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***Reshaping inclusive development? The case of co-operative enterprises***

**IKD Working Paper No. 79**

***August 2015***

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## **Foreword**

This working paper is an output based on data from the research project 'Understanding Rural Co-operative Resilience: a pilot study', funded by the Leverhulme Trust from October 2012 to September 2013. The original project was a partnership between the Open University and the Co-operative College UK, and carried out fieldwork in Malawi to explore whether and in what ways co-operatives are resilient social and economic organisations. By investigating the distinctive nature of the co-operative model, the project aimed to provide insights into the enabling and limiting factors that might be required for the development of organisational resilience.

This working paper takes the research a step further by examining some of the data in the light of debates on inclusive development.

Alexander Borda-Rodriguez and Hazel Johnson

## Reshaping inclusive development? The case of co-operative enterprises

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### Abstract

In spite of many achievements against the Millennium Development Goals, the gains from economic growth and poverty reduction have been accompanied by growing inequality and low income people are part of development on adverse terms. These issues inform debates about inclusive development: How can the terms and conditions for low income people's participation in national development be changed for the better? What potential do low income people have to establish fairer improved terms of engagement with the market? What does it mean to pursue inclusive development? This paper engages with different conceptualisations of inclusive development, noting that they fall into two broad perspectives: one that is policy-oriented directed at the redistribution of benefits, the other focusing on poor and low income people's voice and agency. With respect to the latter, there seems to be a gap on the role of formal organisations, such as co-operatives. Adopting the second perspectives, we examine data from fieldwork on co-operatives unions in Malawi and consider the experience of two Unions with extensive histories – one involved in the smallholder marketing of coffee, and the other in savings and credit. We consider the potential, challenges and tensions of co-operatives in providing a platform for inclusive development based on economic control and benefits, and voice, both contributing to co-operative members' agency. We show that while co-operatives can have an important role in promoting inclusive development, there are many challenges and contradictions. Thus inclusive development needs to be seen as an ongoing dialogic and deliberative process, not simply an outcome of policy or an end state. Without idealising their potential, co-operatives can play an important role in such a process and in shaping how we understand inclusive development.

## 1. Introduction

In spite of achievements against the 2000-2015 Millennium Development Goals (MDGs), there are still large numbers of people in the world living in poverty, including a changing distribution of poverty towards middle income countries (Sumner, 2012). There is also much concern about increasing economic inequality, its impact on economic growth and on those with low incomes, and whether and what kinds of fiscal and other reforms are needed (OECD, 2014; Ostry et al, 2014; Piketty, 2014; Stiglitz, 2012; Traub-Merz, 2012). Inevitably, where analysts and policy makers stand on these issues depends on their political-philosophical standpoint about what constitutes a just world and how it can be achieved. In recent times, in particular, there has been an increasing focus on inclusion focusing on, for example, whether the political system is inclusive of poor and marginalised groups, whether government policies address the economic, social, educational and health needs of the poor and low income populations, or how to produce greater equity and justice in relation to social need. The word 'inclusive' appears 6 times in the 17 proposed Sustainable Development Goals (SDGs) (UN, 2014). The UN document also notes: 'the promise was made to strive for a world that is just, equitable and inclusive and the commitment was made to work together to promote sustained and inclusive economic growth, social development and environmental protection and thereby to benefit all...' (ibid: 3). As part of the inclusion debates, there has also been a growth in literature on the social and solidarity economy (SSE), for example, proposing a shift from individuals to groups and collectivities, a balancing of economic, social and environmental objectives and to an orientation to active citizenship and rights (Utting, 2014: 160). Similarly, in the African context, Borzaga and Galera (2014) argue that social economy organisations can promote inclusive and sustainable growth.

The substance of much literature on inclusive development is on policy, while there is less debate about the forms that groups, collectivities and balancing of the social and economic might take to produce socio-economic and political inclusion. The latter is the subject of this paper, which focuses on co-operative unions in Malawi. Co-operatives have a mixed history in the African continent, with experiences of state control, corruption and then decline during structural adjustment as state support diminished. However some co-operatives survived and there has been a renaissance and growth of co-operatives in recent years (Develtere et al, 2008). In Malawi, this growth has been taking place since the 1990s and a number of co-operative unions have been formed.

The formal definition of a co-operative is 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise'.<sup>1</sup> The ILO (2010, 2014) and UN (2009), among other organisations, have recognised that co-operatives in developing countries can play an important role in reducing poverty and improving wellbeing. The ILO and the International Co-operative Alliance (ICA), which federates nearly one billion co-operative members worldwide<sup>2</sup>, have also outlined how co-operatives can contribute to the SDGs (ILO and ICA, 2014). With their particular values (self-help; self-responsibility; democracy; equality; equity; solidarity) and principles and mode of governance (voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; concern for the community)<sup>3</sup>, co-operatives have been seen as having considerable potential for promoting economically and socially inclusive development.

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<sup>1</sup> <http://ica.coop/en/what-co-operative>; accessed 160615

<sup>2</sup> <http://ica.coop/en/facts-and-figures>; accessed 160615.

<sup>3</sup> <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>; accessed 160615.

In this paper, we are concerned with social and economic inclusion, and their underlying political and philosophical underpinnings. We make the case for inclusive development as an active and deliberative process as well as an outcome of policy, in which those currently included on adverse terms in society are engaged organisationally in shaping a different kind of material and social future for themselves and their communities. The co-operative potential lies in creating an equitable basis for producing, and enabling access to, goods and services for low income populations, and providing a democratic organisational setting in which low income people have a voice, can exert agency and have greater control over their conditions of existence. This co-operative potential is not necessarily and universally realised in practice - there are both internal and external challenges, some of which we document below – however we suggest that co-operatives can provide the basis for a deliberative process that promotes inclusion both as an outcome and as a means for members to have greater control over their material and social conditions. However, given the range of co-operative experiences and outcomes, it is important to realise that inclusive development is an ongoing, dialogic and deliberative process; there will be no ideal outcome and it is therefore not a state of being. It builds on specific histories and experiences. However extending this process organisationally can contribute to a different kind of inclusive development in which low income and poor people are the subjects rather than the objects of policy. The success depends on a number of factors, including the capabilities of co-operative unions (and apex bodies) to promote co-operative values and principles in the context of viable businesses, and to represent members' interests in negotiations and advocacy with the state. The latter has some way to go, as observed by Wanyama (2012) in the case of East Africa, and will only be briefly commented on in this paper.

This paper is based on field research which took place in 2013<sup>4</sup>. Our initial focus was on rural co-operative resilience (the results of which are published in Borda-Rodriguez and Vicari, 2013, 2014a+b, 2015; Borda-Rodriguez et al, forthcoming). However the research also yielded interesting insights for inclusive development, and demonstrated some of the underlying issues and challenges as well as the potential of co-operatives in promoting it. Section 2 of the paper explores some of the ideas about inclusive development from literature on co-operatives and from development studies literature, further noting contributions from political philosophy. From this discussion, we derive some key dimensions for examining the co-operative potential to provide a platform for promoting inclusive development. In Section 3, we explain the background to the study in Malawi and the two co-operative Unions analysed in the paper, and in Section 4 the methodology of the fieldwork. Sections 5 and 6 look at each co-operative Union in terms of economic control, benefits, voice and agency. In Sections 7 and 8, we draw out further analytical points from the two cases and some final conclusions about inclusive development.

## **2. Inclusive development and co-operatives**

As development studies academics with a strong research interest in co-operatives, we touch on two main discourses about inclusive development of relevance to this paper: that specifically on co-operatives; and debates about inclusive development in development studies, with some insights from political philosophy. Although our discussion cannot be comprehensive in a short paper, it identifies some key issues.

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<sup>4</sup> The authors are grateful for funding by The Leverhulme Trust (grant number RPG-2012-533). The original research was carried out in a collaboration between The Open University (Development Policy and Practice Group) and the UK Co-operative College, with the assistance of the Supporting Co-operatives in Malawi Project (funded by the Scottish Government).

## 2.1 Discourses from literature on co-operatives

Claims for the inclusive nature of the co-operative organisational form have been prevalent in international policy circles particularly before and during the 2012 International Year of Co-operatives and more recently in discussion about the SDGs. For example, the ILO/ICA report on co-operatives and SDGs notes (2014: 1) that 'co-operatives foster democratic knowledge and practices and social inclusion, making them well-placed to support the achievements of sustainable development'; also, 'Co-operatives can be schools for practicing democracy first hand through participation and control' (p.10). The ILO (2014: 1) also states that 'the promotion of the social and solidarity economy (i.e. co-operatives, mutual benefit societies, associations, foundations and social enterprises) is an efficient way to promote social justice and social inclusion for all members of society'. A report for the FAO on smallholder organisations including co-operatives distinguishes economic and social inclusion (Poole and de Frece, 2010), associating the first with organisational structures that bring benefits to members through market engagement and performance, and the second to aspects such as empowerment, participation, capacity building and democratic governance. However Poole and de Frece also conclude that smallholder organisations are directed at the agricultural 'middle class' rather than the really poor and that ways still need to be found to support poor farmers and the production and marketing of staple crops.

Therefore claims for inclusion are not sustained in all policy documents or all academic literature. For example, a report for the World Bank examining whether rural producer organisations (including co-operatives) in developing countries can simultaneously improve livelihoods and rural governance presents a more critical perspective (Agrawal and Perrin, 2009). The report found that inclusion (particularly of women), accountability and participation were not necessarily correlated; governance and equity in distribution of benefits were linked, however there were tensions between social hierarchies and equitable service delivery, between inclusion and representation, and between the demands of more inclusion and the effective delivery of services. Such findings are echoed in the theoretical discussion by Bijman et al (2011), which considers frameworks for understanding the trade-offs in co-operatives inserted into global value chains (GVCs). Of particular note is the trade-off between hierarchy and democracy in aiming to run both an efficient and an inclusive business. Such trade-offs are also influenced by the relative homogeneity or heterogeneity of the membership and member interests, the former more inclined to community and democracy and the latter more to hierarchy. Others have also argued that relatively homogeneous co-operatives are more likely to be concerned with the equitable distribution of gains, while those that are heterogeneous may be more focused on efficiency criteria (for example, Francesconi's and Wouterse's (2011) study of co-operatives in Ghana; Borda-Rodriguez and Vicari 2013, 2014a+b have also considered these issues with respect to co-operative organisational resilience).

However a gap in this literature is a coherent conceptualisation of inclusion. For example, Agrawal's and Perrin's report uses a simple quantitative measure: the percentage of households covered by the organisation (as opposed to the number that could have been covered), and the extent to which marginalised households (indigenous or caste groups, female-headed households and the very poor) are in the organisation's membership. However inclusion is not simply about being a member in name but about the nature and quality of membership. A count on the basis of households also ignores intra-household relations and household headship, where women, youth or the elderly may not be able to become members. A missing element in Bijman et al's discussion is how co-operatives deal with power relations in GVCs and the extent to which they are able to shape the governance of value chains (Kaplinsky and Morris, 2001). In this respect, there is a need to analyse the wider relations of GVCs to understand the conditions of inclusion (Poole and de Frece, 2010). Some studies even contest that commodity-based co-operatives provide greater

economic benefit than individual producers dealing directly with private buyers (see Murukezi et al, 2012, in the case of Rwanda), although such analyses depend on the specific production and market conditions and agreements (see Ruben's and Verkaat's [2011] study of co-operatives in Kenya and Tanzania).

These contradictory views permeate the literature. There has been much debate about problems with state control, elite capture/corruption (particularly in the African context), poor leadership and management skills, lack of adequate service delivery leading to members abandoning the co-operative or selling on the side (a 'loyalty dilemma'), restricted entry of women and youth, and how gender relations can prevent women becoming leaders and decision makers. By contrast, there seems to be relatively little analysis about how co-operatives respond to, absorb and reshape the social relations and cultural characteristics of their wider contexts. Economic evidence alone ignores the many aspects of co-operatives that go beyond the material: economic advantage, although crucial, is not the only issue at stake.

A particular area of concern in many analyses is that of gender, the extent to which women are able to be co-operative members and whether participation leads to changes in gender relations as well as providing economic benefits. Here there are also positive as well as negative stories, and again, much depends on specific conditions and social histories. The issue of low female membership is a known problem in agricultural marketing co-operatives in contexts where women do not typically own land. In some cases, there are ways of getting round such issues (such as men gifting land to women in cocoa production in Ghana [Barrientos, personal communication, 18.06.15]). However Barrientos (ibid) reports inequities in whether and how women benefit from the added value they may bring to the quality of cocoa (through tending plants and skilled post harvest work). Majurin's (2012) report for the ILO on East Africa notes under-representation of women amongst members, staff and leadership, although there is a general increase in participation in savings and credit co-operatives (SACCOs) because they do not require the same ownership of assets for membership. However Majurin and others (e.g. Ferguson and Kepe, 2011; Burchi and Vicari, 2014) argue that when women do become members of (mixed) co-operatives, they gain non-economic benefits such as greater self-confidence, better negotiation skills, better gender relations in households, taking more control of household decisions, and so on. It has been argued that such gains are even more apparent in women-only co-operatives (Dash, 2011), although women-only co-operatives are weaker organisationally with fewer economic linkages (Msonganzila, 1994; Majurin, 2012). Analysing how co-operatives have addressed these issues is therefore an important dimension of understanding co-operatives' potential in inclusive development, where social as well as economic inequities need to be addressed.

There are therefore mixed views about co-operatives and inclusive development, with policy documents making a strong claim for inclusiveness and empirical studies providing both supporting and contrary evidence. Co-operatives both reflect and can challenge the wider social and economic structures of which they are a part, and there will always be contradictory influences pulling them in different directions.

### **2.3 Discourses on inclusive development from development studies and political philosophy**

The discourse on inclusive development in development studies is both broader and more theoretical than that on co-operatives. In particular there is a tension over the relative roles of the state (and what its areas of responsibility might be) and of other actors such as the private sector and civil society. While neoliberal thinkers see market forces and a strong private sector as the best way to distribute goods and services, growing economic inequality and continuing poverty underline the necessity for a redistributive state to meet social and



economic need. However, there is a tension in economic policy and the political philosophy of governments over whether the state should mitigate the unequal outcomes of market forces, or support opportunities for low income and poor people to earn viable incomes within a free market, or both. Private sector and civil society organisations aiming to influence governments in favour of these and alternative currents of thought and action will also subscribe to different views, depending on their understandings of inclusive development and how it is achieved.

Even within the acceptance of the need for state intervention, there is a debate in the economic policy literature between the ideas of pro-poor growth, inclusive growth and inclusive development. Some economic policy literature questions the pro-poor growth agenda (Cook, 2006; Chibba, 2008; Fernando, 2008; Rauniya and Kanbur, 2009) on the grounds that benefits to the poor may simply be an indirect outcome rather than a deliberate target of policy (Rauniya and Kanbur, 2009: 3). Inclusive growth by contrast includes deliberate welfare dimensions and redistributive policies, such as education and health measures that are directed at the poor. An example is given by Chibba (2008: 148-149) who shows how economic and social policies in the Asian context focus on employment opportunities, access to services, building human capabilities and ensuring security and rights. Meanwhile others distinguish inclusive growth and inclusive development, where the latter is seen as requiring public action and advocacy as well as state intervention, the one reinforcing the other (Rauniya and Kanbur, 2009).

Often conceptualising inclusive development starts with social exclusion, particularly in the European context, where it has been defined as a 'complex and multi-dimensional process that involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole' (Levitas et al., 2007: 9). Development studies analysts have sought to use the concept of social exclusion in developing countries (for example, Fisher, 2007; Beall and Piron, 2005; Saith, 2001; Stewart 2005; Fischer, 2008), combining the characteristics above with notions of inequality, capability and agency.

However the concept of exclusion is based on assumptions about the social position of poor and low income people. Are they excluded - or are they differently included? In other words, are there sectors of national populations that are simply incorporated into society and the economy on adverse terms (Hickey and du Toit, 2007; Sachs 2004)? Such an argument suggests that such people are part of national development but are not benefiting from it, or are subject to embedded social relations of power and social and economic inequality that strongly influence the opportunities open to them and the outcomes of the opportunities available. In this view, then, inclusion is a necessary but not sufficient condition for improving quality of life and wellbeing. What is important is to change the terms and conditions under which poor and low income people are included. A similar point was made well over three decades ago in relation to women's subordination. Elson and Pearson noted (1981: 87): 'it is precisely the relations through which women are 'integrated' into the development process that need to be problematized and investigated. For such relations may well be part of the problem rather than the solution'.

The idea that inclusive development involves changes to social relations and the conditions of inclusion is fundamental to our analysis in this paper. The discussion of inclusive development tends to be more concerned with how low income and poor people can *benefit from* development rather than how and what type of organisations enable poor people to *shape* development. A redistributive state rarely acts alone. Campaigns and advocacy (as well as the ballot box) push states into taking action. In addition, campaigns and advocacy may promote alternative models and proposals for social and economic organisation. These

points are closer to Mohan's (2006, 2007) discussion of active citizenship (also mentioned in some of the co-operative policy literature), 'popular' spaces of participation as sites of different kinds of agency (Cornwall (2004, p.76), and 'political space' appropriated by organisations of the poor (Webster and Pedersen, 2002). Such ideas resonate too with those of Gibson-Graham and Roelvink (2013) whose work on Community Economies emphasizes the interdependence of actors, the ethics of economic action, the control over economies ('something we do, rather than something that does things to us' [ibid:459]), the need for appropriate frameworks of governance, 'the re-expression of 'my' needs as 'our' needs' (ibid:461) and 'the courage to explore and experiment with economic possibility' (ibid:463).

Some of these issues are also reflected in the literature on inclusive innovation, which challenges forms of technological innovation that produce growth but do not meet social needs. A particular focus has been on innovation directed to consumption by the poor (Prahalad's bottom of the pyramid [2010]), but more recent approaches discuss how inclusive innovation can be produced by, as well as for, the poor (Chataway et al., 2014; Foster and Heeks, 2013). However, as with discussions of inclusive development, the conditions of inclusive innovation require further research. In this respect, Papaioannou (2014a:2) argues that inclusive innovation requires 'a multi-dimensional theory of justice...related to social equality, equality of opportunity and democratic participation', and subsequently (2014b: 19) for public action and campaigns 'promoting bottom-up changes to global policies and institutions for just innovation and development' to ensure that basic needs are met.

But what kinds of social and economic organisation are needed to enact such bottom-up changes, and is it only in global policies and institutions that changes are needed? In the abstract terms of their values and principles, co-operatives provide opportunities for members to improve their standards of living, promote equity and create platforms for deliberative democracy (making 'proposals for how best to solve problems or meet legitimate needs' [Young, 2000: 22]). Young's conception of deliberative democracy is a process of practical reasoning which is only legitimate if 'all those affected by it are included in the process of discussion and decision-making'; moreover all should be 'included on equal terms', have a 'free and equal opportunity to speak' and be free from domination (ibid: 23).

Co-operatives' values, principles and governance provide a set of 'rules' which aim to guide co-operatives' leadership, organisation and functioning. The leadership and organisation are expected to be subject to deliberative processes, in which members are able to elect their boards, debate and vote on policies for the co-operative. The board is entrusted to guide the co-operative to meet members' interests and wishes, and the executive leaders to carry them out. In this sense, co-operatives' values, principles and governance have many of the characteristics that Brock (2009: 159) claims are necessary for basic liberties (for example, being informed about one's environment, being able to exchange ideas, have a meaningful input into social affairs, have a culture of accountability and transparency). However as Dryzek (2013: 334) notes, reasoning has a cultural context – it is not a given that all are included (as noted above with co-operatives); and there may be different perceptions of the reasonable in different contexts (ibid). That co-operatives are not always successful and have been subject to many criticisms as well as aspirational claims suggests that inclusive development involving co-operatives is therefore not simply a set of outcomes, but a complex process over time, which has to take specific context and histories into account. This view resonates with Fraser's conceptualisation of inclusion as a deliberative process rather than an ideal, a state or a set of policy prescriptions (Fraser and Honneth, 2003). Her programmatic idea of 'parity of participation', which requires resources to allow people to participate and to have recognition (respect for and from others) (ibid: 36), is closely related to the values and principles of co-operatives.

### 2.3 Towards a conceptual framework

In sum, from this discussion we conclude the following. Inclusive development is not so much about exclusion as about addressing the social relations of inclusion that result in poverty and low incomes, and the inability of people in these positions to meet social needs, access goods and services, and receive forms of recognition that enable them to participate fully in society. Therefore, inclusive development also needs to address the social relations of inclusion that place particular groups in subordinate positions, whether for reasons of gender, age, ethnicity, faith and so on. Market forces cannot redress such inequities (which is not to say that markets do not offer opportunities for economic improvement) and intervention from the state is necessary, but often has fiscal and ideological limits as well as being subject to changes of government. Therefore collective organisation that aims to address the inequities of the market and the limits of state intervention is also needed, and may also act as a force for wider social change. We suggest that co-operatives, at least in abstract terms, have many of the attributes required to promote changes in the social relations of inclusion by providing (i) greater *control* over market forces and material *benefits* from membership (redistributive effects) and (ii) deliberative democratic structures which enable members to have a *voice*, both organisationally and beyond the co-operative (thereby gaining recognition and the respect of others both within and outside the co-operative). Both these elements can develop individual and collective *agency* and potentially enable co-operatives and their members to begin to contest the wider social relations of adverse inclusion.

In suggesting these elements of inclusive development, we are neither saying that all need to be in place in equal measure, nor that co-operatives will not demonstrate opposite characteristics and contradictions. In this regard, the methodological point referring to critical theory by Young (2000: 10) is extremely valuable, viz.: *'the method of critical theory...reflects on existing social relations and processes to identify what we experience as valuable in them, but as present only intermittently, partially, or potentially'*. Thus, construed as a deliberative process, moving towards inclusive development will be subject to many tensions and setbacks – as in the case of the Malawian co-operative unions we discuss below. Moreover, the challenges for co-operatives in developing countries are considerable, including limited access to finance, weak government regulation and lack of managerial expertise amongst members (Borda-Rodriguez and Vicari, 2013). Co-operatives may also be constrained in terms of access to markets, and adequate collective skills to support sustainable production and marketing. Nonetheless there is evidence to suggest that co-operatives in low income countries have the potential to include women, youth and unskilled/illiterate members (Borda-Rodriguez and Vicari 2013, 2014a+b), groups that are often difficult to reach by governments and development organisations. The fact that co-operatives seem to be able to engage and work with such groups calls for a better understanding of their activities and an analysis of how their organisational structures can provide poor people with material benefits, voice, agency and greater control over livelihoods.

To carry forward the analysis, we have organised the co-operative values and principles according to these dimensions (Table 1). With respect to economic control and benefits, we mean the opportunities for greater influence over forms of livelihood by being in a co-operative, as outlined above, and the associated economic benefits (albeit contested in some of the literature). These dimensions have distributional effects to the extent that they do indeed improve members' access to goods and services over not being a member (although note we do not have the data from this study to make a comparison). We see voice as being an important ingredient of recognition in the sense discussed by Fraser (2003) – respect from and for others – and of the inclusive democratic processes discussed by Young (2000). In this instance, then, we mean the ability of co-operative members to express their views and be heard – not simply in the context of their co-operative but also outside the co-operative. Both economic control and voice are cross-cut by agency - the ability and capability (Sen,

2009) to take action and exert influence within the social relations of co-operative, household and community life as a result of the opportunities provided by co-operative membership.

**Table 1**

**Framework for the potential contribution of co-operatives to inclusive development**

	<b>Definition of co-operatives</b>	<b>Values</b>	<b>Principles</b>
Economic control (agency) and material benefit (distributional effects)	- Meeting economic needs and aspirations	- Self-help - Equity - Solidarity	- Member economic participation - Education, training and information
Voice and agency (recognition)	- Autonomous association - Jointly-owned, democratically controlled enterprises - Meeting social and cultural needs and aspirations	- Equality - Democracy - Self-responsibility	- Open membership - Democratic member control - Autonomy and independence - Co-operation among cooperatives

Beyond this table, and in terms of the debates in the literature, we also make the argument that, in facing the hierarchy/democracy dilemmas, pointed out by Bijman et al (2011), such dilemmas do not necessarily have to be oppositional. Co-operatives have to work with complementary processes of needing both to be effective and efficient, and democratic and inclusive (even when membership is restricted – see Section 4.1). These are considerable demands, made even more challenging when co-operatives are more heterogeneous than they are homogeneous. These dynamics are illustrated in our two exploratory case studies below.

**3. Context**

Malawi is one of the poorest countries in Africa (UNDP 2014)<sup>5</sup>, in spite of recent high rates of growth. Macroeconomic instability and high inflation rates (28% in 2013) have severely affected people who live below the poverty line (US\$ 1.25 per day) – estimated at about 50% of the population (2011). Since the 1990s Malawi has experienced floods and droughts, severe famine and an HIV/AIDS pandemic. Fuel and electricity shortages along with the lack of adequate skilled labour, poor government regulation and lack of finance have created an uncertain investment climate for the private sector. International tobacco regulation has

<sup>5</sup>Malawi ranks 170<sup>th</sup> out of 186 countries examined by the Human Development Index: <http://hdrstats.undp.org/en/countries/profiles/MWI.html>, accessed 19.09.2013.

affected exports; alternatives are tea, sugar, coffee and horticultural crops, amongst others, and extensive deforestation is presenting a huge environmental risk<sup>6</sup>.

As in many other African countries, co-operatives in Malawi (particularly in agriculture) were established under colonialism, however agricultural co-operatives became absorbed into the state or parastatal sector after independence (Chambo and Smith, 2010:9). In the 1970s, savings and credit cooperatives grew, eventually becoming part of the Malawi Union of Savings and Credits Co-operatives (MUSCCO), which is one of the case studies in this research. With the decline of para-statals and the state's direct involvement in the economy during the 1990s, the co-operative sector was again encouraged to grow and a small government department was established to support the co-operative movement (ibid). As of 2012, the time of the fieldwork, there were 681 registered co-operatives in Malawi, with 382 active in the agricultural sectors; 107 are saving and investment promotion co-operatives, and 192 are savings and credit co-operatives (SACCOs)<sup>7</sup>. Amongst them, the Malawian Department of Co-operatives reports that only 234 are active. At the time of the research, there was no single apex body representing all the Malawian co-operatives.

The academic literature on Malawian co-operatives is scanty. There are a few studies that have looked at individual agricultural co-operatives and concluded that lack of market access, managerial skills and poor governance undermine individual co-operatives' capacity to survive (Nkhoma, 2011; Nkoma and Conforte, 2011; Matabi, 2012). Our own study focused primarily on the role played by Co-operative Unions in rural co-operative resilience (see Borda-Rodriguez and Vicari, 2014, 2015; Borda-Rodriguez et al., 2015). Co-operative Unions are secondary level organisational networks that bring together primary co-operatives. In principle, 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.

The fieldwork investigated four Co-operative Unions, however in this paper we focus on two of the biggest and most established: Mzuzu Coffee Planters Co-operative Union (MZCPCU) and the Malawian Savings and Credit Co-operative Union (MUSCCO) (see Table 2 for outline characteristics). We have selected these two Unions because of they offer an opportunity to uncover contradictions as well as achievements with respect to inclusive development. We also selected them for their different functions: one promoting the production and marketing of coffee by smallholders and the other supporting savings and credit in urban and rural areas with a range of different savers and borrowers (i.e. farmers and teachers). In the case of the production and marketing of coffee, members are relatively homogeneous in terms of their goals and what they expect from their Union. They can participate directly in the co-operatives' activities – in producing and processing coffee to a certain standard for the market and in agreeing actions in the co-operative to which they are affiliated. In the case of savings and credit, member co-operatives in the Union are heterogeneous with different interests. Within the local co-operatives, interactions may be more individualised (taking out loans and depositing savings) although the membership as a whole will be represented through its board. We therefore deliberately did not select them because they seemed simply to affirm the characteristics of inclusive development that we have outlined above. Rather we wanted to see how two established Unions have been able to address the demands of inclusive development and what issues are faced. This approach is based on the idea that inclusive development is not a state but an ongoing dialogic and deliberative process in which contradictions and conflictive situations occur.

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<sup>6</sup> Additional data in this paragraph are from the World Bank:

<http://data.worldbank.org/country/malawi> and <http://data.worldbank.org/country/malawi>; April 2015.

<sup>7</sup> Data provided by the Department of Co-operatives, Ministry of Industry and Trade, year 2012.

**Table 2****Key characteristics of MZPCU and MUSCCO**

	<b>MZPCU</b> <b>Coffee</b>	<b>MUSCCO</b> <b>Credit and saving</b>
<b>Established</b>	2007: Coffee co-operative union 1999-2006: Smallholder Coffee Farmer Trust 1971–1998 Smallholder Coffee Authority	1980
<b>Number of primary co-operatives</b>	6	46
<b>Current members</b>	3,000	116,122
<b>Percentage of women members</b>	25%	35%
<b>Donor support</b>	Yes	Yes
<b>National and/or international markets</b>	National and International	National
<b>Specific services provided by the Unions</b>	Value addition (bulk provision of inputs, processing, marketing) Certification Extension services Micro-finance loans	Training in financial management Insurance products Loans to SACCOs for business development

Source: fieldwork 2013

#### 4. Data collection and analysis

During the fieldwork, conducted between February and March 2013 in the central and northern regions of Malawi, data was collected from four of the biggest Co-operative Unions via qualitative techniques. As noted above, the research focused on resilience (not inclusive development) and the fieldwork was conducted in relation to the objectives and hypotheses for that research. It is therefore important to note that there are data limitations in relation to inclusive development (for example, income data and other benefits for members compared with non-members, as mentioned above). The analysis below is therefore necessarily exploratory compared with a study that is directed specifically to researching inclusive development.

In the original project, semi-structured interviews were carried out with 28 co-operative leaders, managers, union staff members, leaders, managers and members of primary co-operatives, and 7 focus groups with 52 male and female members of primary co-operatives were also organised. Data was also collected in the form of Unions' annual reports, internal reports and fact sheets. An 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. For the purposes of this paper, our analysis draws only on the interviews and focus groups with MZCPCU and MUSCCO, where we have carried out a thematic analysis on the basis of the framework in Table 1. In the case of MZCPCU, 15 semi-structured interviews and 3 focus groups were conducted. Interviewees included farmers' leaders, MZCPCU's managers and technicians while focus groups targeted mixed groups of male and female members with similar socio-economic status (that is smallholder farmers with low level of literacy). In the case of MUSCCO, 7 semi-structured interviews and 3 focus groups were conducted.

In what follows below, we first look at economic control and benefits, and then voice. Both are cross-cut with agency – economic agency and agency that follows from voice, namely having influence in the co-operative, the home and/or the community. It will be evident that there are considerable differences between the two co-operative unions in terms of the different types of inclusion they are able to promote, partly linked to the homogeneity/heterogeneity dimension and also to the dimensions of hierarchy/democracy theorised by Bijman et al (2011). This does not mean that inclusive development is only possible with certain types of co-operative – rather that they experience different challenges. In both cases, contradictions are present, however, given our argument that inclusive development is a process not a state and embedded in wider social relations, so contradictions are inevitably part of this process. A question for the future is the potential for their resolution over time and the role that the Unions might play.

## 5. The case of MZCPCU

The origins of the MZCPCU were in the former para-statal Smallholder Coffee Authority (SCA) established in 1971 as a marketing mechanism for small coffee producers in Northern Malawi. Its performance was poor (see Chirwa, Dorward and Kydd, 2008<sup>8</sup>), resulting in serious debts. With structural adjustment and reduction of state involvement in the economy during the 1980s and 1990s, the Smallholder Coffee Farmers Trust (SCFT) was set up 1999 as part of the transition to privatization and thence to a co-operative. Farmer members owned and managed the SCFT and overall management was streamlined and improved, putting the commercialisation of coffee on a better footing and restoring confidence amongst farmers (ibid). In 2007, after consultation with farmer members, the SCFT became the fully-fledged Co-operative Union, MZCPCU, with the person who led the transformation still at its helm as CEO. Since that time, MZCPCU has consolidated 3000 members in 6 highland co-operatives, and, with the help of Twin Trading, has achieved Fair Trade certification, 4C (corporate responsibility) verification<sup>9</sup> and is seeking organic production status. MZCPCU's web-site notes that it aims to enable every member to achieve decent accommodation, food security, adequate warmth and education for members' children.<sup>10</sup>

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<sup>8</sup> <http://www.future-agricultures.org/policy-engagement/policy-briefs/151-smallholder-coffee-commercialisation-in-malawi/file>; accessed 290115.

<sup>9</sup> 'The 4C Association aims to unite all relevant coffee stakeholders in working towards the improvement of the economic, social and environmental conditions of coffee production and processing to build a thriving, sustainable sector for generations to come' <http://www.4c-coffeeassociation.org/about/overview>; accessed 070715.

<sup>10</sup> <http://www.mzuzucoffee.org>; accessed 090215.



## 5.1 Economic control, benefits – and agency

A dilemma for cooperatives involved in GVCs is how open they are to members and on what terms. The process of commercialisation of coffee by MZCPCU has meant that the Union has put restrictions on membership to those with a minimum of 500 coffee trees (MZ1). So MZCPCU changed the membership from including even the smallest farmers, as under the original SCA, to promoting growth and high outputs of coffee beans. An obvious result is that the poorest coffee farmers are not included.

This is a complex dynamic: on one hand the co-operatives need to be on a sustainable financial footing and to be able to provide services to the members; on the other, the restriction means that the co-operatives are less inclusive simply in terms of numbers than the old SCA (the Agrawal and Perrin [2009] point above). However it would be challenging for to include every coffee producer in a particular area and then not make enough money to provide member services as well as grow the business, unless it were possible to subsidize the smallest producers, and/or obtain more land and trees for them. Further a danger in not providing adequate services is that members will sell their coffee elsewhere (the loyalty dilemma mentioned in Section 2). In the case of MZCPCU, there are quite strong sanctions on side-selling.

This restriction on membership in general is however counter-balanced by how members see the difference in their level of economic control. The social provisioning and distributional dimensions of the inclusive development literature refer to direct benefits to low income and poor people. However, the statements from a mixed focus group below suggest that the Union and its member co-operatives are providing a collective framework for greater control over and benefit from coffee as a source of livelihood – the idea of doing the economy rather than being done to (Gibson-Graham and Roelvik, 2013).

The members of the focus group stated (MZ9):

‘what makes me to join co-operative is that I become the owner of the co-operative, am the one who is running it as a member, it’s not controlled by other people, but you are the ones running it’

‘what made me interested in co-operative...is transparency...where you see right away from where we producing to where it sold’.

Other members noted the financial benefits:

‘when you are in a group, there is much security of your resources...that means when you are investing that fund, you know that are [sic] also secured...it’s like insurance because you feel that you are not alone’.

‘if I join the co-operative, I will produce more crop, because coffee processing will be eased for me’

‘when you are in a co-operative...you are guaranteed market...when on your own with your small quantities, it becomes difficult to sell your crop’

And, in spite of the restrictions on membership, some members in the focus group were clearly poor:

‘my level of poverty prompted me to join co-operative...so since I joined...really my income has started improved’

‘I didn’t know what to do, how can I earn income with the family as a widow, then I said let me join the co-operative...’



However, commercially grown coffee requires contracts with buyers (in this case with Twin Trading), which in turn means demands on standards of production and processing. As is noted in other literature, although Fair Trade and organic certification can benefit farmers organised in co-operatives (Pirrotte et al., 2006), they also impose certain conditions on farmers who have to upgrade production and processing to meet new standards (Blowfield, 2004; Vanderhoff Boersma, 2009; Humphrey, 2008, 2009). The CEO of MZCPCU sees trade as the most challenging part of his job: 'you really have to find a market that is good to make sure the farmers are happy...what makes people cling, the growers, is to see that every year they are getting a good price' (MZ1). At the time of fieldwork, MZCPCU had Fairtrade and 4C certification and saw themselves as 'semi-organic' (MZ3), because most farmers use little inorganic fertilizer. On one hand, the Union was seeking to tap into niche export markets and gain premiums for 'Mzuzu coffee'; on the other, it was also aiming to address environmental issues through organic means, 'so that we build up the soil...and increase production' (MZ3). Having to cover the co-operative administrative costs meant the 60% of the price went to farmers and 40% went to operations. However, the 40% for operations was not in practice sufficient to cover operational costs and permit further innovation (MZ5). The demands of certification and 4C are considerable. As noted by one manager (MZ2): 'those standards are biased towards social, environmental and economical...You got to be really on top, so that you maintain those codes and standards. In a way, you will find that the audit management systems are really high.'

This account also puts a question mark over extent of economic control by the cooperatives, because the conditions of Fair Trade require excellent (and efficient) management of the co-operative and its outputs (again, see Bijman et al, 2011, and others). The balancing of member and efficient management interests becomes a challenge to the Union, although it is evidently in the interests of members to gain access to new technologies, markets and make higher incomes. There was considerable demand on the extension work of the co-operative, not least 'training these farmers to be compliant to these standards' (MZ3), but also meeting the volume of demand for specialty coffee. In this case, assistance with extension work on improving quality was provided by the buyers and by donor agencies (MZ6). At the same time, the Union aimed to provide farmers with technical advice (with additional support from Twin Trading) on the physical environment for coffee production, the mix of coffee and subsistence crops such as maize (MZ3) and to improve techniques. Overall, then, there were both demands on good management as well as potential benefits to farmers prepared to abide by co-operative rules.

Although from farmers' perspectives, the price of coffee is better than on the open market and they are also able to improve their quality, they face another challenge: the financial benefit is not necessarily immediate (which can also lead to early sales to other buyers). As noted by the Operations Director about members in poverty: 'We don't pay cash at the same time we get their coffee...Those people who've got small productions look at that waiting as taking too long for them because they got immediate needs' (MZ5). In response, MZCPCU set up a micro-finance facility for inputs, cash loans to assist expansion of production and loans to pay for additional labour at harvest time. The cash deficit faced by some farmers in selling their coffee through the co-operative also resulted in a new micro-credit facility to provide part of the cash payment upfront, even though this assistance in turn creates cash flow problems for the Union (MZ5). As a result, there is a drive to encourage a savings culture amongst members on receipt of cash from sales – for example, by putting 10% of the case into a savings account to qualify for future input loans (MZ6). The Union management has also developed a strategy of diversified income sources (honey production, a coffee plantation, coffee shops and a small hotel). At the time of fieldwork, there were also discussions with MUSCCO about the possibility of MZCPCU becoming a SACCO, as banks were not prepared to capitalise MZCPCU's loan fund: 'coffee farming without finances really

is a non-starter....But with our funds we are able to say that we do not want to make profits...but we want to give service to the farmers' (MZ2).

These developments suggest strong management on the part of the Union and potential reinforcement of hierarchy. As noted by Bijman et al (2011), co-operatives tend to find a mix of hierarchy (for efficiency) and democracy (for inclusion). However good management was needed to enable members to create viable businesses and improve the terms of engagement with input, product and financial markets, in other words, gain the skills and capabilities required for Fair Trade and certification. From the MZ9 focus group, it was noted:

'I noticed that when you are in a co-operative, people get extension services especially technical knowledge, so I thought that if I join then I will have access to that knowledge...when [I] am outside, the extension workers or technicians will not reach me'

'in a group, you gain knowledge, gain experiences, you share this and that';

'I have been trained on sustainable way of producing my crop like using local pesticides that I can easily make from shrubs';

'at first we were just planting, now we have [been] taught the best agronomical practices';

'where we are digging trenches, then we bury the plant, that's where we are conserving a lot of water'

'we gained the diversification aspect, saying yes, the main crop should be our coffee but now we should try to diversify'

The role of the co-operatives in supporting member knowledge and skills is an important dimension of economic control. Some members reported that prior to being in the co-operative, they did not know if they were making a profit or loss. This lack of skills undermined their capacity even to sell their coffee to middle-men. Economic control and the ability to exert agency is also an issue for Union management. For example, the Union was keen to keep control of its own extension services (MZ2). However low levels of literacy have triggered co-operatives to develop long-term training processes. According to one Union leader, training has to be designed in a way that members are closely involved with the different activities conducted by the Union and primary co-operative (i.e. marketing, budgeting, farming techniques, costs, and so on). The CEO acknowledged:

Our training is hands on. You cannot just give a two hour lecture to members and say you have built capacity. No it doesn't work. I have been here [in the co-operative Union] since 1997. How do I expect to teach people for two hours and say that they can run a co-operative? It is not on. Capacity building is gradual and permanent process' (MZ1).

These aspects are in turn expected to reinforce commitment to the co-operative:

'In the training we provide, we try to let them understand that in bringing their produce to the co-operative they are actually helping their cooperative grow, whilst if they sell their produce to the middle men that's the end of it. If they [members] bring their produce to the co-operative it means whatever the profit is made by the co-operative it's something that remains within the co-operative and remains within the community. This is something that we are continuously trying to get our co-operative members to understand' (MZCPCU management team member).

In sum, there is both a sense of greater economic control amongst members as well as an apparent need for strong management to negotiate and produce the standards required for the market, in this case a Fair Trade market. This is much as Bijman et al (2011) theorise for

co-operatives involved in GVCs. However the focus groups also suggest that members' experience of economic control resonates with Gibson-Graham's and Roelvik's (2013) view of doing the economy rather than the economy being done to members. In part, of course, this relies on the Union management being able to negotiate deals with buyers and inputs into training for upgrading, and to provide alternative sources of finance for production. In this sense, then, there is a complementary rather than an oppositional relationship. Although these data are only able to give a partial view of the relationships, they are strongly suggestive of the co-operative potential to provide a platform for economic inclusion that improves member equity and controls in relation to market forces.

## 5.2 Voice - and agency

The dimension of voice is fundamental to the democratic basis of co-operative values and principles (see Table 1). Not only is it embedded in the idea of one member one vote, but also underpins the opportunity of influencing both what happens in the co-operative and potentially outside it. It is also crucial to the idea of inclusive development as a dialogic and deliberative process. In this section, we focus on first on gender, as one of the contentious areas of inclusion in many co-operatives, outlined in Section 2, and then comment on the challenges for democratic governance. Evidence, although contradictory, suggests that women's membership of MZPCU is giving them new respect on the part of management and also in their homes and communities – in part based on material dimensions, such as their abilities as farmers and their increased incomes, but also in recognition of their potential leadership role in the Union. The hierarchy/democracy dilemma is apparent in Union and co-operative governance, although skilled and capable leadership is necessary. Again, we would argue that these relationships and dynamics are more complementary than oppositional. The following data are again exploratory.

In spite of CEO claims that MZPCU is not doing so well on the gender front, there is an increasingly strong policy of inclusion of women members at all levels and across the Union and its affiliated co-operatives. It was suggested by one interviewee (MZ3) that MZPCU's gender policy has been influenced by NGOs working in the north of Malawi; it is also likely to have been promoted by MZPCU's association with Twin Trading. However there are other elements affecting women's growing participation in coffee production and co-operative membership. Union management interviewees observed that women farmers were more willing to take up innovations in coffee farming, being early adopters of steps towards organic production (MZ3). The management also considered them reliable co-operative members, whereas it was noted that 'men can switch at any time and start a new business altogether' (MZ5). This last statement is indicative of the relative mobility of men whereas women were more likely to make their livelihoods in proximity to the household.

However does this suggest that women members have found a voice and some element of agency through the co-operative platform as a result? At the time of fieldwork, only 24 of the 112 staff of MZPCU were women (MZ7) – giving them a relatively muted voice within the Union. On the other hand, MZPCU leadership had decided to appoint a women's coordinator and had identified female role models who could visit and recruit other women members (MZ3, MZ5). The operations director noted:

'We've got women on the board of the union and we've got women on the co-operative boards. We encourage this deliberately...These women on the board are supposed to move from place to place to talk to other women. These women...are successful coffee growers. Some of them have even bought cars so they are like role models to other women' (MZ5).

The material success of women seems to underpin their growing recognition in the Union (at the time of the fieldwork). The realisation that women could be stalwart members of the co-

operatives have also led to the suggestion for women to have smaller fields that are close to home so that they are able to farm alongside their household responsibilities (MZ3). However it was also acknowledged that not all aspects of being a co-operative member work in women's favour, particularly in cases where income from coffee is appropriated by the husband, possibly to support another family (MZ1). In addition, if the conditions for voice and recognition depend on material success alone, there may be many women whose voice is not heard or recognised. The following statements of a women only focus group (MZ10) with members of a primary co-operative which has 40% women members (MZ5) suggest that economic gains have strengthened women's position in the home and community. However they should also be read with the above caveats in mind. The statements are reported through the translators:

'dependency syndrome is no longer there because they are able to gain something'

'sometimes their husbands would...just go for drinking and maybe go with other women but as of now, even if the husband is doing that, she's able to take care of the home, buy food and take care of the family'

'they have respect from their husbands because they know that they've got money'

'they learn different skills and all that; they are able to budget and calculate profit from what they have earned and...make something out of the profit at home'

'they are able to learn or share experiences with their friends there and...with their husbands; they are able to do development activities in the community as well as at home'

The relationship between economic position and social standing is not a new or original finding. However the co-operative seems to provide a collective platform through which women can begin to assert voice and agency beyond the co-operative and potentially change the balance of social relations in the home and community.

An area which is somewhat ambiguous in terms of voice (from these data) is the democratic governance structure. Above, we discussed the restrictions on membership of the coffee co-operatives. A primary co-operative leader also reflected on the criteria for electing members to the board at the annual general meeting:

'somebody who wants to be a leader is to be having not less than 3000 trees as a man. Not less than 1500 as a lady...you cannot be just a leader and don't have production...Secondly you have to be a member of that area...The third one, he should be literate...the fourth is that you should have no record of criminal cases...should be a person of good reputation in the village' (MZ12).

Again, this statement suggests that material success is an important factor in becoming a leader, as well as literacy and being an upstanding citizen. However, it was noted by MZCPCU managers that participation can give way to anxiety and distrust if there is a considerable gap in the experience, education and training of members compared to that of the Union leadership (which in turn can reinforce the hierarchy/democracy tension). Union leaders have considerable historical experience of managing organisations, negotiating with government and ministry officials, and dealing with external organisations such as Twin Trading. However the strategy of diversifying income sources to enable the Union to expand and provide better services and rely less on donor support was apparently not understood by all:

'If we realise a lot of money from this, it will be used to run this organisation for the overheads...so that the farmer gets most of what is realised on the market....however if you go to the farmers, they are afraid – they think we can abandon them – but that's not the idea...it's just a matter of training them to change their attitude' (MZ8).

This aspect resonates to some extent with Simmonds' and Birchall's (2003) model of the need for resources to enable members to participate, provide opportunities for voices to be heard and create clear channels of communication. Communication between the Union leadership and the primary co-operatives underpins the democratic structure and the ability to exert voice. One leader observed:

'somehow you will find that there is a break in communication...Maybe we haven't done much of our homework...they don't bring back the feedback to the lower level institutions. So it demands a bit of extensive training' (MZ2).

Overall, then, this analysis, albeit with limited data, suggests that there is potential for inclusive development through the Union but that there are many hurdles and challenges in realising this potential. However these data also reinforce the highly processual nature of developing economic control (better terms and conditions with the market) and voice (recognition and democratic participation). MZCPCU is relatively homogeneous in its membership however its commercial orientation and engagement with GVCs make particular demands both on members and management. This engagement provides opportunities for material benefit and redistribution of income to poor people, if not the poorest in the region. However the need for efficient and effective management also puts other demands on the Union in terms of enabling participation and reinforcing democratic and deliberative processes of communication and decision-making.

## 6. The case of MUSCCO

MUSCCO has a somewhat longer history than MZCPCU (starting business in 1980) and has well over 100,000 members in Savings and Credit Co-operative Organisations (SACCOs). MUSCCO states that its overall mission is 'to support SACCOs in Malawi on a sustainable basis to promote good access to quality and affordable financial services to members in accordance with international cooperative principles'.<sup>11</sup> The SACCOs may be community-based or they may be occupation-based (for example, farmer, teachers and more recently into other professions such as the police<sup>12</sup>). The main purposes of MUSCCO loans include: seed, fertilizers, school fees, small business investments in both rural and urban areas, and gaps between spending needs and pay day (M5). MUSCCO also has a range of services: a finance facility where SACCOs are required to invest 10% of their share capital and 15% of their deposits; technical services to help train SACCO members; management information; technological development (IT); audit/inspection<sup>13</sup>; and more recently it is offering financial protection services. Since 2013, MUSCCO has also had a very strong gender policy even though there are still more male than female members overall (MUSCCO, 2013).

MUSCCO is therefore not just an organisation of very low income or poor people. It also has a membership amongst low income professions, particularly in the public sector. An example is the statement from the Mzimba Teachers' SACCO Ltd:

Mzimba Teachers' SACCO is a member owned, democratically controlled financial cooperative society, serving all Government salaried employee members within Mzimba North and South, Mzuzu City, Nkhata Bay, Likoma, Kasungu, and Nkhota-kota. It aims at promoting regular saving habits and providing affordable and competitive financial services in order to improve members' social and economic status.<sup>14</sup>

<sup>11</sup> [http://www.muscco.org/index.php?option=com\\_content&view=article&id=193&Itemid=141](http://www.muscco.org/index.php?option=com_content&view=article&id=193&Itemid=141); accessed 090215.

<sup>12</sup> <http://www.muscco.org>; accessed 090215.

<sup>13</sup> All at [http://www.muscco.org/index.php?option=com\\_content&view=article&id=193&Itemid=141](http://www.muscco.org/index.php?option=com_content&view=article&id=193&Itemid=141); accessed 090215.

<sup>14</sup> <http://www.mzimbateacherssacco.com/about-us>; accessed 090215.

The range of occupations of members means that MUSCCO is an example of a highly heterogeneous co-operative Union. It also suggests that MUSCCO could have an extensive impact with respect to inclusive development – stimulating savings and investment amongst the poor as well as low income professions through democratically controlled SACCOs. In practice, our data present quite a challenging picture for the Union, which is not to undermine the model or its potential role, but which makes clear that co-operatives' role in inclusive development is not a short term panacea but a long term process of engagement.

We start with two brief cameos to illustrate this point, SACCO 1 and SACCO 2. The accounts cut across economic control, benefits, voice and agency which we will refer to later.

Starting as a SACCO in a research station, SACCO 1 currently has up to 3000 community-based members from different organisations (schools, churches, health sector, women's clubs and so on). As noted by one of the leaders:

'There is open membership. We don't say we have enough from the teaching profession, or we have enough from the farmers, no. Everything is done on open basis' (M6).

A key activity is around weekly or two weekly study circles, organised by volunteers but run by the SACCO 1 management, which discuss issues faced by members (for example, how to manage finances, health, HIV/AIDS). The study circles are also an opportunity for members to contribute money towards their savings and build up an account with the SACCO. As with all co-operatives, SACCO 1 has an elected leadership and a notable promotional effort has increased the female membership, which is almost double that of men. There was also interest in promoting youth membership:

'normally we say the youths cannot operate an account...but that is according to the past regulations...Someone below 18, though in certain cases if he is active, let him open [an account]...if we can involve the youths, we feel that can be the good background of good membership and the growth of the group' (M6).

However there are several challenges for inclusivity. One is that a large female membership does not, on its own, promote women's economic control and its benefits, voice and agency as they are subject to intra-household gender relations. One of SACCO 1 leaders noted:

'I mean our culture gives more power to the husband. Now the woman accesses a loan...the one who will be in charge of managing that loan...will be the husband...in most cases it has contributed to defaulting...because the husband says no, I am the boss in this house so I can do anything' (M6).

A further issue is the financial management capabilities of members and the leadership. Although considerable effort is put into training, SACCO 1 has inadequate transport to visit members and develop their skills, while training from MUSCCO incurs an additional fee. However the size of SACCO 1 can be a limiting factor in its ability to capitalise itself and pay for such additional costs as well as invest in new technologies to improve its effectiveness, a point we return to below.

In stark contrast to SACCO 1 is SACCO 2, a very large donor-financed SACCO which grew to a membership of over 40,000 over a period of 5 or 6 years, with 50% female participation either as individuals or in women's groups (M3). Comments from MUSCCO leadership suggest that, as with MZPCU, women members tend to be more reliable than men and to gain more from their participation:

'Women in Malawi, they are usually engaged in small businesses...from my few months' experience working at [SACCO 2], what I have noted is...even their repayment capacity is better than if you form a good co-operative participated by men...they make sure that maybe they have something for tomorrow and if they are

given an opportunity like this one, they don't want to disappoint. And also that maybe working in a group they kind of force each other to pay. Or they will...make up for the shortfall of another' (M3).

However SACCO 2 had 20-30% tobacco farmers in its membership, and the 'reliable' female membership was not enough to sustain the SACCO when tobacco prices declined over a period of 4 or 5 years (M3). In addition the co-operative had expanded rapidly because of donor funds, meaning that its internally generated income was very precarious. One MUSCCO leader observed that there should have been greater impetus to encourage members to save. With the undercapitalisation that resulted, SACCO 2 fell more into debt, members exerted a negative voice and 50% of the members left:

'It was the biggest SACCO in the country. Over 40,000 members but its balance sheet had to be cut in half because of loan default. And now, Reserve Bank is on it, them wanting to close it. So you can imagine how painful it is to close a [sic] biggest co-op in terms of financial co-op. Creates a very big risk to the whole movement' (M4).

Referring to Table 1, it would seem that SACCO 1 either demonstrated key elements of inclusivity or was moving towards them, albeit facing challenges with respect to gender relations within households, with the development of management skills and capabilities, and with capitalisation. Yet the SACCO was surviving and there was a high degree of co-operative awareness. By contrast SACCO 2 had several devastating tensions: a mixed membership, with a substantial component of women, and too rapid growth without capitalisation, indicative of not strong enough management. SACCO 1 seemed able to balance the hierarchy/democracy and heterogeneity/homogeneity better than SACCO 2 and meet many of the characteristics for inclusive development outlined in Table 1.

## 6.1 Economic control, benefits - and agency

The basic functions of SACCOs are that members can both save and take out loans at affordable rates. Saving is challenging for low income populations, although it is certainly possible to build up savings from small contributions: 'if provided proper structure, a proper mechanism for mobilisation of savings, it can be done' (M5). The second function – lending – is feasible if the SACCO is adequately capitalised. Capitalisation depends on members' savings, members buying shares in the SACCO, interest on loans and other sources of revenue.

For SACCOs, so much depends on good management and capitalisation. As hinted at with respect to SACCO 1, in terms of economic control and benefits, there may be tensions over what are considered to be legitimate costs and what should be 'free' services, for example with respect to training needs. Moreover capitalisation is hard to achieve with low income populations. To some extent SACCOs depend on scale (although, as we saw in SACCO 2, a large SACCO can also fall into debt or be under-capitalised):

'most of the co-operatives are small and for them to generate enough income so that they can implement...risk management processes becomes a very big problem...They cannot recruit a manager. Some of them cannot even computerise...' (M4).

While individual SACCOs in MUSCCO may struggle, overall savings outweigh loans and MUSCCO also has asset and institutional capital.<sup>15</sup> A member of the Finance Department added:

'if any SACCO has a problem with their liquidity, they come to us to borrow. So we have put it as a requirement that, if they get a loan from us, when they are repaying

<sup>15</sup> [http://www.muscco.org/index.php?option=com\\_content&view=article&id=192&Itemid=240](http://www.muscco.org/index.php?option=com_content&view=article&id=192&Itemid=240); accessed 12/02/15.

they need to capitalise with us, so it's part of a condition of accessing a loan. So that the risk that MUSCCO has had...maybe we can close the gap' (M2).

Nonetheless, MUSCCO depends for part of its administrative costs on external contributions from international co-operative support organisations (M3):

'We have to rely on support from various donors now and again. Without donors then maybe this movement will have to be cut, maybe into half, and then maybe that would jeopardize the service given to the SACCOs' (M4).

However SACCOs have other functions or benefits for members. For example, MUSCCO provides training and assistance with business development ('on the job training, classroom-like training on financial management, credit management and bookkeeping' [M4]), as well as leadership training and upgrading in ICTs. However there is tension over whether SACCOs should pay for these services: 'most of the co-operatives got so used to free services: free training, free whatsoever. Now bringing the issue of pay for service...last year we were able to make them contribute at least to 50%' (M4). To benefit members further, and with the help of European cooperative support organisations, MUSCCO had also explored linking savings and credit facilities with activities of the National Farmers' Union of Malawi (FUM) and National Smallholder Farmers' Association of Malawi (NASFAM): 'So we are trying to link all those...so that maybe there is a kind of chain, or we call it a triangle' (M4).

In spite of these initiatives, there are contextual issues in ensuring that the SACCOs bring benefits to their members. They include high inflation and compensation for a high level of death claims and other members who were chronically sick with HIV/AIDS and needing additional loans for medical expenses (M5). Single occupation SACCOs, particularly in farming, are financially vulnerable if there is crop failure, so MUSCCO has been promoting diverse income streams for farmers. There have also been schemes to make savings easier for people on public sector payrolls by instituting automatic deductions, although these payments have not always been made. Government regulation changes were aiming to deal with this problem, however government support for the co-operative sector is itself under-resourced.

In sum, the picture on economic control and benefit is mixed. Even the interviews with leaders of Sacco 1 indicate that loan recovery is challenging and that debts can mount up. On the other hand, SACCOs have the potential to reach out to large numbers of people, and with more flexibility in terms of membership than production and marketing.

## **6.2 Voice - and agency**

Our exploratory data on voice are almost entirely based on interviews with the leadership of the Union and individual SACCOs, so there is very little sense of whether members' voice and agency has been enhanced. As noted above, some SACCOs are homogeneous, involving members from the same occupational area (such as Mzimba), while others, particularly the community-based SACCOs are quite heterogeneous. The homogeneous co-operatives may have a shared view of their role and greater possibility for building shared voice and agency; however they may be vulnerable financially if members' income suddenly declines. The heterogeneous co-operatives may lack a common voice and be harder to govern, but may be able to resist financial shocks.

An additional dimension that may influence voice and agency in SACCOs, is that, as mentioned above, SACCOs tend to be much more flexible in recruiting women and youth, although the latter was more incipient at the time of fieldwork. MUSCCO's programme of women's empowerment with specific support for women's groups was gradual in its effects. One MUSCCO leader noted: 'we find that those SACCOs that are implementing those programmes...the number of women are increasing and the default levels are decreasing'



(M4). Although MUSCCO's leadership, as with MZPCU, observed that women make reliable co-operative members, female membership is unevenly spread across the SACCOs. There is a greater proportion of women in community-based SACCOs in rural areas, while urban SACCOs tend to be employment-based with greater male participation. It is unclear to what extent women have a role in leadership either in specific SACCOs or in the Union. Youth who joined SACCOs were mainly teachers; youth in rural occupations much more challenging to attract, possibly because they are less likely to own or lack land or other assets (M4).

Perhaps the most serious challenge to voice and agency lies with SACCO leadership and the limiting factor poor leadership may have on democratic processes and member participation. We look at two cross-cutting aspects here: members' and leaders' understandings of SACCOs as co-operatives, and leadership capabilities, both of which are underpinned by co-operative education and training. As noted by one MUSCCO manager:

'we keep training...but maybe it's something that is there always...Leaders when they come into leading the SACCO, sometimes they might not understand the concept, they would think that maybe when they become leader, then they...will be getting more loans, maybe getting whatsoever from the co-operative. When they get in, they find that is not the case' (M4).

Such issues are further compounded by levels of literacy and understandings of the purpose of cooperatives:

'it means you have to take longer time to prepare them than you would do if it was me and my colleagues...sometimes within one month they are registered and they are running, they still haven't...really grasped...they think a co-operative is a mechanism through which they are going to be receiving some support from somewhere...they have to work themselves to make it work' (M5).

Furthermore, SACCO leaders are not necessarily able to keep track of the changing regulatory and policy environment (M2) – for example, a new regulation that, to be registered, SACCOs will have to belong to a national organisation (M4). In addition, although MUSCCO provides training, the democratic governance of the co-operatives means that 'by the time a director fully understands the operations of the co-operative, they are ready to go' (M4). Low levels of competence thus limit the leadership's role in developing the SACCO and, as a corollary, the collective voice and agency of co-operative members. While training and practical experience have the potential to enhance the elements of voice and agency in the SACCOs, such processes have to be embedded over time: 'capacity building is gradual and permanent process' (M5).

The evidence from MUSCCO presents a mixed picture with limited data. There are evident tensions over capitalisation, scale of operation, understandings of co-operative values and principles, ability to include women in urban areas and youth in rural areas. Economic benefit to members requires very good management, and a good understanding of the values and principles and of the collective consequences of loan default on the part of members. SACCOs are very different types of co-operative from those in production and marketing, and the economic control, voice and agency dimensions are more challenging to grasp. On the other hand, SACCOs have the potential to have a very wide reach.

## **7. Inclusive development: MZPCU and MUSCCO considered**

*'there is acceptance and recognition that co-operatives can play an important part in the overall economic and social development of the country, so that's why you find that government is now beginning to prioritise' (M5)*

The accounts of the two Unions indicate the potential for economic control and benefits, voice and agency from co-operation, although they are quite uneven both within and between the two Unions. The accounts thus identify some of the tensions and contradictions, which are both internal in nature as well as influenced by their social settings. In this section and in the Conclusions, we return to Table 1 and our conceptualisation of inclusive development as a dialogic and deliberative process leading to greater economic control and material benefit, voice and agency in shaping more equitable social and economic futures.

The economic interdependence of actors (Gibson-Graham and Roelvik, 2013) is a fundamental criterion for co-operatives to function successfully as collective units oriented to collective needs (ibid). Members selling their produce through the co-operative, buying shares, repaying loans and depositing savings are essential for co-operatives to be effective. In turn co-operatives need to supply effective services, higher than open market prices (bearing in mind the lack of bargaining power of individual small producers) and rates of interest that improve on those of banks (assuming that members would be able to access bank credit). However a co-operative is more than a collective and internally interdependent enterprise: it is an enterprise based on democratic processes, which combine representation (elections) with deliberation (member participation and discussion) (Young, 2000), and is informed by the values and principles laid out in Table 1.

A sense of increased economic control is evidenced amongst members of MZPCU, who also claim to be meeting needs and aspirations. However, in terms of becoming a member of the co-operative, there are restrictions: the co-operative is not open to the poorest coffee producers, and there are gender imbalances reflecting wider social relations. The Union is seeking to address these imbalances, albeit in recognition of the material inputs that women coffee growers make to the co-operative. The focus groups suggest that there is a strong sentiment of solidarity and self-help, and an appreciation of the technological and organisational education and training within the Union. Overall, these material conditions seem to have enhanced members' agency – of doing the economy rather than being done to (Gibson-Graham and Roelvik, 2013).

By comparison, the evidence for increased economic control in MUSCCO is less strong. This is partly an artefact of the data collected during fieldwork, which did not explore some of the issues of concern in this paper. MUSCCO has considerably more members than MZPCU, which also makes the key elements of Table 1 harder to identify. Moreover there are different dilemmas for SACCOs, whose business is largely about the control and use of financial flows (including those of insurance as well as savings and loans). SACCOs can be both homogeneous and heterogeneous and as a result run different risks (production and market failures in the case of the first, and governance failures in relation to the second). The heterogeneous nature of some SACCOs will also make it challenging to develop a collective 'ethics of economic action' (Gibson-Graham and Roelvik, 2013) in the way that is possible in the homogeneous coffee co-operatives. Having said that, there are SACCOs in MUSCCO that are organised around clubs of members, particularly but not only of women, and shared occupations, where interdependence and greater control over the saving and lending process is reinforced: moving from 'my interests' to 'our interests' of the group (ibid). However a crucial underpinning of SACCOs is the ability of members to save and capitalise as well as borrow. In this sense, both saving and buying shares in the co-operative and repaying loans are criteria of membership. So, again, not everyone can necessarily be a member of a SACCO.

This brings us to the second area of Table 1: that of voice and agency (recognition) and its links to co-operative values and principles. In this respect, we have focused in particular on gender. The evidence from MZPCU primary co-operatives suggests that some aspects of gender relations are becoming more equal because of women coffee producers' reputation for hard work and success, and that this recognition is being carried through into households.

However, it would be difficult to say that, in general, being a member of a co-operative necessarily improves gender relations. The point is that it can do but also needs good Union leadership to support the process, including balancing staff ratios and enabling women to become leaders and decision-makers. That gender relations change because of changes in women's material conditions is not surprising, however it raises questions about how far such changes go in households and communities when only a proportion of women will be members of co-operatives (in this sense, Agrawal's and Perrin's [2009] criteria for inclusion have some validity). The evidence from MUSCCO suggests too that, even when women are members, gender relations in households can result in men appropriating women's loans.

In terms of open membership and democratic member control, then, there are several challenges for co-operatives. One is the inclusion of the very poor. Another is the inclusion of women (and youth). A further challenge is the specific restrictions involved in the type of co-operative and the rules required for membership. However we would argue that the latter is a necessary dimension given that co-operatives are enterprises and have to be financially viable. The inclusion of the very poor is though a serious issue, and, as suggested by Poole and de Frece (2010), in rural areas avenues for staple crop producers (or small scale savers) are needed. There is growing realisation that co-operatives can start to challenge unequal gender relations and engage youth, as noted in the literature in Section 2. In this instance, a follow-on collaboration by the UK Co-operative College associated with this research (Supporting Co-operatives in Malawi) is specifically designed to increase the participation of women and young people. This initiative is also a reminder that external organisations as well as local struggles for voice and recognition can act as catalysts, as was noted with respect to Twin Trading's impact on MZCPCU.

To fulfil the cooperative values and principles of Table 1 as well as the dual functions of co-operatives as businesses and solidary and democratic organisations, Union leaders are acutely aware of why co-operatives are different from private enterprises and companies. A leader from MUSCCO observed:

'In comparison to commercial banks we are democratic institutions, in that we employ democratic principles. We make sure we hear views from primary co-operatives coming to the Union and those principles from members who form the organization. So, we are democratically-oriented and we move from grassroots, hearing views to make us move.'

However, in both Unions, considerable training and adequate literacy were needed for a competent leadership and membership capable of self-help and self-responsibility. A lack of both can undermine both democratic governance and services and benefits to members. These issues were noticeably more challenging in the case of MUSCCO than MZCPCU, although in both cases the education, experience and knowledge of the Union leadership was considerable. The leadership in both Unions was acutely aware of the weaknesses in primary co-operative governance and therefore in the extent to which members received expected services and had sufficient control and regulation of their activities.

Finally, we briefly comment on relations between the co-operative movement and the state, less well-addressed in much of the literature. Historically in Africa, the state dominated co-operatives, only relinquishing control during structural adjustment and liberalisation (Develtere et al, 2008). In turn, the emerging movement has required an enabling and regulatory legislative framework. In Malawi, two such frameworks have been produced in the Co-operative Act and the Financial Co-operatives Act, although there is greater need for harmonisation. As observed by MUSCCO's CEO:

'I think if government...plays a referee role, the facilitatory role rather than itself implementing, I think it can work...[W]hen you are working in the rural areas and the government is the main implementer, there is a tendency that "oh it's government, it

must be free...after all it's our government, it has to do these things for us". But if the government provides a facilitating role that maybe brings together MZUZU Coffee [MZCPCU] in this world, the MUSCCOs in this world, the others...then maybe government provide facilities, infrastructure, I think it can [work]' (M5).

However the shaping of inclusive development in a co-operative form requires greater harmonisation and strengthening of the co-operative movement itself, particularly if it is to cater for a more inclusive membership. In this respect, since, and partly reinforced by this fieldwork, the co-operative movement in Malawi has set up an Apex organisation able to negotiate with government and develop coherent policies. This alone is not a guarantee of wider inclusion. As noted by the CEO of MUSCCO, a strong Apex organisation both able to negotiate with government and to help shape inclusive development in Malawi requires strong Unions within it. A question then is how to combine strength in business terms – enabling greater economic control in relation to the market – and strength in equity of membership, opportunities and voice for poor and low people, including women and youth.

## **8. Conclusions**

Co-operatives have the potential to shape a different kind of inclusive development in a number of important ways. First is the potential to shape a different kind of private sector. Co-operatives have the potential to promote values and principles driven entrepreneurialism with collective as well as individual needs in mind. Second, co-operatives can promote a number of capabilities through organised training for productive activities, marketing, leadership and human resource and financial management. The extent to which the latter takes place relies not only on resources within the national and international co-operative movement but also collaborative partnerships with other support organisations as well as government. Third, co-operatives, whatever their deficiencies in practice, are a particular organisational form that gives shape to collective participation and inclusion on one hand and seeks to improve the terms of engagement between poor people and the market, on the other. Fourth, then, is the potential for co-operatives, particularly but not only through Unions and Apex bodies, to negotiate with a number of different players: with Fair Trade bodies and actors in specialised markets, with government ministries and with donors. As noted above, relationships with such bodies are not without their contradictions and difficulties, however they offer avenues of communication that would be difficult for individuals (and most individual small co-operatives). In settings where poor and low income people have little leverage, particularly over markets, co-operatives can offer a voice, greater control over livelihoods and benefits not possible by other means.

However as seen above, although such a process may be informed by vision, it is not an ideal one. It is based in everyday experience, involves many contradictions and challenges, and it is a long term. It involves dialogue and deliberation within co-operatives and co-operative Unions, and it requires negotiation with other key actors. However co-operatives have the potential to help shape inclusive development, providing a platform for promoting greater equity through increased economic control and a voice for poor and low income people. The co-operative movement also has potential because of its scale and the numbers of people involved, going far beyond the typical project-based development that has been so prevalent in many countries in the global South. However to be successful, it requires an enabling environment involving legislation, training support and short-term financing as well as a long term perspective on its growth and effectiveness.

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