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How to cite:

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Link(s) to article on publisher’s website:
http://dx.doi.org/doi:10.1016/j.jcom.2014.03.002

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Rural co-operative resilience: The case of Malawi

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A R T I C L E   H I S T O R Y

Article history:
Received 30 September 2013
Received in revised form 7 March 2014
Accepted 20 March 2014
Available online xxx

K E Y W O R D S
Co-operatives
Resilience
Reflexivity
Malawi
Co-operative unions
Adaptive capacities

A B S T R A C T

Underexplored and barely known, the Malawian co-operative movement has experienced serious challenges since its inception in 1946. Rural co-operatives in the country have endured crises and yet they are thriving in adverse circumstances. In this article we asked to what extent and in what ways rural Malawian co-operatives are resilient social and economic organisations? In the absence of a consolidated body of literature on ‘co-operative resilience’ we address this question by (1) reviewing the existing literature on co-operatives and identifying key factors that appear to be conducive to resilience and (2) by analysing extensive field data on four of the biggest co-operatives Unions in Malawi and establishing how they have coped with challenges. The field-based data and our literature findings shed new insights into the nature of resilience. Co-operative resilience is a long term processes, one based on reflexivity and interactions between members, leaders and national and international organisations. Resilient strategies developed by rural Malawian co-operatives are also outlined and explored.

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1. Introduction

In recent decades co-operatives have been rediscovered as organisations with the potential to foster socio-economic development and to reduce poverty (Bibby & Shaw, 2005; Birchall, 2003, 2004; FAO, 2012; Münkner, 2012; UN, 2011; Vicari & De Muro, 2012). In the current economic and financial climate there is a renaissance of co-operatives, national and international organisations are concerned with understanding the extent to which co-operatives in developing countries have been able to cope with economic and political crises. There is special interest in Africa where these organisations endured decades of mismanagement, government interference and failure (Develtere, Pollet, & Wanyama, 2008) and yet, in more recent times, have been able to grow in numbers while serving the poor communities in the region. It has been argued that the advent of liberalisation in the 1990s in the African context has enabled co-operatives to develop as genuine member-controlled and business-oriented organisations which in turn have improved the wellbeing of vulnerable people (Wanyama, 2013). However, co-operatives in the African continent have shown a mixed-picture in terms of performance (Francesconi & Ruben, 2008; Francesconi & Wouterse, 2011). While there are success stories, not all co-operative endeavours have performed well but those that have can provide key insights for co-operative resilience.

The question we address in this article is: to what extent and in what ways are rural Malawian co-operatives resilient social and economic organisations? The current co-operative literature has explored the potential and limitations of co-operatives in relation to income and employment generation in different degrees. However, co-operative resilience remains under-theorised and under-researched. The literature on co-operatives has produced limited empirical evidence on what enables resilience or what factors are conducive to its development. Therefore, this article aims to narrow this gap by providing empirical evidence and propose a theoretical basis through which co-operative resilience can be studied in developing countries.

Our focus is on research carried out on four of the biggest co-operative Unions and its members. Malawi is one of the poorest countries in Africa and it has an unfavourable environment for the

http://dx.doi.org/10.1016/j.jcom.2014.03.002
2213-297X © 2014 Elsevier Ltd. All rights reserved.
private sector. Macroeconomic instability, high inflation rates (25% at August 2012)\(^2\) make the cost of living very high for people that live below the poverty line with less than US$ 1.25 a day. Foreign exchange shortage, together with fuel and electricity shortage, lack of adequate skilled labour, degradation of natural resources such as land and forest, are amongst the main challenges.\(^3\) In addition, since the 1990s Malawi has experienced several natural disasters, such as floods and droughts, severe famine and the HIV/AIDS pandemic. The combined effect of these factors has placed the country in a complex poverty trap (Conroy, Blackie, Whiteside, Malewezi, & Sachs, 2006), and co-operatives in Malawi have had to establish themselves in a risky and uncertain environment characterised by economic, climate and social shocks. Whether and how Malawian co-operatives have been able to be resilient in the face of these challenges is therefore an intriguing question. The literature on Malawian co-operatives is scanty: there are a few studies that have analysed individual agricultural co-operatives and have concluded that lack of market access, poor governance and lack of managerial skills are undermining their capacity to survive in the long term (Matabi, 2012; Nkhoma, 2011). However these studies do not explore the steps taken by Malawian co-operatives to cope with shocks and the dynamics and conditions that provide the potential for longer-term resilience.

We researched the Malawian co-operative movement because is the least known in Africa and its biggest co-operative Unions have not been studied before. The co-operatives we investigated were: two producer co-operative Unions, the Mzuzu Coffee Planters Co-operative Union (MZPCU) and the Timber Miller Co-operative Union (TMCU); and two financial co-operative Unions, the Community Savings and Investment Promotion Co-operative Union (COMSIP) and the Malawian Savings and Credit Co-operative Union (MUSCCO). Co-operative Unions are secondary level organisational networks that bring together primary co-operatives. They promote co-operative values with their affiliated members, and provide a number of services (i.e. capacity building, specialised training, credit), which vary according to the type of business. Unions also represent the interests of members and engage and negotiate with national and international organisations, such as government bodies, development agencies and/or international buyers.

There is no consolidated body of literature on ‘co-operative resilience’, rather a set of scattered studies. For our research, we therefore conducted two types of literature review: literature on the conceptualisation of resilience, and literature of co-operatives that offers insights into the factors that might enable resilience. From this review, we constructed an initial set of issues or factors, which we wished to explore in our empirical research. These were: (1) co-operative membership; (2) collective skills of members; (3) co-operative networks; (4) innovation (in products, processes and functions); and (5) the role of the state. Our literature review enabled us to identify these factors as those that can contribute to co-operative resilience.

In this article, we examine our empirical findings in relation to the initial factors extracted from the literature, and explain any findings that went beyond this initial framework. We then reflect on the above question in the light of our findings. Section 2 outlines the results of the literature review, Section 3 provides a short background of the co-operatives in Malawi and explains the methodology of the research. Section 4 gives an overview of the empirical findings in relation to the initial set of factors and explains the findings that went beyond this initial framing. Section 5 concludes the article by reflecting on the main question above in the light of this research.

2. Conceptualising rural co-operative resilience

By resilience, we mean the ability to withstand and cope with shocks and crises (Innes & Booher, 2010:205). Organisational resilience can be identified in terms of organisation’s ability to develop a set of dynamic capabilities in order to adjust to shocks, mitigate its effects and cope with the consequences while simultaneously taking advantage of opportunities emerging from a crisis (Mamouni Limnios & Mazzarol, 2011; McManus, 2008; Seville, 2009; Seville et al., 2006).

Co-operatives in developing countries are generally more exposed to economic, political and climate crises than their counterparts in the developed world (Birchall, 2004). They also face a number of challenges including access to financial capital, national and international commodity markets and training/capacity building. In these circumstances co-operatives require a resilient organisational structure in order to cope with challenges while continuing to deliver services and meeting the needs of their members. In other words, they need strong adaptive capacities.

However, the work of Birchall and Ketilson’s (2009) work on financial co-operatives and credit unions and Roelants et al. (2012) research into European worker co-operatives, there is only scattered literature exploring different aspects of resilience across co-operatives. We have systematically reviewed this literature and identified some of the most relevant factors that seem to be conducive to co-operative resilience. It has to be noted that there are additional factors that affect resilience but the five outlined in this section are those that appear more frequently and are therefore the most representative. These factors are interconnected and can be present in different degrees, however, together they are seen to enhance co-operatives’ adaptive capacities. Presented in outline here, as part of our literature review we explored each of these factors in more detail (see Borda-Rodriguez & Vicari, 2013).

2.1. Membership

The literature suggests that a membership inspired by co-operative values is crucial for co-operative resilience. A number of writers have argued that co-operatives’ resilience depends on members’ sense of identity, commitment and cohesion (Birchall, 2011; Mazzarol et al., 2011; Münkner, 2012). As Münkner (ibid:16) notes: ‘co-operatives are good as their members make them’. However membership loyalty and commitment depend on co-operatives’ ability to meet members’ needs and demands. Satisfied members are less likely to be free riders (Birchall, 2012; Münkner, 2012). Trust and reciprocity between members are also conducive to loyalty, which is needed when co-operatives experience financial instability (i.e. insufficient market demand, low prices). The literature argues that trust reinforces norms of generalised reciprocity, which is particularly important in monitoring and sanctioning free riding behaviour (Pelling & High, 2005).

In order to work equitably and conform to co-operative values and principles, some pre-conditions are required, according to Münkner (2012) these include: knowledge, skills and investment in members’ education. Informed and skilled members are more likely to understand and be committed with the co-operative business. Smith, Puga, and MacPherson (2005) and Majurin (2012) also argue that members that understand or are familiar with the co-operative values are more likely to promote the inclusion of, often marginal, groups such as women and youth within co-operatives enterprises.

2.2. Collective skills

Collective skills are the abilities and capacities developed by members that learn from each other and from external actors.
(Busemeyer & Trampusch, 2012). Lack of skills and education have also been identified as negatively affecting co-operative performance (Bernard, Collion, de Janvry, Rondot, & Sadoulet, 2008; Francesconi & Heerink, 2010). Therefore social learning and collective skills are seen as necessary for co-operative resilience because they provide members with a common background with respect to processes and activities within the co-operative. This common background can be the ability to use a tool or the capacity to perform a production process. When members share this background, information and knowledge can be effectively communicated and translated into action which in turn contributes to the development of a resilient structure. It is suggested by Busemeyer and Trampusch (2012) that reflection and questioning is critical for an effective learning process as it enables co-operative members to improve their actions by envisaging innovative ways to address and deal with challenges and limitations. Hartley (2012) has argued on the basis of fieldwork in Uganda and Lesotho that co-operatives themselves can provide an ‘expanded learning space’ for such critically reflective and collective learning, although conditions for such processes vary. In some instances, such collective skills can be facilitated by development aid agencies and international organisations that provide capacity building services, as well as by national co-operative movements, both Apex organisations and Unions.

2.3. Networks

Some authors have identified the ability to set up networks as a crucial factor for co-operatives’ success (Gouët & Van Paassen, 2012; Hartley, 2012; Menzani & Zamagni, 2010). Here, the proactive agency of co-operative leaders is important as they are the actors that could facilitate access to resources and knowledge (Münkner, 2012; Simmon & Birchall, 2008). Networks can be horizontal where homogeneous co-operatives are gathered in Unions to: (i) increase their marketing and bargaining power; (ii) fulfil contracts; (iii) offer services to primary co-operative members; (iv) share risks and opportunities. Networks can be established vertically among co-operatives in the same supply chain as well as with other market players and external agents. External agents might play a crucial role for co-operative development. For example, Berdegué Sacristán (2001) considers support of external agents (such as NGOs, private extension firms, etc.) essential ‘to provide road maps for collective action, access to information, expertise and financial resources’ (ibid: vii). Münkner (2012:54) stresses the importance of ‘knowledge sharing’ among local co-operators and external actors in order to spread new knowledge and enable members ‘to have a better understanding of the causes and effects of change, of the ways and means to cope with changes, of better use of available resources and how to mobilise additional resources.’ He further argues that external agents should focus specifically on creating a favourable environment for co-operative development rather than providing aid to co-operatives. There is another type of network that can be described as a network of networks (i.e. co-operative umbrellas, peak or apex organisations). Historically these networks have manifold tasks, which differ from context to context. Their main tasks range from co-operative development to representing co-operatives with government and other institutions, from lobbying to advocating at local, national and sometimes also international level (Menzani & Zamagni, 2010:120).

2.4. Innovation

Innovation is seen as crucial to resilience because it allows individuals and organisations to rearrange existing and new resources with the aim of delivering improved products and services. Juma and Yee-Cheong (2005) argue that innovation is concerned with positive changes in productivity, quality, competitiveness and improved expertise. Other authors focus on organisational innovation and argue that innovation refers to the creation or adoption of an idea, practice or behaviour new to the organisation (Daft, 1978; Damanpour & Evan, 1984; Damanpour, 1996). A related discourse about social innovation (Howaldt, Schwarz, Henning, & Hees, 2010) focuses on new combinations and configurations of social practices.

Innovation therefore enables organisations to improve their technological and economic performance. At the same time, innovation relies on organisations’ capacity to develop adaptive capacities (as noted above, the organisation’s ability to learn and respond to shocks). In that sense, innovation involves a continual matching process between technological and organisational practices of the innovator, and is generally driven by a combination of the following:

- Market forces and demand (Garcia & Calantone, 2002).
- Institutional incentives and hurdles (Pavitt, 2003).
- Scientific knowledge and technological opportunities (Nathan, 1982).

In the co-operative context, innovation can also be driven by the availability of and access to credit (i.e. loans) prices and competitive pressures from commodity value chains (Elliot, 2008; Haggblade, Reardon, & Hyman, 2007). The mode of insertion into value chains and value chain governance are crucial to co-operatives because they generate rent and prompt organisations to upgrade different parts of their production process and marketing (Kapplinsky & Morris, 2001, 2008). By actively participating in value chains, co-operatives have the opportunity to interact with experienced and successful actors in national and international markets, however the extent to which co-operatives benefit also depends on their role and extent of control in the value chain.

Innovation therefore requires the interaction of a number of actors (i.e. government, private companies and development agents). Such interactions are particularly important in developing countries where co-operatives have fewer resources and struggle to be part of the global market economy. There is a growing body of evidence-based literature (Develtere et al., 2008; Wanyama, 2013) that shows how African co-operative members have embraced a self-help attitude at all levels (i.e. members, leaders and managers). This type of attitude has enabled members to improve the quality and quantity of their services and products (Wanyama, 2013). Many co-operatives and co-operative Unions in countries such as Uganda, Kenya, Ghana and South Africa have operated in similar terms by improving product standards and inserting themselves into supply chains that have enhanced their levels of profitability as well as promoting further product innovation (ibid).

2.5. Role of the government

Co-operatives require adequate government support in order to flourish. Government support can assume the form of small grants, enabling policy frameworks and policy regulation. It is broadly acknowledged (Birchall, 2003, 2004; FAO, 1996) that governments in developing countries have struggled to empower co-operative members and support co-operative enterprises. On the contrary, the current literature highlights the need for government to provide and foster an ‘enabling environment’. According to Münkner (2012:44), some of the factors that can trigger an enabling environment include:
- An economic, political and legal system that recognises co-operatives as autonomous private member-owned form of business.
- A co-operative development policy, drawn up in the spirit of internationally identified guidelines (ILO, 2002; UN, 2001).
- An infrastructure environment which facilitates co-operative activities: communications, transport and logistics; and information and extension services.

By way of final reflection, our review of the literature allowed us to identify these five key factors which seemed to be conducive to co-operative resilience. These factors are not seen as static but as dynamic processes within and around co-operative enterprises, and which may be present in differing ways and degrees. From the literature, there was little evidence on how these factors interact with each other, which our own research sought to investigate. There were also some important gaps, for example, the role of women, partnerships with international organisations and product and service diversification strategies. Some of these dimensions emerged from our own fieldwork, which we now proceed to explain.

3. Background and methodology

The history of co-operatives in Malawi is common to many African countries. The first phase of the co-operative development began during the colonial regime followed by a subsequent arrest due to post-colonial government’s interference in the economy sector and later a new development phase triggered by the advent of liberalisation since 1990s (Lynx Associates, 1996). In 1946 The Co-operative Act was established. After independence in 1964 agricultural co-operatives were deregistered and the smallholder sector was monopolised by state owned enterprises. Savings and credit co-operatives (SACCOS) had the chance to flourish in that period because there was no involvement in the financial sector and they were able to grow independently. In this period MUSCCO, the Union of SACCOS, was also set up. A Co-operative College was established in 1962 and closed in 1966 by the government because the lack of government funds.

The rebirth of co-operatives followed the reintroduction of a multiparty system in 1994. During this transition, the Malawian government promoted co-operatives and agricultural associations with the aim to enable communities to use local resources in order to meet local needs (Conroy et al., 2006). Since then a new legislative and policy framework has been put in place, which recognises co-operatives in the terms of International Co-operative Alliance (ICA) definition, values and principles. A new co-operative development policy was adopted in 1997, followed by a co-operative law in 1998 and co-operative regulation in 2002. The co-operative law of 1998 amended the Co-operative Act of 1946 and included measures to reduce the power of the Registrar of Co-operatives and enhance co-operative autonomy. In 2011, a legislation that oversees financial co-operatives was put in place.

Currently (2012) there are 681 registered co-operatives: 382 are active in the agricultural sectors; 107 are saving and investment promotion co-operatives (COMSIP) and 192 are SACCOS. Amongst them, the Department of Co-operatives reports that only 234 are active (134 agricultural co-operatives; 50 SACCOS and 50 COMSIP co-operatives). At the time of writing, there is no apex body representing all co-operatives. The co-operative Unions we discuss in this article are described in detail in Table 1.

Table 1 illustrates key features of the Unions we investigated. In total, these Unions represent nearly 50% of all active co-operatives in the country. MUSCCO is the oldest Union and represents the Savings and Credit Co-operatives (SACCOS). MUSCCO co-operatives are regulated by the Financial Co-operative Law, passed in 2011. According to this law, the Registrar of Co-operatives (Ministry of Industry and Trade) is only responsible for SACCOS’ registration while the Central Bank is in charge of SACCOS’ licensing, regulation, monitoring and supervision, and SACCOS are recognised as financial institutions. COMSIP co-operatives were first formed through the World Bank programme ‘Malawi Third Social Action Fund – MASAF 3’. The programme has been running since 2003 and will end in 2015. Co-operatives that belong to this Union are have been set up in remote rural areas and are regulated under the co-operative law (Ministry of Industry and Trade).

The two producer co-operative Unions are regulated by the co-operative law of 1998. MZPCCU dates back to 1971 when the coffee sector was dominated by the monopoly of the Malawi’s Smallholder Coffee Authority (SCA), established under the Ministry of Agriculture. With the advent of economic liberalisation, the SCA was privatised and transformed into the Smallholder Coffee Farmer Trust and later became MZPCCU. TMCU’s co-operatives were set up under government’s request to regulate the access to forest raw resources. TMCU’s co-operatives have secured access to 10,000 Ha Pine Plantation through a Forest Management Agreement (concession) for a period of 15 years, which can be renewed. TMCU’s main goal is to represent its members, lobby effectively with government and create value addition while seeking and securing export markets.

The methodology used for data collection was qualitative. The reason for the qualitative approach is because we wished to gain in-depth data to enable a better understanding of the extent and dynamics of co-operative resilience. We also wished to unearth the processes that lay behind the possible factors for resilience that we have outlined above, and be able to reflect critically on them. Data was collected through qualitative techniques informed by a participatory approach and included focus groups (FGs), individual and group interviews. Data was also collected in the form of Unions’ annual reports, Unions’ internal reports and fact sheets. A total of 21 semi-structured interviews and 7 focus groups were conducted between February and March 2013 in the central and northern regions of Malawi. Interviews were conducted with co-operative leaders, managers, Unions’ staff members, leaders, managers of primary co-operatives and members of primary co-operatives in rural areas. Focus groups were conducted with mixed groups of male and female co-operative members from all four Union co-operatives. Another additional 14 interviews were conducted with representatives from the Malawian government, international development aid agencies, organisations and buyers that work with co-operatives in Malawi and Sub-Saharan Africa.

The qualitative nature of the techniques allowed us to compile perceptions and views of how Malawian co-operatives have faced their challenges and limitations. By letting participants reflect on the extent to which they have improved their wellbeing, knowledge and skills through their engagement with

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5 Data provided by the Department of Co-operatives, Ministry of Industry and Trade, year 2012.
6 Savings and Credit Co-operatives (SACCOS) is the most common name in Africa for credit unions. These are ‘member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members’ http://www.woccu.org/about/creditunion (accessed 30.09.13).
7 The project development objective is ‘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, p. 4).
co-operatives, we were able to collect data on how Malawian co-operatives have survived economic and political crises.

4. The struggle for survival: factors conducive to co-operative resilience

In what follows we explore the extent to which our empirical findings speak and add to our findings from the literature review, summarised in Section 2. We organise our findings around the five categories of factors that seemed to be conducive to co-operative resilience: (1) membership, (2) collective skills, (3) networks, (4) innovation and (5) role of the state.

4.1. Membership

Although there is not an updated record of the most recent number of members, the representatives of three co-operative Unions have declared an increase on membership. We also found that membership across all cases shows different degrees of heterogeneity and homogeneity in terms of business activity, literacy, skills and level of poverty. We also examined two further dimensions: the extent of membership loyalty and the inclusion of women. The key theme that emerges from our case studies is ‘loyalty’ and its impact on co-operative resilience. In this section we analyse what can foster and weaken members’ loyalty to their co-operatives and Unions.

4.1.1. Heterogeneous and homogeneous membership

The extent to which membership (i.e. heterogeneous or homogeneous) affects the performance of co-operatives depends on the type of co-operative in question. We found that producer co-operatives, MZCPCU and TMCU, have a relatively homogeneous membership, that is, members share a similar level of literacy, skills and business interests. Interviewed members from these Unions claim that this shared background creates trust, reciprocity and ensures the existence of a common goal for co-operative action. Through focus group activities we also found that COMSIP members that belong to the same rural community develop a common bond and trust as a result of their geographical proximity. Although COMSIP co-operative members share similar levels of poverty, they are different in terms of their economic activities and business interests. However, the Union representatives argue that this type of diversity does not undermine the bond members have developed on the grounds of their geographical proximity.

In the case of SACCOs, we found that membership can be both homogeneous and heterogeneous in terms of their membership. SACCOs are divided in two main types: employee-based and community-based. In the first type we found that membership is predominantly homogeneous. Members are usually employees of the same company and savings are deducted directly through their payrolls whereas in community-based SACCOs, members belong to the same community but membership can be quite heterogeneous in terms of literacy levels and commitment. This type of SACCO can struggle more because they are largely formed by farmers producing the same crop. Therefore when prices drop or when demand changes due to market shocks, members claim that these events affect their capacity to repay loans, and inability to repay loans weakens the financial sustainability of the co-operative. Interviewed members argued that the best performing SACCOs are those that have: (1) access to stable markets (2) diverse membership; and (3) value addition to their products. However, for some co-operative members and their leaders, ‘diverse membership’ (i.e. members with different business interests) can be a cause of concern because it can weaken co-operative governance: members may have different interests/expectations and therefore governance can become a highly conflictive process.

4.1.2. Benefits and members’ loyalty

In the literature, it is suggested that co-operative resilience depends on economic performance, which in turn depends on members’ commitment to the co-operative (in the case of producer co-operatives) or to repay loans (in the case of savings co-operatives). However both in the literature and in our four case studies, commitment is related to how members perceive and experience the benefits of being a co-operative member. Interview members and Union representatives argued that loyal members are those who are content with the services provided by their co-operatives and Unions. This appears to in line with Munkner’s (2012) claim that ‘co-operatives are as good as their members make them’. In this respect, the MZCPCU’s CEO stated that for a member to become loyal to his/her co-operative, it (the co-operative) needs to provide services that meet the member’s needs and demands. If members are not satisfied, they will not be loyal.

A common benefit identified by members from all the Unions is the possibility of sharing experiences between members. As they pointed out, participating in co-operatives enables them to learn and share knowledge with members within the same co-operative and from other co-operatives belonging to the Union. This finding is also relevant for the development of collective skills through co-operative membership. In the case of producer co-operatives, members from TMCU also identified as a benefit the possibility of obtaining a license from the government to access the forest and to

Table 1

Case studies.

<table>
<thead>
<tr>
<th>MZCPCU Producer (Coffee)</th>
<th>TMCU Producer (Timber)</th>
<th>COMSIP</th>
<th>MUSCCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of co-operatives</td>
<td>6</td>
<td>8</td>
<td>51</td>
</tr>
<tr>
<td>Current members</td>
<td>2652</td>
<td>164</td>
<td>1949</td>
</tr>
<tr>
<td>% of women</td>
<td>24%</td>
<td>18%</td>
<td>60% approx.</td>
</tr>
<tr>
<td>Donor support</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>National International</td>
<td>National International</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Markets</td>
<td>Specific services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>provided by the Unions</td>
<td>- Value addition</td>
<td>- Value addition</td>
<td>- Extension services</td>
</tr>
<tr>
<td></td>
<td>- Inclusion in value chains</td>
<td>- Inclusion in value chains</td>
<td>- Extension services via the Ministry of Agriculture</td>
</tr>
<tr>
<td></td>
<td>- Certification</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Extension services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services provided</td>
<td>- Unions represent co-operatives with government, donors, buyers and financial institutions</td>
<td>- Capacity building</td>
<td>- Financial assistance</td>
</tr>
<tr>
<td>by all the Unions</td>
<td>- Auditing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>primary co-operatives</td>
<td>- Auditing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual reports MZCPCU, TMCU, COMSIP and MUSCCO.

Please cite this article in press as: Borda-Rodriguez, A., & Vicari, S. Rural co-operative resilience: The case of Malawi. Journal of Co-operative Organization and Management (2014), http://dx.doi.org/10.1016/j.jcom.2014.03.002
learn how to take care of it by replanting trees. Members of primary co-operatives from MZCPCU were also able to identify some additional benefits:

- Technical know-how, in terms of sustainable farming practices;
- Transport provided by the co-operative's truck;
- Access to financial services provided by the Union to members (mainly loans to buy inputs);
- Improved market access;
- Environmental friendly coffee processing machines;
- Improvement in well-being at the household level (food security, sending children to school, housing);
- A sense of ownership of the co-operative;
- Trust and transparency.

Between COMSIP and MUSCCO co-operatives, benefits identified by members were similar, such as:

- Access to loans at lower interest rate than microfinance institutions;
- Improved financial literacy and management through access to training;
- Well-being improvement at household level (food security, housing, children to school, savings; access to healthcare);
- Opportunity to initiate individual and collective businesses.

The level of members’ satisfaction reflects the extent to which a co-operative Union can effectively deliver services to their members. Despite its clear business vision, TMCU is not yet able to provide its co-operative members with significant access to markets and value addition processes. Therefore members were not able to identify major benefits; instead they stated that a large number of them sell their produce to middlemen and not to the Union. Even in the case of MZCPCU where members identified advantages of being part of a co-operative, disloyalty is a major problem. Interviewed member members asserted that sometimes they are forced to sell their produce to middlemen because they need fast cash. Union representatives claimed that some members cannot wait for the period required by the co-operative to be paid for their coffee. The same group of Union representatives also stated that this problem tends to affect members that produce very small amounts of coffee.

We found that other factors that affect members’ loyalty include low levels of literacy and lack of understanding of how co-operatives operate. Adding to this, the CEO of MZCPCU asserted that some members have a ‘hand-out mentality’ that makes them expect a lot from their co-operatives and the Union without having to fulfil their duties. For example, in the case of COMSIP and MUSCCO, a lack of loyalty equates to not repaying loans, although this is largely the case for members that work in agricultural sector that have a limited access to markets or may be affected by market volatility. Union leaders from all cases highlighted the need to strengthen members’ co-operative identity in order to build loyalty to their co-operatives and Unions.

4.1.3. Women’s inclusion

All the Unions have reported an increase in women’s membership. For instance, in the case of MZCPCU, women members increased by nearly 11% between 2011 and 2012. Women’s inclusion was also highlighted by leaders, CEOs and members as a strategy to increase co-operative resilience. Women are recognised by Union and co-operative leaders to be more focused and committed to the co-operative business, whilst men can switch from a crop/business to another. In the words of MUSCCO Head of Risk and Management:

‘In this country, women culturally depend on men, so when men are not bringing anything at home, life is difficult. This is why they need to make sure that they have something for tomorrow. If they are given an opportunity [like being a co-operative member], then they do not want to disappoint.’

Women’s participation in Unions’ boards varies between nearly 25% in MUSCCO and MZCPCU and 33% in COMSIP and TMCU. The participation of women in boards has been encouraged in all of the Unions. For instance, the MZCPCU is in the process of amending the Union’s and co-operatives’ constitutions to create a target of 30% percentage of women’s participation. The same percentage is found in COMSIP while MUSCCO has also had a gender policy in place since February 2013.

Interviewees have argued that increasing the visibility of successful women co-operators can also be a strategy to encourage more women to become members. This strategy could contribute to a more gender balanced co-operative movement and yet it might not be enough to guarantee loyalty. As explained by a SACCO leader:

‘The problem in Malawi is that our culture gives more power to the husband. Even if the woman accesses the loan, the husband who is not a member may be in charge and manage it, then loans are not used in a proper way, contributing to the defaulting’.

For this reason, increasing women’s membership has to be followed by training targeted at women. Interviewees also observed that working together as a group increases women’s empowerment and effective participation in co-operatives.

4.2. Collective skills: co-operatives as a collective space of learning

The literature suggests that collective skills can be developed by members that learn from each other and from external actors (Busemeyer & Trampusch, 2012). Our empirical findings show that co-operative members have improved their collective skills and expertise as a result of both formal and informal learning processes. According to members and Union representatives a formal learning process consists of structured and organised platform upon which members are trained and taught by experts from the Union or international organisations. Whereas an informal process is concerned with the way members exchange ideas and views without the presence of experts.

For example, in all four case studies, Unions played a crucial role in providing members with training. This is a process that starts by first training of trainers from primary co-operatives (they can be co-operative managers as well as lead members) who in turn disseminate knowledge and information amongst members at the village level. In this respect, both MUSCCO and MZCPCU managers and their staff provide in-house training and extension services, which enable a better integration between primary co-operative members and at the village level. These Unions have also engaged with external agents, such as development agencies and buyers, who have been able to provide training to primary co-operatives and their members. In the case of COMSIP, the Union provides training to the primary co-operatives in terms of financial management and capacity building. Extension services are provided by the Ministry of Agriculture to all Unions and co-operatives in the country.

Collective knowledge and skill development also occurs through member engagement with the co-operative. This phenomenon has also been investigated by Hartley (2012) in the case of youth involvement in co-operatives in Lesotho and Uganda. In Malawi, for example, TMCU does not provide training however its members have developed collective skills by working together and
sharing knowledge. Through this process they have learnt how to re-forest, prevent forest fires, maintain roads and to create a national awareness about the need to protect their natural resources from outside encroachment. Such collective learning is also evident in the other Unions. COMSIP and MUSCO co-operative members have learnt to evaluate the viability of an investment endeavour funded by co-operative loans. Sharing experiences in MZPCPU has also meant increased knowledge in farming practices and improved quality of products, which is currently leading to organic coffee production, while managing processing plant at the village level has developed a sense of ‘collective ownership’. MZPCU, COMSIP and MUSCO members all note the need for members save more frequently.

The activities in MZPCPU have increased members’ skills in terms of book-keeping, management and quality control. However, although all staff members and management teams are literate and trained, interviews and focus group discussions in the four Unions revealed that a low level of literacy and financial skills amongst members is a major challenge for co-operative performance. The low level of skills makes it difficult to keep adequate records, carry out proper accounting and disseminate information to other members. The remote geographical location of some co-operatives has also meant that qualified managers are less motivated to take the job in rural co-operatives. In this respect, the existence of low leadership skills results in a lack of adequate flows of information across all levels, as some leaders are unwilling to share information with members. Lack of information and communication affects members’ understanding of the services provided by the Union, undermining trust relations and eventually members’ loyalty.

### 4.3. Networks

The literature observes that networks enable co-operatives to have access to knowledge and resources. All Unions with the exception of TMCU have been funded by aid agencies which in turn have helped Unions to be part of international networks. The most representative example is MZPCU which is now part of an international coffee value chain and as a result the Union and its members have improved the quality of their coffee and production processes. However, Union leaders and managers from MZPCU, MUSCO and COMSIP are aware of the risk of aid-dependency and acknowledge the need to break away from it.

MZPCU has developed additional sources of income as a strategy in order to avoid donor dependency. The same cannot be said for COMSIP, which is still looking at possible business strategies for income diversification. So far this Union has not been able to enter into an international network. By contrast, because commercial banks do not recognise TMCU co-operatives as reliable business entities and refuse to provide loans, TMCU has set up the Sterling Company (controlled by the Union), as a private company. Sterling can access bank loans which it can channelled to its members. It was also established in order to add value to timber and enter into regional and international timber markets.

Interviewed co-operative leaders and members agree that an Apex organisation needs to be established to centralise all co-operatives networks in Malawi. Apex organisations generally channel training and promote partnerships between co-operatives from different sectors (mainly for marketing and financial purposes), and lobby with the government and international buyers. The same interviewees also identified the need to re-open the Co-operative College. In Malawi there was already a Co-operative College during the colonial times, which was closed after the independence. According to co-operative leaders, the Co-operative College could provide capacity building and training to members and foster the development of strong co-operative networks within the country. Leaders and members also noted the need for a co-operative financial institution, one that provides credit for co-operative development.

### 4.4. Innovation

In the context of co-operatives, innovation is at one level concerned with the positive impacts that results from the application of new or existing knowledge. Such knowledge can be facilitated by external or internal actors. With the exception of TMCU, all co-operative Unions examined in this article have benefited from knowledge and specialised expertise provided by international actors, these include development aid agencies and international buyers.

At a second level, innovation in the context of co-operatives is concerned with credit and the extent which co-operatives are able to acquire loans in order to upgrade their technology. For instance, agricultural co-operatives that work with external actors tend to innovate their agricultural processes and means of production; this is in part due to knowledge derived from external actors and the Union’s ability to access bank loans. However, upgrading technology in the form of machines, tools, production practices, routines and methods of organisations is not the solely prerequisite needed in order to innovate. Innovation can arise from tapping in existing knowledge and making changes to social organisation. For instance, MZPCU and MUSCO have had women members since they were set up. However, it is not until recently that leaders and male members have acknowledged that women as more committed than men, less likely to default on their duties and more engaged in knowledge exchange practices. In other words, women are more proactive in exchanging views, information and ideas about new or different production processes.

In more general terms, our findings suggest that co-operatives are driven to innovate by their need to: (1) reduce donor dependency; (2) increase members’ loyalty; (3) improve their expertise; (4) upgrade their production processes; and (5) participate in national and international markets. Some of the innovations we identified are described in the Table 2.

In order to reduce donor dependency, MZPCPU has established its own commercial farm, where it produces the Union’s coffee, a coffee shop and a tourist lodge. The farm and the coffee shop are self-financing. So far revenues from co-operatives’ coffee sales are distributed 60% amongst farmers whilst 40% goes to co-operatives and the Union to support their operations. Donors’ funding has been used for investment purposes and to provide services. These new business activities are meant to replace donors’ contributions—a process that is already in place and to increase the percentage of revenues, which eventually remains with members.

Another innovation is found in COMSIP’s vision to increase members’ and co-operatives’ capacity to repay loans and to buy shares focusing on the investment and value addition side and supporting co-operatives on the marketing side. As a COMSIP Board member explained:

‘[Innovation] has to start at the co-operative level: members should have those skills whereby they can be adding value to whatever products they have. (…) The Union is there to act as a hub where all of us can meet with our processed goods and collectively marketing them’.

In order to assist members that need fast cash, MZPCPU has implemented a pilot fund for emergency small loans, which has been partially successful, although the Union has not been able to extend it to all members so far because of lack of financial resources. Another innovation to this end was to encourage members to open bank accounts, both in MZPCPU (nearly 80% of members) and COMSIP. To improve members and leaders’ expertise, MZPCPU has been training lead farmers, who are in...
Table 2

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<th>Case studies: types of innovation.</th>
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<tr>
<td>Product and process innovation</td>
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<tr>
<td>MZCPCU: high standard coffee beans, upgraded technology for coffee processing and marketing</td>
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<tr>
<td>Organisational Innovation</td>
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<tr>
<td>MZCPCU: income diversification via business strategies (i.e. coffee shop and tourist lodge)</td>
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<tr>
<td>Social innovation</td>
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<tr>
<td>TMCU, MZCPCU, MUSCCO, and COMSIP: inclusion and promotion of women at all levels and promotion of knowledge exchange between members.</td>
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Source: Field data Malawi 2013.

charge in turn to train members at village level. The use of new technology such as mobile and internet, creating resources centres at village level, is also a strategy in the process of being implemented.

All four Unions are integrated in value chains in different degrees but only MZCPCU is fully integrated into an international network that supplies and trades coffee. MZCPCU trades coffee nationally and internationally. It is the latter market that has driven innovation within the Union. Being part of an international value chain has driven MZCPCU co-operatives to standardised quality procedures and environmental standards. These standards can be met by upgrading equipment, branding and improved management skills. So far MZCPCU is Fair Trade certified and aims also to get the organic certification. MZCPCU has also created its own brand, to be able to trade coffee in the domestic market. As reported by a key informant from one of the largest retailers in Malawi, even if Malawian consumers are not coffee drinkers, there is an increasing potential market for Mzuzu Coffee.

TMCU aims to trade internationally but is struggling to upgrade their production processes, currently timber is stacked in the chamber driers, planed and bundled. Buyers are mainly based in the construction sector across Malawi, TMCU does not have any certifications and yet it will to comply with international standards in order to trade in international markets. The TMCU’s CEO argues that this process requires further training for workers at the Sterling Company/Union’s plant.

In the case of MUSCCO, the adoption of new technology seems to have enhanced governance. On this aspect, a manager attested:

‘We have seen that in the SACCOs that are not computerised the directors would come in to intervene most of the times with the operations. In the same SACCO you will find conflict of interest, the director and management team will not have clear roles. But the SACCO’s that are computerised, there is a clear line of responsibility. From the management team to members, everyone will know what to do.’

Investment in information communication technologies (ICT) in SACCOs represents an innovation with potential to improve both co-operatives’ performance and internal governance.

In summary, our outline review of the literature in Section 2.4 argues that innovation can be driven by (1) market forces and demand; (2) institutional incentives; and (3) knowledge. It is argued that commodity value chains are instrumental to innovation. Our findings show that innovation has been driven by knowledge often provided by international buyers and aid agencies. With the exception of TMCU, the latter organisations have assisted the Unions with aid incentives in order to upgrade their knowledge and capacities. Our findings go beyond the literature and show that co-operative innovation also relies on the ability to access bank loans, international certification, and the Union’s capacity to develop alternative sources of income.

4.5. Role of the government

In the literature we found that governments have the role and duty to foster an ‘enabling environment’ by proving adequate policy support and regulation. Our findings show that co-operatives in Malawi are regulated under the Ministry of Industry and Trade, Department of Co-operatives. 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 Malawians.

The transition from one party to a multi-party system and the advent of liberalisation has had an effect on the way co-operatives have flourished over the years. The gradual withdrawal of the state in the economy has opened spaces for co-operatives to engage in entrepreneurial activities. However the lack of financial and human resources has limited the potential of the state to support co-operative development. In terms of co-operative policies, the co-operative legislation and policy framework in Malawi upholds the co-operatives values and principles and yet is not framed in line with the ILO Recommendation No.193.8

Furthermore, there is no policy implementation strategy. Representatives from all four co-operative Unions share the view that the government needs to harmonise all policies around co-operatives. They indicated that engaging with different ministries has led to confusion and conflict of interests. Union representatives also argue that the lack of an apex body militates against policy harmonisation which is reflected in the way ministries operate independently from one another while engaging with co-operatives. This point has also been stressed by the Deputy Director and Registrar, who also pointed out the need to improve the knowledge of co-operatives amongst ministerial officers. Coming up with a policy implementation strategy should help also to overcome one of the major challenges of co-operative development: the role of development agencies, which use co-operatives as an ‘exit strategy’ in development projects. Many donors are not properly committed to co-operative development at the start of projects, but promote the setting up of co-operatives during the last stage. As informants argued, the probability rate that those co-operatives will fail is very high. Considering also the ‘donor dependency syndrome’–where development agencies provide external sources of capital but co-operative Unions are not able to autonomously generate adequate resources to properly work as a ‘business’ - it is clear that the relation with such development agencies needs to be coordinated by a proper national policy strategy in order to build up co-operative resilience, as reported by Unions’ leaders and managers.

A proper policy implementation strategy would also help to explore and unlock the high potential for co-operatives which is unexploited, as argued by several key informants. Beyond co-operatives that already exist, other organisations working with farmer clubs, 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), recognise the importance to convert those clubs into co-operatives.

The vision to move forward is identified by the MUSSCO CEO. He identified a crucial role for the government to create an enabling environment aimed at promoting collaboration and business partnership between different types of co-operatives – in his own words:

‘We have financial co-operatives, producer co-operatives and marketing co-operatives. I think we should find a way how all of these co-operatives could be linked or they could work together. Maybe we should work with the government on this and then I think the impact might be easily measured’.

Despite these challenges, all informants and interviewees from the Unions acknowledged that this is the time to move forward. The increasing interest of the government on co-operatives makes this the right moment to strengthen the action on co-operative development at national level. In terms of resilience we can argue that the Malawian government has played a limited role so far, in part due to the lack of adequate personnel and resources.

5. Implications for co-operative resilience and outlook

The case studies we examined provide a mixed picture in terms of performance and yet it can be argued that Malawian co-operatives do show a degree of resilience in terms of ability to cope with challenges and the way they have developed innovative ways to move forwards.

Returning to our main research question: ‘to what extent and in what ways are rural Malawian co-operatives resilient social and economic organisations?’, we find that the five key factors that have been suggested as conducive to co-operative resilience are valid. However they need to be expanded or at least consider a number of additional aspects, which include: The degree of homogeneity/heterogeneity membership affect the performance of the Union and in some cases can strengthen or weaken co-operative governance (see Section 4.1). Women play a key role for co-operative resilience as they have shown to be more committed and loyal than men. ICT contributes to co-operative governance by helping managers to delimitate their roles and maintain a good record of transactions (see Section 4.4). International certification and interaction with external agents (i.e. aid agencies and international buyers) is crucial for accessing international market networks.

In this article we argue that resilience is the ability to maintain core functions while coping with shocks and stresses, otherwise known as adaptive capacity (Section 2). Our empirical findings indicate that co-operatives are able to develop resilience by also embracing a reflective attitude towards their own performance and limitations. This process is a fundamental factor as it 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 block of resilience and yet it is not sufficient. It needs to be complemented by factors that are conducive to resilience.

Our findings also reveal that (1) Unions play a key role in the development of co-operative resilience – they represent the hub where challenges and limitations are identified, strategies developed and ideas and plans are translated into action; and (2) Unions’ leaders and managers can strengthen all the five factors for resilience by inclusive policies and actions towards groups that have much less representation such as women and youth. They can address the limitations faced at the membership level by providing and/or channelling services in order to effectively meet members’ needs and strengthen their commitment with the co-operatives. They can also provide training and engage with external actors in order to facilitate training thus increasing members’ collective skills. Union leaders can represent the link and connection between co-operatives, primary co-operatives, domestic and international markets, development agencies, commercial banks, and other co-operative Unions. They can also engage with government by representing co-operatives’ interests and lobbying on their behalf.

The actors that participated in this study are aware and know the findings outlined in this article. Sharing the finding with participants (i.e. co-operative members, managers and leaders of the Unions) was channelled throughout a major dissemination event held in the capital city Lilongwe where representatives of co-operative Unions, government and development agencies had the opportunity to exchange ideas and discuss co-operative resilience for the first time ever. This process resulted in the formation of an action plan for increasing co-operative resilience nationally. The following were identified as priority actions: (1) setting up an Apex body; (2) funding and harmonisation of development projects that target co-operatives; (3) promotion of women in co-operatives and co-operative decision-making; and (4) measures to reduce disloyalty. The design of the ‘action plan’ was an unexpected outcome of this study which suggests that promoting research that engages with the concerns of participants can play a useful role in policy development, in this case on strengthening co-operative development.

Discussing the findings outlined in this article with participants also highlights the importance of promoting networks and sharing experiences between different co-operative movements in Africa. We are aware that the struggles faced by the Unions and primary co-operatives studied in this article are not exclusive to Malawi. Therefore this article has aimed to do both, provide insights and lessons for countries that might share similar socio-economic and historical backgrounds and highlight the need for further research in Africa on the structural and context-dependent factors that affect co-operative resilience.

Acknowledgement

We would like to thank Professor Hazel Johnson and Dr Linda Shaw for reading and commenting on early drafts of this article.

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Please cite this article in press as: Borda-Rodriguez, A., & Vicari, S. Rural co-operative resilience: The case of Malawi. Journal of Co-operative Organization and Management (2014), http://dx.doi.org/10.1016/j.jcom.2014.03.002

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