing loans.

Role of government

COMSIP co-operatives are registered under the Co-operative Act. They are regulated by the Department of Co-operatives in the Ministry of Industry and Trade. The Union benefits from government support in terms of extension services and co-operative education. Although useful, it has the contradictory

COMSIP women in classroom

effect of creating distance between the Union and the co-operatives, as the Union is not in contact with primary co-operatives on a daily basis. One result is the lack of effective flows of communication between the Union, co-operatives and members. This lack of routine communication reduces the Union's efforts to change members' expectations about hand-outs and to build a self-help approach. In this respect, as outlined above, the planned training of a book-keeper in every primary co-operative should enable better communication between the Union and co-operative members, leading to better governance and greater resilience in the longer term.

The Malawian Union of Savings and Credit Co-operatives (MUSCCO)

Introduction

The Malawian Union of Savings and Credit Co-operatives (MUSCCO) is the oldest co-operative union in Malawi. Set up in 1980, it represents Savings and Credit Co-operatives (SACCOs) operating in the country. Its mandate is to provide services and support its members. Currently MUSCCO has 46 affiliated SACCOs. Their total assets amount to around 3.6 billion Kwacha (around 11 million US$ or about £7.2million) and their loan portfolio is over 2.4 billion Kwacha (more than 7 million US$ or £4.8million).

SACCOs in Malawi were promoted in the 1970s by the government, the Catholic Church and the donor community. This development was in contrast to what happened to agricultural co-operatives at that time, which were deregistered and replaced by national authorities who controlled the agricultural sector. The first SACCO dates back to 1973. Initially 26 SACCOs came together to found the Union in 1980. Their savings amounted to only Malawian Kwacha (MK) 360,000 (about £700) with a similar amount in loan portfolio. Since then both MUSCCO and SACCOs have experienced steady growth.

Membership, main activities and benefits

MUSCCO member societies have 116,122 members, out of whom 60% are male; nearly 35% are female with the remaining 5% being group members. Groups can be institutions, such as hospitals and schools, or organisations such as clubs, for instance women's clubs. SACCO members buy shares in the co-operative. Members can also agree to make regular savings contributions. In turn members can take loans from the co-operative at favourable interest rates.

SACCOs in membership are divided in two main types: employee-based and community-based. In the first type membership is homogeneous. Members are usually employed in the same workplace or profession and savings are deducted directly through their payrolls. In community-based SACCOs, members belong to the same community, creating a common bond between members. Although most will be farmers, the membership of community-based SACCOs can also be quite heterogeneous. In this type of SACCO, members themselves deposit savings in the co-operative.

In employee-based SACCOs, loans are mainly used to fill the cash gap between paydays or as consumer loans. In community-based SACCOs, loans are mainly used to buy farming inputs, for small business activities or for household needs, such as paying school fees.

The internal organisation at MUSCCO works as follows. SACCOs own the Union by paying share capital. SACCOs are gathered in three chapters, one chapter for every region (37% of SACCOs are in the Southern region; 48% in the Central region and 15% in the Northern region). Every chapter elects delegates who participate in the MUSCCO General Assembly Meeting and elect the MUSCCO board of management. This is made up of 5 directors and 3 external technical members. Women represent 25% of Union Board members.

A gender policy has been in place since February 2013, to acknowledge the inadequacy and gaps in gender composition at all levels, in both MUSCCO and affiliated SACCOs. The gender policy works on main thematic areas: education and training; governance and human rights; economic empowerment; gender empowerment; and gender based violence and sexual harassment at the work place.

MUSCCO provides member co-operatives with services in main five areas:

i) Finance

MUSCCO operates as a Central Financial Facility (CFF) whereby SACCOs invest 10% of their share capital and 15% of their deposits. The CFF provides SACCOs with liquidity management systems and short-term financing. It also provides banking facilities to member SACCOs where they can invest and borrow at a competitive rate. Revenues from CFF are MUSCCO's primary source of operating income.

ii) Operations

MUSCCO provides technical assistance to member SACCOs in the following areas: bookkeeping/accounting; business planning and budgeting; policy formulation and promotion; programme development; community relations; stakeholder linkages; research and analysis course design; SACCO education programmes design and training materials.

iii) Management information system

MUSCCO provides SACCOs with specific ICT technical services to facilitate the transition to computerised operations and management information systems.

iv) Technology transfer

This includes specific training and technical services to facilitate advancing knowledge and use of technology among member SACCOs and the installation of new technology.

v) Audit and inspection

The Registrar of Co-operatives has given a mandate to MUSCCO to conduct audits and inspections in all SACCOs. Moreover, according to the 2011 Financial Co-operative Law, the supervision of SACCOs falls under the Reserve Bank of Malawi (RBM) but MUSCCO has been given the responsibility to supervise all the small SACCOs (those with assets less than MK75 Million – nearly 230,000 US$ or about £150,000) on behalf of RBM.

'Where we have promoted SACCOs in the rural areas with a good combination of small business people and farmers [with diversified production], SACCOs have tended to be very successful.
MUSCCO CEO

Co-operative resilience

In so far as MUSCCO is an ownership-based organisation, it needs to be supported by the member SACCOs to provide them with a range of services. However, Malawian SACCOs have been facing many challenges and this can significantly affect the Union's resilience. In fact the lack of viable SACCOs threatens the financial sustainability of the Union.

In this respect, what has been happening since 2011 is illustrative. Some of the largest SACCOs have failed to honour their financial obligations with MUSCCO. This was for many reasons linked to governance and management challenges experienced by the SACCOs. A crisis in the tobacco market made the situation worse. Large SACCOs whose membership is mainly made up of tobacco farmers were almost wiped out because of a significant decrease in tobacco prices and the related difficulty of members to repay loans. In the 2011 financial year, MUSCCO reported a loss of MK10 million (around US$30,300 or nearly £19,130) and donor support was crucial to keep the same level of business development services.

Low loan repayment and low capital adequacy (undercapitalisation) have therefore been identified as major challenges, both at SACCO and Union level. Measures have been put in place to assure that SACCOs borrowing from MUSCCO have capitalised enough with MUSCCO so that if they fail to repay their loans, the Union is able to recover. There has been a similar process at SACCO level. The approval of a Financial Co-operative Law has been an important achievement in promoting compliance.

MUSCCO has relied heavily on donor support but has an aware and self-reflective leadership which aims to build up the Union's resilience. This means providing training and capacity building for leaders, managers and members; encouraging adequate share ownership at both MUSCCO and SACCO level; promoting technological modernisation in operations; and improving governance. These factors are conducive to resilience in the ways explained below.

Membership

Resilience is hard to achieve in SACCOs made up of employees from the same company or farmers involved in the same crop production. Any shock

Members of ULIMI SACCO

affecting the company or the production or marketing of the crop would directly have an impact on the SACCOs and consequently on the Union.

For farmer SACCOs, for example, the main challenge is markets – either their lack or their volatility. Farmers usually borrow money to buy inputs but then they may be affected by price changes or markets controlled by middlemen, as well as droughts or floods.

There are other issues in homogeneous SACCOs. For example, in employee-based SACCOs, where savings are deducted from the payrolls, there have been instances when the money has never been remitted to the SACCOs. This has been particularly critical in the last ten years and known as the 'payroll deduction problem'. The Financial Co-operative Law now acknowledges that withholding deductions is an offence.

The best performing community-based SACCOs are those where membership is diverse – made up of small business people and farmers – and where members have been able to add value to their products and access stable and equitable markets. However, although membership diversification is good for risk management, it has been identified as challenging in terms of governance. Different types of members may have different interests/expectations from the SACCOs and governance may then be highly conflictive.

There is evidence that SACCOs with the highest increase in women's membership have performed better than other SACCOs. Reasons identified include women being more favourable to working in groups, and being able to build trust and support each other. However it is also suggested that women's inclusion needs to be accompanied by training. For example, unequal gender relations in the home may result in spouses appropriating loans for their personal use resulting in non-repayment. Women having both access to training and belonging to a group can strengthen their participation and ability to sustain the SACCO.

Collective skills

Governance in SACCOs was reported as a major challenge. The reason for this lies in part in the lack of appropriate skills amongst members, leaders and managers. Sometimes SACCOs remain in the hands of a few skilled people who can be tempted to use the co-operative for individualistic purposes. Although in recent years almost all SACCOs have had enough funds to hire full time staff, attracting suitable staff is a problem given the national skill shortage and only a few people qualified in co-operative management. Managers may not be willing to move to remote areas, where the majority of SACCOs are located.

The lack of effective leaders, particularly those who understand co-operative principles and values, is seen as a major challenge for co-operative resilience. Although MUSCCO has been providing leadership training, leaders are appointed for a maximum of 6 years, which limits the extent to which their knowledge can be capitalised on in the co-operative though this has other benefits in terms of governance helping limit chances of an entrenched elite taking control.

MUSSCO and its member SACCOs provide training for individual members on how to manage financial resources, as well as social issues such as gender relations and health concerns, such as AIDS. The reach of this training is limited by the availability of resources and access to transport, particularly for remote, rural SACCOs.

The increase in group membership of MUSSCO was recognised as an important strategy to increase governance and develop collective skills.

Small groups, such as women's clubs, are considered more conducive to active participation and to the development of collective skills. Fostering a collective culture of savings is considered a critical issue for co-operative resilience.

An important contribution to more transparent and accountable management and better governance is computerised operations and access to new technologies, which is explored in more detail below.

Networks

Dependence on donors is a major issue for MUSCCO. Since its foundation, MUSCCO has been supported by several development agencies such as USAID, the Danish and Norwegian Development Agencies, the Swedish Co-operative Centre; the Canadian Co-operative Association and the World Council of Credit Unions (WOCCU). Donor aid has been needed to both enable MUSCCO to deliver its services and to become more resilient in the longer term in terms of support for capacity building.

Collaboration between financial and producer co-operatives could have an important role to play in long-term resilience, especially in rural areas. Farmer co-operatives have the potential to engage in value addition and access stable and equitable markets. They would then be in a stronger position as SACCO members to save and repay loans. In this respect, MUSCCO has engaged with the Farmers Union of Malawi and the National Association of Smallholder Farmers of Malawi to create a consortium aimed at fostering collaboration between producer organisations and SACCOs.

Innovation

Two major innovations have been identified in MUSCCO: a process innovation and a product innovation.

The process innovation is in the use of ICTs. MUSCCO has been facilitating SACCOs' computerised operations and access to ad hoc software. Challenges and opportunities have been identified around this innovation. SACCOs that have been computerised have been more effective in providing services to their members and information to stakeholders. ICT implementation is also expected to increase the SACCOs' competitiveness with commercial banks. Another important contribution is in terms of governance. Where SACCOs have been computerised, a clear line of responsibility between directors and managers has emerged. Moreover it has increased transparency and made it easier for members to check information on directors and managers.

There have been challenges in terms of costs. For example, the annual maintenance costs of software can be unaffordable, especially if there is currency devaluation, as the software is paid for in Euros. Some SACCOs that have engaged with computerisation and new software systems have then collapsed. Moreover some SACCOs are located in remote areas, where connectivity is weak. Technological literacy is further challenge, and in this respect MUSCCO has been providing training.

The product innovation has been in terms of insurance provision. MUSCCO has been running an in-house 'insurance' programme called SACCO Financial Protection Plan (SFPP). It is made up of two main products, namely Life Savings and Loan Protection. These two products were initially offered in partnership with CUNA Mutual – the USA Credit Union National Association - with which MUSCCO shared the risks. Since CUNA withdrew from Africa in 1999, MUSCCO has been offering the insurance products on its own, without an appropriate legal identity and without reinsurance (Enarsson and Wirén, 2005).

The Life Savings scheme is available to every member who has shares and deposits with a SACCO. When a member dies, the appointed beneficiaries receive an amount equal to the deceased member's combined balance of shares and amounts on deposit, up to preset limits. The Loan Protection is available to every member who takes out a loan with the SACCO and is mandatory. When a member dies, MUSCCO pays to the SACCO the loan balance that is yet to be repaid, interest included. This scheme is particularly important for SACCOs where the mortality rate of members is high especially due to HIV/AIDS pandemic.

The need of further insurance schemes is identified, for instance, to cover members in case of SACCOs' default. This has been particularly important due to several defaults experienced in recent years. The main concern is in terms of reputation. Lack of trust in SACCOs could significantly hit the whole movement of financial co-operatives.

Role of the government

The Financial Co-operative Act was adopted in 2011 and was important for MUSCCO, as the Act recognised SACCOs as part of the larger financial sector in Malawi. The law has the potential to play an important role in creating a resilient financial co-operative system in Malawi. SACCOs and all financial co-operatives have to be registered and licensed with the Reserve Bank of Malawi and subjected to direct regulation. SACCOs have now to comply with directives on capital adequacy, licensing requirements, external borrowing, reporting requirements, premises, liquidity requirements and asset classification. SACCOs have been given until 2015 to comply. Administrative and monetary penalties are in place to enforce compliance. This requires further work for MUSCCO to support affiliated SACCOs to modernise their operations and strengthen their capital base. Mergers between SACCOs to increase their size has also been identified as a potential strategic option.

Although the Registrar of Financial Institutions regulates and supervises SACCOs, authority has been delegated to MUSCCO to supervise small SACCOs. This has not solved a challenge that MUSCCO has experienced since its foundation: the conflict between its role as co-operatives' promoter and co-operatives' auditor/supervisor. However, the lack of adequate financial and human resources at the Department of Co-operatives requires the Union to perform these conflicting functions.

Mzuzu Coffee Planter Co-operative Union (MZCPCU)[7]

Introduction

MZCPCU is to be found in the Northern Region of Malawi and many of its members are located in remote rural areas, with poor road networks and unreliable telecommunication coverage.

The Union was set up in 2006 by smallholder farmers and formed by six primary coffee co-operatives though its history dates back to 1971 when the coffee sector was managed by the Malawi's Smallholder Coffee Authority (SCA) operating as part of the Ministry of Agriculture. With the advent of economic liberalisation in the 1990s, the SCA was privatised and then transformed into the Smallholder Coffee Farmer Trust. This trust laid the groundwork for the first grassroots co-operative model in the country and in 2006, the trust became MZCPCU.

Membership, main activities and benefits

Currently MZCPCU has 2,652 members, out of whom 24% are women. Members are smallholder coffee farmers who live below the poverty line. Currently MZCPCU's main activities involve the provision of agricultural extension services, processing facilities, financial assistance and marketing services. MZCPCU is formed by six co-operatives and the overall Union is structured into three main levels, each one with specific roles:

1. Business Centre:

a) To increase coffee production by raising quality seedlings.
b) Timely field planting and improved management of coffee trees.
c) To provide farm inputs to members.
d) To facilitate loan recovery.
e) To prepare reports for its members.

2. Business Zone:

a) To accept /purchase and process coffee cherries into parchments.
b) To arrange transport/sales of parchment and other produce of members.
c) To arrange the procurement of agriculture inputs.
d) To coordinate all business activities in the area.

3. Co-operative:

a) Co-ordination of deliveries from business zones.
b) Financial services and administration.

Business Centres are groups of at least 10 members at village level. As indicated above, the Business Centre is at the coffee production level, where the extension services are provided to members. At least 3 Business Centres make up a Business Zone. Every Business Centre is managed by a board committee of at least 10 members and in turn every Business Zone is managed by a committee of at least 10 members representing each Business Centre. These organisational levels have been developed by MZCPCU in order to improve both co-operative governance and the delivery of services to members.

MZCPCU's activities also involve working and liaising with international buyers and development aid agencies. Some of the activities that result from working with international buyers and Fair Trade organisations are the provision of specialised capacity building and training for co-operative members.

From these activities, MZCPCU's members enjoy the following benefits:

- Access to extension services and new inputs.
- Access to market and stable prices.
- The possibility of increasing their income and improving household wellbeing.
- Knowledge exchange among members.
- Access to new technology and modern machinery.
- Access to loans and credit.
- The possibility of securing their resources in a transparent organisation.

Members have been also able to access Fair Trade markets, which are based on a partnership between producers and consumers and regarded as an alternative approach to conventional trade. Fair Trade markets offer members better prices and improved terms of trade. The benefits that MZCPCU members receive include: favourable minimum prices and a premium. In practice, the premium means that members are paid more money for their coffee beans. However, in order to obtain these benefits, members are required to meet the Fair Trade standards which ensure that: 1) labour conditions are adequate for farmers, 2) employees receive minimum wages, 3) there is no forced or child labour and 4) that health and safety requirements are met for everyone involved the production of coffee.

Complying with standards means that members are required to be committed and careful with the way coffee beans are produced. Exposure to international standards has also resulted in changes in farming practices, including embarking on organic production and enhancing the quality of the products (see below).

'For a member to become loyal to his/her co-operative, the Union has to provide services that meet member's needs. If members are not satisfied, they won't be loyal. Loyalty is not something that you can buy it'
MZCPCU CEO

Co-operative resilience

MZCPCU has heavily relied on international aid support since 2006. However, despite the challenges posed by the Malawian context, MZCPCU has developed a degree of resilience by 1) promoting women's participation, 2) developing alternative sources of income in order to break away from a donor-dependency relationship, 3) accessing Fair Trade markets and 4) developing partnerships with international buyers. These processes have also enabled MZCPCU to increase levels of productivity.

Membership

Many co-operative members have low levels of literacy and live in poverty. Despite this, most members understand the values and principles upon which co-operatives are built. Against this background, MZCPCU's members try to remain loyal to the Union. The findings suggested that members become more loyal when the Union is able to provide and meet their needs (ie access to markets, loans and extension services). In fact, most of the times when members are not loyal, ie they sell their produce to vendors, it is because of their level of poverty and their need to get fast cash. When the Union is effective to help members in increasing productivity, getting better prices, and accessing loans, members do not need to sell to vendors and indeed remain loyal to their co-operative.

MZCPCU membership is scattered across remote parts of the country and this has created challenges as MZCPCU aims to provide services to all of its members.

According to MZCPCU's leaders, women members are more committed, loyal and more collaborative than men. This view is shared also by members across the co-operatives. That is why MZCPCU has been promoting women's participation at all levels, acknowledging that women's inclusion in the co-operatives is conducive to co-operative resilience, women's empowerment and improved household wellbeing.

Collective skills

The organisational structure of the Union (ie the levels described above) enables members to engage and share ideas with each other thus improving the governance of the Union. The current organisational structure of the Union has developed a 'collective sense of ownership' that motivates members to improve their overall skills (ie bookkeeping, management and quality control). Members have also improved their skills in the use of new technologies and agricultural practices aimed at organic production of coffee.

Networks

MZCPCU has relied on donor support over the years. Some of the donor organisations and international partners include: European Union, United States Agency for International Development, Flanders International Cooperation Agency, and Twin Trading. The last organisation has played an important role in building up the Union's resilience by providing access to markets and capacity building services to co-operative members.

MZCPCU is now part of an international commodity value chain that enables members to access Fair Trade markets and international retailers, such as major UK supermarket chains. Access to these markets was the result of MZCPCU's partnership with Twin Trading. Twin Trading provided training in sustainable farming practices which in turn increased coffee productivity and quality. Twin Trading has also been the first organisation to encourage MZCPCU to work specifically with women.

Women sorting coffee

Innovation

Innovation generally emerges from an interactive, dynamic process that relies on collective action and multiple knowledge sources. MZCPCU has been able to foster an organisational environment that allows members to interact with each other by sharing experiences while learning from the expertise of international partners.

Three areas of innovation are perhaps the most noticeable by MZCPCU members, these are: 1) changes in the production process using sustainable technologies, 2) social innovation directed at women's inclusion and 3) market or function upgrading through business diversification.

The development and implementation of sustainable farming was promoted by Fair Trade organisations, such as Twin Trading. These organisations identified the need to improve MZCPCU's productivity levels. Sustainable farming techniques have been taught through Business Centres. These techniques include: gradual use of organic fertilisers, soil treatment and water conservation systems.

Women in particular have become early adopters of new technologies. Their domestic responsibilities result in them being less mobile than men (who may engage in several activities simultaneously), so women tend to specialise in one crop and seek the best way to improve its yield. Data from this study indicate that women are more careful in ensuring that coffee beans achieve a high standard.

On the whole, sustainable technologies have reduced coffee tree mortality and stagnation of production and, overall, members have acknowledged that these techniques have improved the quality and quantity of coffee beans. Women have been early adopters of these technologies.

MZCPCU has relied on donor agencies to finance its operations and acquire machinery/technology. MZCPCU's leadership is aware of this unsustainable relationship. In the recent past MZCPCU has decided to develop financial independence from donors and aid agencies by generating alternative sources of income. These innovations have led MZCPCU to develop new functions and markets by building a guest house and a coffee shop in Mzuzu. Both are of high quality and cater for locals and tourists. MZCPCU expects to build coffee shops across the country over the next years.

Role of government

MZCPCU has a positive relationship with the government. The Ministry of Industry and Trade has assisted the Union with expert advice and let it pursue its own organisational agenda. A representative of this ministry sits on MZCPCU's board along with a representative of the Registrar of Co-operatives. Both representatives provide expert advice on behalf of the government. The Ministry of Agriculture has lent its backing to project proposals for external funding, such as ones made to the European Union.

Coffee beans in sacks

Timber Millers Co-operative Union (TMCU)

Introduction

TMCU is a Malawian enterprise based in the northern part of the country. It trades timber nationally and internationally. Unlike other co-operative unions in this study, TMCU has never relied on national or international aid to run its operations. Not being funded and/or promoted by development aid agencies has pushed TMCU to develop a self-reliant attitude in order to meet the demands of its members.

TMCU was established in 2011 and its main functions include: to engage with the government in order to have access to raw material (ie forest) and to provide access to national and international markets and create value addition. With no access to external financial resources, TMCU set up the 'Sterling Timber International Limited' (STIL) in 2011. STIL is owned and run by TMCU and its members. In Malawi, most co-operatives find it extremely difficult to access credit from commercial banks, but, as a commercial company, STIL can access credit which can be used to finance its activities.

The objective of STIL is to generate revenue from processing and exporting timber produced by TMCU's members. STIL's core business is sawmilling, through which it converts round softwood into a wide range of sawn lumber products (examples include: structural timber, scaffolding, furniture components, wood laminates, kitchen cupboard parts, brush and broom handles and wood chips for pulp and paper).

Membership, main activities and benefits

TMCU comprises 8 affiliated primary co-operatives: Chamatete, Lusangadzi, Luwawa, Star, Viphya, Kalungulu, Chibwaka and Zikomo. The Union has a total of 164 members, out of whom around 18% are women. Although the membership is largely male, the number of youth members is rapidly growing.

TMCU engages in the following activities: 1) lobbying the government and external buyers, 2) creating added value, 3) providing basic training to members and 4) replanting trees. One of TMCU's early achievements was to secure access to 10,000 hectares of pine plantation (the Pinus Patula Plantation of Chikangawa) via a forest management agreement (concession) for a period of 15 years. Members are allowed to work in the Pinus Patula Plantation, and this early achievement has motivated them to continue working with the Union.

Through this concession, TMCU has been gradually creating added value through STIL and members are expected to receive the benefits of this initiative. However with STIL only recently established, TMCU is not yet able to provide members with significant access to markets. For this reason, some members choose to sell their timber to middlemen as oppose to the Union. Middlemen buy timber directly, saving members the trouble and cost of transporting their timber to the Union. This practice undermines STIL and TMCU, which struggle to meet the quantities demanded by international buyers.

However, a benefit that has been particularly noticed by the members is the way TMCU enables knowledge exchange. For example, members are able to discuss and share ideas as to how the forest can be better managed during meetings at TMCU's headquarters. Co-operative leaders, male members and the TMCU leadership have noted that, amongst the members, women are more the most motivated to share and exchange knowledge.

Slowly our members are having to upgrade their skills in terms of timber milling in order to meet market requirements. As we seek to protect the environment,members have learnt how to prevent fire, replanting and road maintenance.'
TMCU Managing Director

Co-operative resilience

TMCU's management team is aware that building a sustainable co-operative is a long-term process that requires commitment and dedication to translating the co-operative values and principles into action. TMCU has decided to maintain its own organisational independence from donors by generating its own income via STIL. TMCU illustrates the genesis of a co-operative union that is in the process of developing a network of buyers across Africa.

Membership

With no donor or government support and a self-reliant attitude, TMCU is gradually building its membership base by promoting co-operative values and principles. At times, these are yet not well understood by members because of low levels of literacy and little contact with other co-operatives in the region, with some members living in remote areas. TMCU's members include forest dwellers, individuals that own small plots of land and anyone interested in trading in timber.

As noted, there are members (unquantifiable at the moment) that would prefer to sell their timber to middlemen and not to the Union. Some members have justified this practice by claiming that they struggle to transport their timber to TMCU and thus prefer to sell their timber to middlemen who collect it from their respective fields. Although selling timber to middlemen is a practice that weakens TMCU, some members are not able to see this as a problem.

This behaviour suggests that there is a weak sense of ownership amongst the members. This view is further corroborated by the board of directors who acknowledge the need to further train members on the core values and principles upon which co-operatives are built.

Collective skills

Notwithstanding the low levels of literacy, members have acknowledged that TMCU provides the platform where they can exchange ideas and share experiences. Field data suggest that members are able to utilise the headquarters as a learning space. Although a small proportion of the membership, it seems that women are the force that drives knowledge exchange across members.

A small number of members and employees are able to improve their skills by receiving training in the use of machinery and furniture making at STIL premises. At the moment, this type of training is not available to all members because of infrastructural constraints.

Networks

TMCU is not fully involved in the international timber value chain. With the establishment of STIL, TMCU's management team has commenced exports to customers in Botswana. Timber is a highly sought-after commodity in the international market, and co-operative unions that are part of timber value chains are required to keep up a constant supply of timber. However, at the moment, TMCU does not have enough capacity to meet the quantity and quality demanded by international buyers. This was underlined by a Botswana buyer who pointed out that TMCU did not have adequate machinery to work in the forest (ie forestry tractors, delimbers, chainsaws, etc).

Other co-operative unions in Malawi, such as coffee and dairy, rely on international organisations (Land O'Lakes and Twin Trading) to build and enter into national and international networks (ie commodity value chains). The absence of these actors in the timber trade has left TMCU relying on its own organisational capabilities to connect and engage with buyers across the region.

Innovation

The main innovation has been to set up a company (STIL) to add value to the raw timber and to sell sawn timber to specialised markets. However this innovation is at an early stage and requires established networks, as indicated above.

Crises and challenges are often the grounds upon which innovations are triggered. In this respect, TMCU has just started to reflect on how to address its current challenges and limitations. These are compounded by different ideas on moving forward. For example, some co-operative leaders want to trade individually with international buyers rather than through STIL. Such conflicts of interests generally emerge as a result of unclear or rather weak organisational plans. As a result, the TMCU's leadership has acknowledged that they have to first solve the current conflict of interests between co-operative leaders and the TMCU's management team.

Another factor that affects innovation is the lack of national standards for timber, which results in the inability to grade timber according to its quality. Several members reported that buyers from Tanzania and Somalia come into the country and individually priced the timber which resulted in low prices for good quality timber.

Role of government

Apart from granting access to the forest for a period of 15 years in which TMCU members are allowed to cut and replant trees, the Malawian government has not played any substantive role in the development of TMCU. Leaders and members have complained at the lack of government control over the way neighbouring countries illegally extract timber, made possible because of the lack of patrol of borders and forests.

Although the government has shown increasing interest and political will towards the co-operative movement, TMCU co-operatives would like to see more government support. Two areas are credit and training. In the view of TMCU's co-operative leaders, the government ought to provide them with credit because co-operatives find it difficult to access credit from commercial banks. Some TMCU's members have argued "they [the banks] would not lend us money because we are co-operatives". TMCU limitations and weaknesses also put in evidence the need for institutions capable of supporting and facilitating an environment in which co-operative members are assisted with training and capacity building to build a better understanding of co-operative values and principles.

Summary of key findings and policy recommendations

Sharing the findings with Malawian co-operators

The impact of this study was shared with co-operators in Malawi in a workshop held in the capital city Lilongwe where representatives of co-operative unions, government and development agencies listened to a summary of the research findings and then had the opportunity to discuss them and exchange ideas for future co-operative development. The workshop was attended by representatives from all four co-operative unions as well as other stakeholders from government ministries and other agencies, such as NGOs, engaged in co-operative development projects.

Sharing the findings with the workshop participants added to our understanding of the factors affecting the resilience of the Malawian co-operative movement. Discussions were both constructive and lively.

Workshop with Malawian co-operators

Participants appreciated the opportunity the project provided to debate with each other over current and future directions for the movement. An action plan was developed for increasing co-operative resilience in the country. Sharing the findings with participants also triggered a much needed discussion around the challenges and limitations faced by Malawian co-operatives and the need to establish a national apex organisation.

From those discussions, the following actions were prioritised: 1) Setting up of the apex body; 2) Funding and harmonisation of development projects that target co-operatives; 3) Promotion of women in co-operatives; 4) Measures to reduce disloyalty. In the light of the discussions that took place at the event, participants designed an 'action plan' which was an unexpected outcome of this study. This action suggests that promoting research on co-operative resilience can also contribute towards strengthening co-operative development.

The lack of adequately skilled members and managers was also identified as a critical challenge. Training which targets specific needs of the co-operative movement is essential. This includes the provision of sector-specific knowledge as well co-operative governance, management, values and principles. Malawi originally had a Co-operative College but it was closed down in the 1960s. Co-operators have argued the need to re-open it. Beyond providing targeted training for the co-operative movement, such a College could also facilitate the coordination and collaboration between the various development interventions in the country which have been providing capacity building for co-operatives. It could also collaborate with universities, nationally and internationally, on research projects and, along with government officers, on extension services.

Reflections on the research process

The workshop provided a valuable opportunity to assess the validity of the analytical framework and also to highlight any improvements needed. In fact, discussing the findings of this study with participants highlighted the importance of networks and experience sharing between different co-operative movements in Africa - factors that were not initially taken into account in the analytical framework for co-operative resilience.

In methodological terms, this suggests that our analytical framework can be expanded. It is a valuable tool for the analysis of co-operative resilience but should be complemented by additional factors. In addition to inter-exchange between co-operative movements in Africa, other factors proved to be crucial for the resilience of Malawian co-operative unions and were not included in our analytical framework. They are as follows:

1) The degree of homogeneity/heterogeneity in the membership, which varies between producer and financial co-operatives: our findings suggest that the degree of member homogeneity might have a different impact on resilience. Whilst member homogeneity increases governance and strengthens the co-operative to face shocks, in financial co-operatives a certain degree of member heterogeneity can help to manage risks related for instance to loan repayments, as in the case of MUSCCO (see section 4.2).

2) The inclusion of women: in most cases women's membership has proved to be favourable not only for women's and household wellbeing, but also for co-operative resilience. This is because women showed to be more committed than men, thus increasing members' overall commitment and loyalty.

3) The potentiality of collaboration between co-operatives active in different sectors: partnership development between co-operatives active in different sectors could provide mutually beneficial achievements and strengthen the resilience of the co-operative movement. In this regard, our findings suggest that partnerships between financial and producer co-operatives might mutually support them to face respective challenges. For instance, on the one hand financial co-operatives could help members of producer co-operatives to access financial services, as lack of access to credit is one of the biggest factors undermining the resilience of producer co-operatives. On the other hand, farmer members of financial co-operatives could significantly benefit from a partnership with a producer co-operative. In fact they often lack access to markets for their produce and this negatively impacts their capacity to repay loans.

Although the framework remains a work in progress, it has proved to be an effective way to research co-operative resilience especially when data is collected by participatory methods and co-operators are involved along all the steps of the research project. We hope it can also provide a valuable tool for strengthening the resilience of the co-operative movement elsewhere. For more consideration of the resilience framework and how it might be used in other contexts visit the Open University Open learning resources[8].

Are co-operatives in Malawi resilient organisations?

So, drawing on the data generated from the case studies and the workshop, how can we answer the question as to what extent co-operatives in Malawi are resilient organisations? What are the factors that affect co-operative resilience the most? Our answer to these questions starts by first arguing that though evidence from the case studies suggests a mixed picture in terms of performance, our view is that Malawian co-operatives do show a degree of resilience, that is, they have been able to both to cope with challenges and to find innovative ways to address their constraints.

As noted earlier, co-operatives are resilient when they are able to maintain their core functions while coping with shocks and stresses. This is possible in so far as co-operatives are able to develop a degree of adaptive capacity. A key component of adaptive capacity is the reflective attitude of actors towards their own performance and limitations. This process is a fundamental factor as enables co-operatives to identify key weaknesses and develop strategies to deal with them.

Even though this process is not easy to evidence, it was apparent in the interactions we had with members, managers and leaders. It was also evident in the strategies they have identified and the actions that followed. Reflective behaviour is a fundamental component of resilience and yet it is not sufficient. It needs to be complemented by factors that are conducive to resilience, as identified in table 2 below.

Table 2

	CONDUCIVE TO RESILIENCE	UNDERMINE RESILIENCE
MEMBERSHIP	- Tangible and positive benefits that result from being part of a co-operative have improved loyalty. Benefits are related to unions' ability to deliver and meet the members' needs. - Homogeneous membership in producer co-operatives which fosters trust and cohesion. - Heterogeneous membership in financial co-operatives which improves risk management. - Women's inclusion increases across all levels within the unions. Acknowledged as a strategy to strengthen members' loyalty.	- Disloyalty caused by members' need for fast cash (producer co-operatives) and members' difficulty to repay the loans due to lack of access to markets and stable income (financial co-operatives). - Heterogeneous membership in financial co-operatives which undermines governance. - Inadequate members' capacity to invest in their co-operatives which affects co-operatives capacity to buy shares in the unions. This in turns affects unions' financial sustainability to deliver services to member co-operatives.
COLLECTIVE SKILLS	- Co-operatives as 'collective spaces of learning' where members share ideas and knowledge and learn from each others. - Saving culture being gradually developed across members.	- Lack of skilled and literate membership affects information dissemination, accounting and record keeping. - High degree of member heterogeneity which negatively affects trust and governance. - Low level of literacy.

	CONDUCIVE TO RESILIENCE	UNDERMINE RESILIENCE
COLLECTIVE SKILLS	- Members are collectively evaluating investment viability, risks of new technology adoption and management of natural resources. - Formal training and extension services, provided by unions and/or external agents (donors, buyers, government)	- Insufficient understanding of co-operative values. - 'Founder's syndrome' lack of turnover of leadership. Some leaders refuse to leave leadership positions.
NETWORKS	- Leadership skills, effectiveness and accountability. - Leadership commitment to share information with members. - Collaboration between co-operatives (within and across sectors). - Positive role of development agencies as providers of training and financial resources.	- Absence of an apex body that could unlock co-operative potential. - Risk of donor dependency. - 'Exit strategy' - donors establish co-operatives at the end of development projects which are not rooted in co-operative values and principles.

	CONDUCIVE TO RESILIENCE	UNDERMINE RESILIENCE
INNOVATION	- Collective marketing while developing market linkages within national and international commodity value chains. - Access to credit from commercial banks and donors. - Some unions have developed alternative sources of income - Self-help spirit and self-reflective attitude that have enable members to identify innovative strategies to overcome challenges (ie donor dependency, members' disloyalty, difficult access to domestic and international markets).	- Commercial banks reluctant to provide credit to co-operatives. - Local customs not favourable to women's participation in the economic sphere. - High cost of software/ technology. - Lack of infrastructure. - Low levels of savings amongst co-operative members. - Lack of international accreditation.
RELATION WITH GOVERNMENT	- Legislative and policy framework embedding ICA values and principles.	- Legislative and policy framework not conformed to ILO recommendation 193. - Lack of policy implementation strategy. - Lack of policy harmonisation. - Lack of coordination of development agencies' projects targeting co-operatives.

The role of the unions in building up co-operative resilience

Our findings reveal that the unions play a key role in the development of co-operative resilience. They provide a central hub where challenges and limitations are identified, strategies developed and ideas and plans can be translated into action. Union leaders and managers can strengthen all the five factors for resilience including women's inclusion and promotion.

The unions also proved to be crucial to address the limitations faced at the primary society level by providing and/or channelling a number of services for members which meet their needs and help strengthen their commitment to their co-operative. Unions provide training, for example, and often engage with external actors to do this. This helps increase collective and individual skills amongst members. Unions and their leaders also foster links between co-operators, primary co-operatives, domestic and international markets, development agencies, commercial banks and other co-operative unions in the country. They also engage with government by representing co-operatives' interests and lobbying on their behalf. In this respect, although unions play a crucial role for co-operative development, they also need an enabling legal and policy environment to function well. Here it is government's responsibility to provide the appropriate legislative and policy framework for co-operatives to flourish.

Final remarks

Co-operatives are strategic actors for the sustainable and inclusive development of African societies. In order to effectively contribute to poverty reduction, co-operatives need to develop as sustainable businesses capable of surviving in challenging environments, characterised by political, climate, economic and social crisis. The more they are able to thrive as resilient socio-economic organisations, the higher is their contribution to inclusive and sustainable development.

This paper, based on findings from the research project "Understanding rural co-operative resilience: the case of Malawi" carried out by the Co-operative College and the Open University, explored the main features conducive to co-operative resilience in the case of Malawi. We are aware that the struggles faced by the unions and primary co-operatives illustrated in this paper are not exclusive to Malawi. We therefore hope that the findings examined here will also provide insights and lessons for other countries as well as highlighting the need for further research in Africa on the factors that affect co-operative resilience.

Policy recommendations

The following policy recommendations are aimed at policy makers in Malawi but we hope they will have a wider relevance for anyone interested in encouraging the development of more resilient co-operatives

1. **Ensure national co-operative development policies and legislation take account of the most recent guidelines**
   In Malawi, as in other countries, the legislative and policy framework for co-operatives needs updating. In the case of Malawi, the framework needs to be informed by ILO Recommendation 193 on Co-operative Development of 2002. Policy measures enabling co-operatives to be treated equitably with other private sector businesses should also be included.

2. **Policy implementation strategy and policy harmonisation**
   A lack of policy harmonization and the existence of overlapping responsibilities for co-operatives amongst different ministries can be detrimental to co-operative development. Again, this is not just a challenge specific to Malawi.

3. **Better coordination of development projects targeting co-operatives**
   The current lack of connections between the different development agencies promoting co-operatives in Malawi can adversely affect co-operative development. Often co-operatives promoted by these

development projects remain isolated and unconnected to the wider movement. Different, and sometimes contradictory, co-operative development approaches can be adopted even within the same community.

4. **Promote the development of an effective apex organisation**
The establishment of an apex to represent the interests of the whole movement is much needed and could help to unlock the movement's potential. As well as an advocacy role, an apex body could also facilitate relations with external players, such as banks, buyers and development agencies. Moreover, an apex body could facilitate collaboration between co-operatives.

5. **Financial services for co-operative development**
Policies to improve access to a wide range of financial services are crucial for co-operative development. National banks should improve access to credit for co-operatives which can in turn facilitate the better inclusion of co-operatives in national and international value chains.

6. **Better support for co-operative education**
Improving the provision of education and training is critical for the long term success and resilience of the movement. For Malawi, one option is to re-open the Co-operative College which could then play a leading role in developing and delivering co-operative education.

7. **Strategies for promotion of women and youth in co-operatives**
This study showed how women's inclusion is also crucial to build up co-operative resilience. Therefore specific measures facilitating women's inclusion should be adopted alongside programmes directed at youth.

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Footnotes

[1] Portia Chirwa for the Southern Region, Judith Chisiye covering the Central Region and Annie Nyirenda covering the North region.

[2] http://www.bbc.co.uk/news/world-africa-13864367

[3] Data provided by the Department of Co-operatives, Ministry of Industry and Trade, year 2012.

[4] Ibid

[5] http://www.open.edu/openlearnworks/course/view.php?id=1598

[6] COMSIP Co-operative Union Annual Report 2011-2012.

[7] Source: annual reports, focus groups, interviews with members (primary co-operatives), management team, leaders and retailers.

[8] http://www.open.edu/openlearnworks/course/view.php?id=1598

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