

**GOVERNMENT OF MALAWI**

**MINISTRY OF COMMERCE AND INDUSTRY**

**COOPERATIVE DEVELOPMENT POLICY**

**JUNE, 1997**

## **PREFACE**

The Cooperative Development Policy is focused on community needs and participation. The policy's main strategy is to mobilize human, material and financial resources for the socio-economic development of the country.

The goal of the policy is to create an enabling environment that will encourage the sustainable development of cooperatives with an ultimate aim of enhancing the economic and social well-being of members.

In drafting the policy document some institutions including Non Governmental Organisation, Development of Malawian Enterprises Traders, Small Enterprise Development Organisation of Malawi, Malawi Industrial Research and Technology Development Centre, Malawi Union of Savings and Credit Cooperatives and Government stakeholder ministries and departments were extensively consulted. The document contains general policy guidelines for the cooperative sector, policies on specific cooperatives, cooperative education and training policies and the new cooperative institutional framework. This policy document has featured certain priority sectors in cooperative development. It does not however embrace all areas that have the potential for participation by cooperatives. The Government hopes that this policy initiative will spur rapid development of cooperatives in the country.

## **ACKNOWLEDGEMENTS**

This policy statement is an output of wide consultations among Government ministries and departments, parastatals, non-governmental organizations, the private sector, the United Nations Development Programme(UNDP), the International Labour Organisation (ILO) and the existing cooperatives. It is the first Cooperative Development Policy for Malawi. Government clearly recognizes that policy cannot be static in a dynamic environment hence the need to review the policy periodically to cope with new circumstances and challenges.

This policy document is a result of efforts by Lynx Associates who prepared the Situation Analysis Report for Cooperatives in Malawi and Coda and Partners who drafted the initial Cooperatives Policy and Institutional Framework. The Cooperatives Development Process Task Force under the Chairmanship of Saulos Nyirenda (Assistant Chief Economist, Ministry of Commerce and Industry) worked tirelessly to supervise, edit and indeed provided useful insights in the process of formulating the policy statement. To them and to all those who contributed towards this important task I would like to express my heart felt gratitude for their dedication to the exercise.

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## **LIST OF ABBREVIATIONS**

ADMARC	:	Agricultural Development and Marketing Corporation
CIS	:	Cooperative Insurance Scheme
DEMAT	:	Development of Malawian Enterprises Trust
ILO	:	International Labour Organisation
MBS	:	Malawi Bureau of Standards
MCI	:	Ministry of Commerce and Industry
MEPC	:	Malawi Export Promotion Council
MIRTDC	:	Malawi Industrial Research and Technology Development Centre
MOALD	:	Ministry of Agriculture and Livestock Development
MUSCCO	:	Malawi Union of Savings and Credit Cooperatives
NGO	:	Non Governmental Organisation
SACCO	:	Savings and Credit Cooperative Society
SEDOM	:	Small Enterprise Development Organization of Malawi
UNDP	:	United Nations Development Programme

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## 1.0 INTRODUCTION

### 1.1 Economic Background

1.1.1 The economic structure of the Malawian economy has remained unchanged since the 1970s. Agriculture has remained the dominant sector at 43 per cent of the Gross Domestic Product (GDP). The industrial sector's contribution to GDP is around 20 per cent. The service sector accounts for about 40 per cent of GDP. Because of this dependence on agriculture, the economy has remained susceptible to the vagaries of the weather.

1.1.2 The private sector in Malawi has been dominated by public corporations and foreign firms. The direct contribution of indigenous Malawians in the private sector has been minimal. The cooperative sector which would have made a significant contribution to private sector development has remained small with only about 200 cooperatives and a membership of 40,000 in 1996.

1.1.3 In order to develop enterprises require capital, credit facilities and technical skills and a supportive institutional environment. Malawian enterprises lack these critical factors. Cooperatives can play an important role in mitigating these constraints by pooling resources together. In addition, they can increase the bargaining power, hence the need to create an appropriate policy environment for cooperatives to prosper in the process of national development.

### 1.2 Cooperative Philosophy

1.2.1 A cooperative is defined as an **autonomous association of persons united voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled enterprise**. This means that cooperatives are economic organisations whose activities are devoted primarily to the promotion of economic and social welfare of members by providing services which enable them to realize and appreciate the objectives, benefits and values of their cooperative.

- 1.2.2 Cooperative values include self-promotion, mutual responsibility, voluntarism, equality and equity. These values are demonstrated by members through honesty, openness and social responsibility in their activities.
- 1.2.3 However, the specific rights and obligations of members and societies are generally spelt out in each society's By-laws.

In pursuit of economic benefits, cooperatives are expected to uphold human dignity and social welfare of their members in line with the universally accepted cooperative **values and principles** such as:-

1. Open and voluntary membership and leadership without political, religious, gender or social discrimination to all who contribute to and benefit from their activities.
2. Democratic administration and control based on 'one person one vote' irrespective of shares held by individual members.
3. Members contribute to the capital of their cooperatives and share equitably in the economic results arising out of their society's operations. Cooperatives will need to retain a portion of their surplus to further the long term purpose for which the cooperatives exist.
4. Cooperatives have a responsibility to educate their members, leaders and employees and to inform the general public particularly the youth and opinion leaders about the nature and benefits of the cooperative movement.
5. Cooperation with other cooperatives locally, nationally, regionally and internationally.

### 1.3 **Leadership and Management**

- 1.3.1 Successful business development of cooperative enterprises depend on active membership participation and strong enlightened and committed leadership that is capable of applying modern management and business practices. Members of

a cooperative enterprise are advised to elect enlightened and committed leaders. These leaders are expected to employ staff with entrepreneurial talents, capable of translating their society's vision into economic and social benefits. Based on the level of business of each society, cooperatives need to provide in their by-laws, appropriate standard guidelines, code of conduct and requirements on minimum literacy level for the leaders and personnel.

- 1.3.2 In order to survive in the face of increased competition arising from economic liberalisation, cooperatives have to improve their business efficiency and increase their own capital base. At the same time they need to concentrate on their core activities to meet and satisfy their members' needs without compromising cooperative values and ideals.

## 2.0 **COOPERATIVE SECTOR POLICIES**

### 2.1 **GENERAL POLICY GUIDELINES**

- 2.1.1 The Government recognizes cooperatives as private enterprises that play a very important role in achieving national development objectives. The broad policy objective in the development of the cooperative movement is to improve income levels and create employment opportunities.
- 2.1.2 The ultimate aim will be to enable cooperatives to become efficient business institutions for mobilizing human, financial and material resources.

#### **Strategies:-**

1. Create an enabling environment for the development of sustainable cooperative enterprises in Malawi;
2. Endeavour to raise productivity of the poor by mobilizing communities into cooperatives;
3. Promote the development of sustainable cooperative societies in Malawi;
4. Enhance participation of the poor in the socio-economic development process through cooperatives;



5. Provide the necessary institutional framework for promotion, registration, monitoring, auditing, human resource development, technology development and transfer to the cooperative movement;
6. Address gender issues through specific policy interventions;
7. Promote the establishment of insurance schemes to support development of cooperatives;
8. Encourage cooperatives to diversify their investments in all sectors of the economy; and
9. Setting up of a machinery for arbitration and settlement of disputes by Government.

### 3.0 **SPECIFIC COOPERATIVES POLICIES**

#### 3.1 **AGRICULTURAL SECTOR COOPERATIVES POLICY**

3.1.1 The objective of promoting cooperatives in the agricultural and livestock sector is to improve earnings of producers through better access to technologies, improved extension and training, markets for farm inputs and outputs, and market information. The liberalisation which the Government continues to implement will allow the cooperatives to take advantage of various opportunities, these include: collective bargaining for better prices; exploration of new markets for their commodities; and diversification of their products. Various types of agricultural and livestock cooperatives will be promoted including: horticulture, and crops such as maize, tobacco, coffee, rice, cotton and others; livestock such as beef, dairy, pigs, goats, poultry; and agro processing.

#### **Strategies:-**

1. Encourage farmers to form cooperatives;
2. Encourage farmers to organise the procurement and distribution of farm inputs through cooperatives;

3. Encourage cooperatives to establish or facilitate the acquisition of credit for procuring farm inputs and purchase of produce from members;
4. Encourage the use of market information in order to determine the best prices for commodities and inputs;
5. Assist cooperatives to access knowledge and skills available from various agricultural research and extension institutions in order to raise productivity;
6. Assist cooperatives in setting up efficient storage facilities where produce can be stored while awaiting favourable adjustments to commodity prices;
7. Encourage the creation of wholesale and retail market facilities;
8. Assist cooperatives to establish external and internal markets for their produce;
9. Encourage cooperatives to deliver services competitively and coordinate research and extension services;
10. Facilitate training of members in leadership and management;
11. Encourage processing of produce in order to add value and enhance prices for commodities and;
12. Encourage diversification into non traditional crops by providing information on production, processing, storage, packaging, marketing etc.

### **3.3 FISHERIES COOPERATIVES Policy**

The objective of promoting fisheries cooperatives is to improve the earning capacity of those involved in fishing businesses while at the same time promoting sustainable harvesting of fish resources.

#### **Strategies:-**

1. Encourage fishermen and fishmongers to form cooperatives;
2. Assist fish cooperatives to establish cold storage facilities;
3. Assist fish cooperatives to access credit for purchase of modern fishing equipment;
4. Encourage fish farming as a business venture for cooperatives where feasible;
5. Encourage conservation practices among cooperative members for sustainable fishing practices; and
6. Encourage processing and marketing of fish and fish products.

### **3.4 INDUSTRIAL COOPERATIVES**

#### **Policy**

The objective of promoting industrial cooperatives is to increase production and gainful employment opportunities. The establishment of industrial cooperatives is also expected to contribute towards the goal of broadening the country's industrial base.

#### **Strategies:-**

1. Encourage the establishment of industrial cooperatives;
2. Facilitate access to financial services by industrial cooperatives;
3. Provide special incentives to cooperatives that involve the youth and other vulnerable groups in starting up industrial cooperatives;
4. Facilitate the acquisition of technology by industrial cooperatives;
5. Facilitate the marketing of products of industrial cooperatives; and

6. Facilitate the acquisition of skills and training of members of industrial cooperatives.

### **3.5 HANDICRAFTS COOPERATIVES**

#### **Policy**

The objective of promoting handicrafts cooperatives is to improve marketing, quality of products, supply of raw materials and acquisition of technology. In addition the policy will also aim at establishing effective and efficient channels of distribution of products on both local and international markets.

#### **Strategies:-**

1. Provide technical assistance for quality improvement of handicrafts;
2. Assist cooperatives in penetrating both the domestic and external markets; and
3. Facilitate establishment of pre and post shipment finance.

### **3.6 HOUSING COOPERATIVES POLICY**

The objective of promoting housing cooperatives is to facilitate sustainable human settlement development for Malawians in both rural and urban areas. It is also a policy objective to ensure that Malawians have access to affordable housing thereby ensuring better adequate housing for all Malawians.

#### **Strategies:-**

1. Encourage formation of housing cooperatives for purposes of accessing housing and improving housing standards in rural and urban areas at the lowest possible cost;
2. Assist in acquiring housing finance, credit and appropriate building materials at affordable prices;
3. Facilitate access to land and housing finance for housing cooperatives

and vulnerable groups;

4. Encourage and assist housing cooperatives to evolve and provide infrastructural services such as drainage, sewerage, maintenance as well as related community services like clinics, kindergartens and recreation facilities. Such services could be provided before, during and after housing development;
5. Form linkages between appropriate technical institutions and housing cooperatives; and
6. Encourage housing cooperatives to produce their own building materials or/as well as facilitate building cooperatives that would support housing cooperatives.

### **3.7 SAVINGS AND CREDIT COOPERATIVES POLICY**

The objective of promoting savings and credit cooperative societies is to pool funds together and afford members access to loans on competitive terms. It is expected that SACCOs will continue to play an important role in areas where the formal banking sector's role is very minimal.

#### **Strategies:-**

1. Encourage the formation of savings and credit cooperatives in the urban and rural areas for mobilizing savings;
2. Assist weaker SACCOs in strengthening their capacity to provide financial services; and
3. Ensure that SACCOs books of accounts are properly kept and audited annually.

### **3.8 TRANSPORT COOPERATIVES POLICY**

The objective of establishing transport cooperatives is to contribute toward the easing of transport bottlenecks. It is expected that the successful development

of transport cooperatives will enhance and facilitate the transportation of both passengers and goods.

**Strategies:-**

1. Promote the formation of transport cooperatives; and
2. Facilitate training of members, leaders and management for transport cooperatives.

### **3.9 CONSUMER COOPERATIVES POLICY**

The objective of promoting consumer cooperatives is to establish cooperative wholesale and retail shops which offer goods to its members and the general public at competitive prices.

Policies in this area are expected to assist in creating an enabling environment conducive to the development of consumer cooperatives.

**Strategies:-**

1. Encourage formation of consumer cooperatives in both rural and urban areas;
2. Introduce special tax incentives for cooperatives; and
3. Facilitate training of members, leaders and management of consumer cooperatives.

### **3.10 MULTI-PURPOSE COOPERATIVES POLICY**

The objective of the establishment of multi-purpose cooperatives is to provide the means for groups of people with similar interests to venture into a number of economic activities. Creation of vertical and horizontal linkages among activities of cooperatives would be one of the major objectives in promoting multi-purpose cooperatives. Diversification of cooperative activities will also help in spreading risks.

**Strategies:-**

1. Support and encourage formation of multi-purpose cooperatives in rural and urban areas;
2. Facilitate training of members, leaders and management for multipurpose cooperatives; and
3. Facilitate technical assistance for multi-purpose cooperatives.

**4.0 OTHER TYPES OF COOPERATIVES**

The list of cooperatives cited above is not exhaustive. Government will in addition, assist in facilitating the establishment of new cooperatives in any other areas not covered in this policy document.

**5.0 COOPERATIVE BANK POLICY**

The objective of establishing a cooperative bank is to provide financial services for the cooperative sector. The need for a cooperative bank arises from the fact that the cooperative sector has its own specific needs which can not be adequately catered for by conventional banking institutions.

The cooperative bank would be able to provide the range of services including credit at rates and conditions appropriate to the sector.

**Strategy:-**

1. Encourage and support the creation of a Cooperative Bank or a similar institution to cater for cooperatives.

**6.0 COOPERATIVE EDUCATION AND TRAINING POLICY**

The objective of cooperative education and training is to create a sound and intensive programme of education and training for achieving permanent efficiency in the management of cooperatives; and enable members to understand the aims and objectives of cooperatives, and accountability of management committees to the members.

**Strategies:-**

1. Develop cooperative education programs for the Government and support institutions, staff, leaders and members of cooperatives;
2. Facilitate the development of public education programs on cooperative development through the mass media;
3. Identify local institutions where cooperative education and training courses can be undertaken; and
4. Facilitate the establishment of an education fund.

**7.0 INSTITUTIONAL FRAMEWORK POLICY**

The broad policy objective of Government is to create an enabling institutional environment for the development of the cooperative sector and put in place an appropriate institutional framework that will facilitate the orderly development and sustenance of the cooperative movement in the country. Although there are a number of players that constitute the institutional framework the spirit of partnership will be encouraged.

**Strategies:-**

1. Create a Cooperative Department in the Ministry of Commerce and Industry to administer the Cooperatives Societies Act and to promote all aspects of cooperative activities;
2. Facilitate the formation of unions in various sectors of the cooperative movement where desired;
3. Encourage and support cooperative unions to play a greater role in providing extension and financial services to help primary cooperatives attain self reliance; and
4. Encourage various institutions to promote cooperatives.