

# REPUBLIC OF RWANDA



**Ministry of Trade and Industry**

**National Policy on Cooperatives in Rwanda**

***“Toward Private Cooperative Enterprises and Business  
Entities for Socio-Economic Transformation”***

**August 2018**

### Acronyms and Abbreviation

AU	African Union
7YGP	Seven Years Government Program
BDS	Business Development Services
BNR	National Bank of Rwanda
BRD	Banque Rwandaise du Development
CBMs	Cross-Border Markets
CIMS	Co-operative Information Management System
DDPs	District Development Plans
DDS	District Development Strategies
EAC	Eastern African Community
EAFF	East Africa Farmers' Federation
EDPRS	Economic Development and Poverty Reduction Strategy
ENR	Environment and Natural resource
EU	European Union
FOs	Farmer Organizations
FRW	Rwandan Francs
ICA	International Co-operative alliance
ICT	Information Communication technology
ILO	International Labour Organization
IT	Information technology
IWRM	Integrated Water Resources Management
JADF	Joint Action Development Forum
LTSC	Long-term Savings Scheme (LTSC)
MINADEF	Ministry of Defense
MINAGRI	Ministry of Agriculture and Animal Resources

MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
NAEB	National Agriculture Export Board
NCCR	National Co-operative Confederation
NST	National Strategy for Transformation
OSBPs	One-Stop Border Posts
PIA	Policy Intervention Area
PPP	Public Private Partnerships
PSDYES	Private Sector Development and Youth Employment Strategy
PSF	Private Sector Federation
PWDs	People with Disabilities
R&D	Research and Development
RCA	Rwanda Cooperative agency
RSB	Rwanda Standards Board
RURA	Rwanda Utilities Regulatory Agency
SACCOs	Saving and Credits Cooperatives
SDGs	Sustainable Development Goals
SIDA	Swedish Institute Development Agency
SMEs	Small and Medium Enterprises
SSP	Sector Strategic Plan
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCCs	Technology Competence Centers
TVET	Technical, Vocational, and Education Training
U-SACCOs	Umurenge Savings and Credits Cooperatives
USAID	United State Agency for International Development
VSLAs	Village Savings and Loan Associations

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## Executive Summary

The new policy on cooperative movement in Rwanda was necessitated by the need to enable the cooperative movement play its vital role towards the transformation of the national economy in light of the current national development framework, namely the Vision 2050, NST1 (2017-2024) and a number of relevant sector strategies. Co-operative organizations in Rwanda were operating under the old legal and policy framework adopted in 2006; and 2007 respectively.

The elaboration of the policy was done through a wide consultative process that involved the majority of all stakeholders to gather their views on potential areas that needed improvement in consideration of the previous policy set-up. These consultations were carried out at central and local government levels and within cooperative organizations. Subsequent to this, a number of consultative workshops involving various partners and stakeholders were organized for the analysis and classification of issues pertaining the development of the cooperative sector.

The consultations process combined with a thorough desk review of existing documents led to the identification of gaps constraining the development of cooperatives, as well as emerging issues that need to be addressed in the new policy with a special focus on transformation. Among those issues, some pertain to the institutional and policy framework (e.g. the need to streamline the process of formation and registration of cooperatives, unclear definition of hierarchical relationships between primary cooperatives, co-operative unions, and co-operative federations, and lack of clear policy guidance on cooperatives with high investment potentials); issues pertaining to the management of co-operatives (e.g. non-transparent decision-making process within cooperatives, limited leadership, managerial, technical, IT and other soft skills required for effective management of cooperatives; and mismanagement of cooperatives); and issues related to investment, research and development ( e.g. low levels of research and development within cooperatives, high dependence on government and donor development support).

In order to address the above, this policy paper proposes a number of policy options that aim improving the governance of the cooperative movement. This includes the upgrading the mandate of RCA as the government agency responsible for the development of cooperative sector, the restructuring of the current organizational

structure of cooperatives for more effectiveness and efficiency, and the promotion of dialogue between government and cooperative movement.

The cooperative structure has been operating on a four-tier system with primary cooperative societies operating at sector level, cooperative unions at District level, cooperative federations operating at national level and the National Cooperative Confederation operating as the national umbrella of cooperatives. Despite some merits in terms of representation and good information flow, this structure was found to be ineffective in various instances, especially pertaining to limited financial capacity to support its operations, low level of ownership by members, limited accountability, coordination, and duplication of activities. The proposed re-structuring of the cooperative movement takes into consideration those aspects in consistency with the National Strategy for Transformation and subsequent Sector Strategic Plans. It takes stock of the provision of the decentralization policy, more particularly the concern for prioritizing community development in the areas where the cooperative is located.

Further, this policy paper has proposed six areas of policy intervention, of which some are newly proposed while others need improvement and adaptation: improvement of cooperative registration using ICT and the introduction of the Cooperative Information Management System, strengthening of the capacity development and entrepreneurship promotion for cooperatives, introducing and implementing cooperative graduation agenda, enhancing cooperative sector support, promoting awareness raising and adaptation and conducting regular research and impact assessments of cooperatives.

Finally, the new policy has proposed shifts needed in the organizational and institutional development of cooperatives, with enabling conditions and a conducive environment for the development of the cooperative organizations, as well as policy interventions areas and actions as encapsulated in the policy implementation plan. More specifically, this policy has proposed a number of changes including the following:

- New strategic direction of the cooperative movement that integrates the current national planning process as captured in the new vision, mission, objective of this cooperative policy;
- New organizational and operational structure of the cooperatives which enforces the need for improved ownership of cooperative organizations by the members, alignment of local economic development policy, financial sustainability and the change on how cooperative unions and federations operate;

- The growth and graduation model of cooperatives that proposes three categories of cooperatives based on the proposed growth model and the graduation from direct government's support and other subsequent practices such as provision of growth and graduation certificates;
- The registration of cooperatives created by Rwandans living in the diaspora to contribute to the resource mobilization for investment in the country;
- Proposal to introducing the Cooperative Information Management System (CIMS) that is ICT based for efficient management of registered cooperatives;
- The need to have a sector support coordination to ensure that the support to cooperatives by different partners and the government is well coordinated and streamlined for increased and sustainable impact;
- Enforce research and impact assessment of the cooperative sector to inform the policy and the effectiveness of this cooperative policy.
- An implementation plan with policy impact outcomes, activities, indicators for each policy option and the roles of all stakeholders involved in the cooperative sector.

## 1. General Introduction

The Government of Rwanda recognizes the central role that cooperatives have to play in promoting inclusive, sustainable development and economic transformation. Cooperatives are a unique form of self-help group, pooling members' resources to achieve economies of scope and scale, while serving as a platform for policy dialogue and multi-dimensional promotion of the members' wellbeing.

This Cooperative Policy is intended to further the development of cooperatives and the cooperative movement by providing the necessary coherent and clear policy and legislative environment for cooperatives to grow and prosper.

### 1.1. Background

Rwanda has achieved a remarkable development in the economic, social, and governance arena over the last two decades. This was supported by a visionary leadership and a strategic and performance-based development planning process. While Vision 2020 has provided the long-term inspiration, a succession of five-year Economic Development and Poverty Reduction Strategies (EDPRS) has also provided sector policies, strategies, and tools for progress.

The above development has resulted into a strong and inclusive growth that averaged at 7.5% over the last decade, close to doubling the per capita income in the process. The growth of off-farm jobs averaged 146,000 during 2011-2014, against an annual target of 200,000. This economic performance is among the fastest in the world, and has commanded a substantial reduction in the proportion of the population living under poverty, from 44.9% in 2010/11 to 39.1% in 2013/14. Non-income poverty reduction (especially in the form of access to education, health and social protection) has helped ease the proportion of the population in extreme poverty from 42% to 16% between 2001 to 2014. Strengthened decentralization and governance systems, combined with home grown initiatives have significantly contributed to the economic performance.

## 1.2. Why Cooperatives?

Cooperatives are farms, businesses or other organizations, owned and run jointly by its members, who share the profits or benefits. Cooperatives can offer significant benefits to their members through the principle of strength in numbers and pooled resources, including increased bargaining power; reduced costs through economies of scale; the ability to obtain goods or services they otherwise would not have access to; the ability to diversify and expand production into new product ranges; the ability to improve product quality through collective investment; and overall increased incomes. Although they typically engage in commercial activities cooperatives differ from private enterprises in that they do not have outside investors or shareholders, and members are typically a combination of users, workers, investors and beneficiaries.

Cooperatives have a great poverty reduction potential. By pooling resources together in and keeping strong links to their local environments, cooperative members stand to benefit significantly from joining a cooperative. Joint decision-making also encourages democratic and transparent values, as well as a self-reliance and belief in self-efficacy amongst members, regardless of their financial situation.

However, cooperatives are also found across the world, including in several high-income countries such as the Netherlands, Denmark and Finland. In these three countries, agricultural cooperatives tend to be found mostly in agricultural value chains such as sugar, dairy, horticulture, floriculture, Irish potatoes, and animal breeding. Combined, those cooperatives have more than two-thirds of market share in their respective sectors<sup>1</sup>. It should therefore not be assumed that the cooperative movement is a phenomenon only useful in low-income countries or in deprived areas, but rather it is an indication that cooperatives, when run efficiently and professionally, can be very competitive in the 21st century's global economy.

## 1.3. Justification for the review of the Cooperative Policy

This policy review comes at a very critical moment where the Government is revisiting its overall planning process toward economic, social and governance transformation. The current Vision 2020 is being updated to Vision 2050. Subsequently, the National Strategy for Transformation (NST-1) is in its final stage replacing the existing 7YGP and the EDPRS-2. New Sector Strategic Plans are being updated for the period 2018-2024

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<sup>1</sup>Bijman, J., 2016. *Agricultural Cooperatives in the Netherlands: Key success factors*. Contribution to 2016 International Summit on Cooperatives, Quebec, Canada

and this is also the case for the District Development Strategies (DDSs) formerly known as District Development Plans (DDPs). Thus, the new policy takes stock of past achievements and aligns to the new development context to contribute to the attainment of the country's ambitious transformational targets.

The need to adapt the current policy to the national context and to the national transformational goals, has necessitated this policy review. Other reasons include general changes in the development landscape; the explosion of information and communication technology with enormous implications on the business operations and services of the cooperatives; a recognition of the need for results-based management in the cooperative movement; and general realigning to a decade of developments in the legal and regulatory environment. Furthermore, the current policy has some gaps related to the organizational and institutional development of the cooperatives; calling for a review as detailed in the next section.

Furthermore, the policy strongly shows that cooperatives will play significant role in expanding their impacts in areas of agricultural production, service sector, economic empowerment of youth and women, access to finance and other off- farm activities aimed to increase access to productive off-farm and decent jobs and diversified sources of income.

#### **1.4. Role of Co-operatives in the Global, Regional and National Development**

Cooperatives have a great role in contributing to the regional, international and national development agendas. These include the national Vision 2020/2050, Africa Agenda 2060, and the Global Agenda 2023 or the Sustainable Development Goals (SDGs).

##### **1.4.1. Current international affiliations**

Rwanda's cooperative movement is affiliated to the International Cooperative Alliance (ICA) and International Labour Organization (ILO) through the National Cooperatives Confederation of Rwanda (NCCR) established in 2010. The ICA has seven guiding principles for cooperative development and operations. These principles are also reflected in the 2007 Law governing cooperatives and have thus been adopted as the guiding principles by which the Rwandan cooperative movement is to be developed:

1. Voluntary membership and openness
2. Democratic control; one member, one vote
3. Member economic participation
4. Autonomy and independence of each cooperative organization
5. Education, training and information for the members
6. Ensuring cooperation amongst cooperatives
7. Concern for the development of the community where the cooperative is located.

NCCR is also a member of the East Africa Farmers' Federation (EAFF) and participates in various international capacity enhancement programmes, such as technical support in value chains development, skills development trainings and South-South learning exchange visits, research as well as the implementation of development projects that are beneficial to members. Globally, cooperatives and other self-help groups remain an important tool for channeling the benefits of development cooperation to members, especially in rural areas. As such, it is important that the Rwandan Cooperative Policy is streamlined and harmonized with international cooperative movements to support the cooperative movement in Rwanda get full advantage of support offered by international partner organizations. Regional and International cooperation would help Rwandan cooperatives achieve greater developmental impact for their members.

#### **1.4.2. Cooperatives and the Sustainable Development Goals (SDGs)**

Cooperatives also have a great role in contributing to the Sustainable Development Goals (SDGs). In a sense, Cooperatives' activities are linked to all the 17 SDGs given their cross-cutting nature. However, they contribute more directly to the following SDGs:

- **SDG -1. End poverty in all its forms everywhere:** The nature of cooperatives as legal entities owned by groups of people who come together voluntarily for their mutual benefit provides avenues for poverty reduction through better access to public services, enhanced resilience and production capacity, and better distribution of incomes among them.
- **SDG -2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture:**\_\_About 48% of registered cooperatives are in the agricultural sector (farming, livestock, and fishing),

hence directly contributing in addressing issues affecting food and nutrition security.

- **SDG-4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all:** in this regard, cooperatives provide education and training for members, managers and employees so they can contribute effectively to the development of their cooperatives.
- **SDG-5. Achieve gender equality and empower all women and girls:** The Cooperative movement promotes member's economic participation on equal terms and with respect of democratic principles including non-discrimination based on gender, age or vulnerability status. This provides a framework for the economic and social empowerment of women and girls and fight against gender based violence.
- **SDG-8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all:** Cooperatives are primarily production entities with greater likelihood to contribute to economic productivity through diversification, processing, technological upgrading and innovation. They also provide jobs to their employees and stimulate job creation in most value chains, hence greatly contributing to national economic growth.
- **SDG-12. Ensure sustainable consumption and production patterns:** Cooperative's huge contribution in terms of production (agriculture, mining, fishing, and transformation) has implications in terms of natural resources management, necessitating integrated actions in terms of resource efficiency, waste management, recycling and reuse.
- **SDG-16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels:** Cooperative promote the rule of law at the national and local levels and ensure equal access to justice, transparency, public information and citizen participation.

### **1.4.3. Cooperatives and the African Union (AU) Agenda 2063.**

The AU has developed a robust Agenda 2063 that provides a framework for “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena.” The first ten-year Implementation Plan of the Agenda 2013-2023 sets out a total of 7 Priorities and 20 Goals. The following Goals are particularly linked with the Cooperative movement.

Goal 1: A High Standard of Living, Quality of Life and Well Being for All Citizens

Goal 2: Well Educated Citizens and Skills revolution underpinned by Science, Technology and Innovation

Goal 4: Transformed economies

Goal 5: Modern Agriculture for improved productivity and production

Goal 7: Environmentally sustainable and climate resilient economies and communities

Goal 17: Full Gender Equality in All Spheres of Life

Goal 18: Engaged and Empowered Youth and Children.

### **1.4.4. Cooperatives and the East African Community (EAC) Vision 2050**

As presented below, the objectives of the Cooperative Policy are consistent with all the 6 Goals of EAC Vision 2050:

Goal 1: Access to affordable and efficient transport, energy, and communication for increased regional competitiveness

Goal 2: Enhanced agricultural productivity for food security and a transformed rural economy

Goal 3: Structural transformation of the industrial and manufacturing sector through value addition and product diversification based on comparative advantage for regional competitive advantage

Goal 4: Effective and sustainable use of natural resources with enhanced value addition and Management

Goal 5: Leverage on the tourism and services value chain and building on the homogeneity of regional cultures and linkages

Goal 6: Well-educated and healthy human resources.

#### **1.4.5. Cooperatives' Contribution in the National Strategy for Transformation (NST-1)**

Cooperatives are central to the national development process and constitute a vehicle through which the cooperatives' members could create employment and expand access to income-generating activities, develop their business potentials including entrepreneurial and managerial capacities, benefit from varied education and training programs and increase savings and investments. Given their cross-cutting nature, the Government is convinced that cooperatives will greatly contribute to the achievement of Vision 2050, the National Transformation Strategy 2018-2024 and a number of Sector Strategic Plans, including the Agriculture and Livestock SSP, Private Sector Development SSP, Transport SSP and the Health SSP while also strengthening sound Governance principles at community level.

##### **1) Cooperatives' Contribution to the Economic Transformation Pillar of NST 1**

Cooperatives are expected to contribute to the following priorities under the NST 1's pillar of economic transformation:

- **Create 1,500,000 (over 214,000 annually) off-farm, decent and productive jobs for economic development:** cooperatives will play a key role in off-farm and productive job creation for women and youth. Furthermore, cooperatives are expected to invest in anticipated investment opportunities to achieve the desired growth.
- **Accelerate Sustainable Urbanization from 17.3% (2013/14) to 35% by 2024:** It is anticipated that economic services will be developed and upgraded in urban areas and around rural settlements to create businesses and jobs. This constitute an investment opportunity for cooperatives, especially those involved in the construction sub-sector.
- **Establish Rwanda as a Globally Competitive Knowledge-Based Economy:** Cooperatives will need to establish linkages with Anchor firms to support the development of business, technology transfer, innovation and market linkages. Furthermore, they will need to explore and establish linkages with the non-cooperative private sector to promote business development services, including in the area of financial literacy for cooperatives members. Cooperatives are also expected to facilitate the implementation of various programmes planned under this priority area.

- **Promote industrialization and attain a structural shift in the export base to high-value goods and services with the aim of growing exports by 25.3% annually from the current estimate of 21.1%:** Given a projected increase in exports (from trade export of traditional crops, livestock and mining), cooperatives in the agriculture and mining sectors will play a big role in the export value chains. In the same vein, Cooperatives in the tourism and leisure industry expected to diversify and professionalize for improved services and business development.
- **Increase domestic savings and position Rwanda as a hub for financial services to promote investments:** The government plans to increase the national savings from 14% in 2017 to 22.7% of the GDP in 2024 through the establishment of a Long-Term Savings Schemes (LTSC). The government further intends to promote and develop collective investment schemes. Therefore, existing cooperatives mainly SACCOs will contribute to the achievement of these targets through mobilization of community savings, but also promoting collective and joint investments through cooperative unions and federations.
- **Modernize and increase productivity of agriculture and livestock:** the government plans to increase the total land consolidated into larger blocks and continue promoting agricultural investment through Public Private Partnership (PPP) models, involving private service providers (including cooperatives) in managing irrigation schemes. About 29.2 % of current cooperatives are involved in agriculture, 20% in Livestock, and 14% in trading. These cooperatives, if well empowered, will certainly contribute toward increased agriculture and livestock productivity and commercialization of subsequent products.
- **Promote Sustainable Management of Natural Resources and Environment to Transition Rwanda towards a Green Economy:** Cooperatives will be instrumental in achieving the Government's policy on sustainable and low carbon energy by increasing the uptake of improved cooking stoves and promoting the use of alternative fuels such as cooking gas and biogas in both urban and rural areas. Cooperatives will further play a key role in Integrated Water Resources Management (IWRM) in areas of optimizing and scaling up using a catchment-based coordination and planning approach.

## **2) Cooperatives' Contribution to the Social Transformation Pillar**

The main goal or target in this area is to enhancing graduation from poverty and extreme poverty, promoting resilience, reducing malnutrition, and ensuring food and nutrition security. The government plans to provide key skills to poor households with limited labour capacities in the framework of an Expanded Public Works scheme to be instituted. The government also intends to upgrade the current One Cow per poor family programme, and a scalable model of acquisition and pass on of small livestock based on the Girinka model. In line with the above, poverty reduction has been and remains the main purpose of promoting the creation and development of cooperatives. Through mutual support and entrepreneurship, cooperatives are expected to play greater role in addressing issues of poverty, promote private investment, and entrepreneurship through business entities.

## **3) Cooperatives' Contribution to the Transformational Governance Pillar**

In the area of transformational governance, the national strategy for transformation intends to ensure safety and security of citizens for prosperity; strengthen diplomatic and international cooperation; strengthen justice, law and order; strengthen capacity, service delivery and accountability of public institutions; and increase citizen's participation, engagement and partnership in development. Consequently, the role of cooperatives and their development will embody the above prospects as they constitute a major part of community based institutions and platforms through which security, justice, capacity development, and citizen's participation can be effectively promoted and monitored.

### **1.4.6. Specific linkages of the Cooperative movement with relevant Sector Strategic Plans (SSPs)**

#### **1) The Strategic Plan for the Transformation of Agriculture (PSTA4)**

PSTA4 envisages the following interventions, which will result in strengthening farmer cooperatives to play a key role in agricultural value chains:

- Farmer organizations (FOs) including cooperatives, unions, and federations will be strengthened through training in management, organizational and business skills.

- There is an opportunity for cooperatives to supply diversified nutritious foods such as fruits, vegetables, and milk for school meals, which will result in a structured and stable market while increasing diversification of household incomes.
- Mature farmer cooperatives will be supported to participate in exchange visits and knowledge sharing with neighboring countries, while more recently-established cooperatives will benefit from exposure visits to mature cooperatives within Rwanda.
- Farmer cooperatives will be provided support to multiply seeds and play a prominent role in commercial activities such as input and support service providers, traders/exporters, agro-processors, and agro-producers.
- The role farmer cooperatives and private collection centres in aggregating and marketing crops and animal resources will be strengthened. In Beekeeping, the target is to organize and promote youth and women cooperatives to increase honey production.
- Cooperatives/SMEs to play a big role in pre-processing and value addition (Productivity Window).

## **2) The Private Sector Development and Youth Employment Strategy (PSDYES2)**

- In terms of Entrepreneurship and Business Development, PSDYES2 will focus on supporting the growth and enhanced productivity of SMEs and cooperatives through coaching, access to finance and linkages to larger firms. The PSDYES2 emphasizes developing competitive value chains over individual firms, realizing that in many cases competitiveness starts at the level of the primary producer, which is often a cooperative. Cooperatives are therefore the foundation of competitive value chains.

- The Anchor firm development programme under PSDYES2 will also contribute to the strengthening of local cooperatives and SMEs through local sourcing programmes, skills development, access to finance and technology transfer programmes for cooperatives in their value chains. The PSDYES2 also intends to improve domestic value chains and linking farmers and cooperatives to markets.
- PSDYES2 seeks to promote “Made in Rwanda” strategy, which seeks to increase demand for Rwandan products through increased consumer awareness and through preference in public procurement. Cooperatives that contribute to the domestic market recapturing, especially agro-processing, construction materials and light manufacturing sectors are expected to benefit from government policies aimed at unleashing their production potentials.
- The Cross-Border Trade is huge opportunity for cooperative development, especially for women’s cooperatives which constitute the biggest proportion of CBM cooperatives. The completion of Cross-Border Markets (CBMs) and One-Stop Border Posts (OSBPs) at all major border crossings is expected to strengthen cross-border trade volumes.
- Cooperatives have played and will continue to play a big role in Collective investment schemes, as a big pillar of the private investment strategy in Rwanda. By 2017, the Collective investment portfolio of PSF recorded investments amounting to over 38 billion FRW (mainly by Cooperatives and private companies). Areas of investment included real estate, building of commercial estates, agro processing, microfinance, and education.

### **3) Financial Development SSP**

- The Financial Development SSP ascribes a big role to Cooperative organizations as they are expected to play a critical role in economic transformation through mobilizing and channeling of savings to accelerate investment particularly sensitizing the population to subscribe to a long-term savings scheme (target to subscribe 700,000 by 2024).

- Under the Financial Development SSP, BRD will provide housing loan products for SACCOs cooperative members based on peer group guarantees as well as traditional collateral. This will strengthen the position of SACCOs to promote their portfolio in terms of Mortgage Finance.
- The anticipated institutionalization of Village Savings and Loan Associations (VSLAs) at Umurenge level will also participate to the development of cooperative movement since the graduation process of VSLAs will lead to the formation of stronger cooperatives.
- The Government plans to complete the automation of Umurenge SACCOs and consolidate them into 30 district SACCOs that will result in the establishment of cooperative bank to maximize their contribution towards national development objectives.

#### **4) Environment and Natural Resources (ENR) SSP.**

Cooperative Organizations are expected to play a significant role in sustainable industrial development, including adoption of cleaner production technologies. Cooperative development, largely supporting agro-produce and agri-business, is also an important ENR entry point to promote environment protection and agriculture resilient technologies.

## 2. Situation Analysis of the Cooperative sector

This section provides the historical trajectory of the cooperative movement in Rwanda, and analyzes gaps and challenges based on current cooperative policy, and highlights emerging issues for the development of the cooperative sector.

### 2.1. History of Cooperative Movement in Rwanda

The history of co-operatives in Rwanda is common to that of many other African countries. Traditionally, Rwanda had its own self-help forms that conform to the principles of self-help. Some of these forms have survived to the present including Ubudehe, Umubyizi and Umuganda. However, the first phase of formal co-operative development took place during the colonial regime with the enactment of the first Cooperative Ordinance of 1949. The cooperative movement then was used by the Colonial Government as a tool for serving their own interests of extracting resources and mobilizing labor, and not those of the local populations.

After the independence in 1962, the situation did not progress much in regards to cooperative movement. The then Government remained for a long time the biggest employer and the biggest consumer of goods and services, also using cooperatives as instruments mainly for political interests. The context of periodic violence, endless ethnic conflicts, a heavy bureaucracy, and an inefficient legal system did not help create a conducive environment for cooperative development. It is until 1988 that the Law governing Cooperatives in Rwanda was revised, finally setting out a dedicated Cooperative Law.

Since then, a new policy and legislative framework was put in place, materialized with the adoption of Rwanda's first ever Policy on the promotion of Cooperatives in 2006, and the promulgation of the current 2007 Law determining the establishment, organization and functioning of cooperative organizations in Rwanda. Both Policy and Law recognize co-operatives in the context of International Co-operative Alliance (ICA) by adhering to standard definition, values and principles of the cooperatives.

### 2.2. Gaps and emerging issues pertaining the development of cooperatives

It is important to note that the current Cooperative Policy was designed to respond to the needs of only 919 cooperatives by then. Twelve years later, both the economic outlook and the cooperative environment (national and global) have changed

tremendously, hence a number of challenges related to the institutional and policy frameworks, the management of cooperatives, challenges related to membership, lack of investment, and research and development. These challenges and issues were identified through a series of consultations conducted at central government, local government, with members of cooperatives in various districts of Rwanda. They constrain the effective contribution of cooperatives to the national development.

### **2.3.1. Challenges pertaining to institutional and policy framework**

Despite a strong policy and regulatory framework, the recent developments pertaining to the economic, social, political and technological environment of cooperatives conditions a thorough revision of the strategic orientation of both the cooperative policy and law to support rapid and transformative expansion of the cooperative movement in Rwanda. New elements for consideration include the following:

#### ***Institutional related issues:***

- **Streamlining of the process of formation and registration of cooperatives:** Given the growing number of cooperatives, accompanied with a resurgence of minor cooperatives operating in the same area; there is need to improve the process that lead to the formation of cooperatives. This includes ensuring minimum tools for management and the support needed for the positioning of new cooperatives in their respective environment. This also includes the delegation of power onto decentralized entities in the registration process and shift toward online registration.
- **Unclear division of roles and responsibilities between RCA and the NCCR in** terms of Cooperative development, promotion, capacity building, and operational support. The distribution of roles and responsibilities between the organ in charge of the development of cooperatives and NCCR needs to be much better clarified towards sustainable and enabling institutional development of cooperatives.
- **Unclear definition of hierarchical relationships between primary cooperatives, Unions and Federations:** Due to the way the operational and organizational structure of cooperatives was built; this model seems to be inefficient and ownership by the cooperative members could be improved.

- **Ambiguity about the eligibility of political leaders to hold leadership positions in cooperatives: There may be clear benefits to restricting such eligibility in the cooperative law.** However, there is need to ensure that cooperatives benefit from external expertise and the professionalism needed for improved cooperative governance.
- **Unclear definition of collaboration modalities among different stakeholders, leading to inefficiencies in cooperative governance and management.** There is unclear mechanism of coordination of all cooperative stakeholders with different development agenda; this affects the level of integration of the support needed for the cooperative movement.
- **No clear mapping and categorization of cooperatives: There is no clear geographical and sectorial mapping of cooperatives and categorization of cooperatives so** as to facilitate the Government and other development partners interested in supporting cooperatives know better what types of support needed for each category of cooperatives

***Policy related issues:***

- **Lack of policy guidance for cooperatives with high investment potentials:** There is a high and rising number of cooperatives with significant potential to generate investment but the policy framework is currently silent on how to encourage them to do so. Currently, there is no policy action about potential incentives (fiscal and non-fiscal) and facilitation that the Government might put in place to support the development of cooperatives;
- **Lack of policy orientation on the minimum farm gate prices for key staple and commercial crops:** Since cooperatives act as primary off-takers for most farmers in Rwanda, and considering the importance of the crop price for the development of farmer cooperatives, there is a need for the government to stipulate a minimum farm gate price to guarantee farmers' income mainly for the export crops or cash export crops at large;
- case for stimulating provision and management of loans by formal banks and Microfinance institutions to farmer cooperatives;

- **Lack of policy orientation on benefits of member in terms of distribution of dividends;**
- **Insufficient policy oversight on internal accountability mechanisms,** such as regular accounting audits,
- **Unregulated remuneration of cooperative leaders and staff:** a clear regulation on remuneration and incentives of cooperative leaders based on general principles of private-led entities will benefit to the cooperative movement and discourage embezzlement;
- **Specific needs and constraints hindering the participation of special categories** such as women, youth, PWDs, and the modalities for the adhesion of Rwandans living in the diaspora for inclusive cooperative development are issues not tackled within the current policy.

### ***Issues pertaining to Management of Cooperatives***

- **Non-transparent decision-making process within cooperatives:** This lead to monopolization of decision by leaders, which can result into conflicts and misunderstanding between members and leaders on one hand and between members themselves on the other hand.
- **Limited information and awareness** of existing policies, laws and internal rules and regulations and decisions made within the cooperative movement (Confederation, Federations, Unions), creating disconnects between the leadership and the membership base;
- **Limited leadership, managerial, technical, IT and other soft skills required for effective management of cooperatives.** This is mainly due to the low level of education on the side of cooperative leaders and managers of Cooperatives, which negatively impact the production capacity and growth of the cooperatives.
- **Mismanagement of cooperative resources,** due to poor financial management capacity, embezzlement of some cooperative leaders and employees, lack of transparency and limited accounting skills.
- **Lack of limitation in terms of members of a single family** allowed to participate in one Cooperative, especially in decision-making committees. This needs to be addressed by the revised cooperative law.

### ***Issues related to benefits of members***

- **Limited social, economic, and institutional benefits for cooperative members.** The analysis of the expected benefits from cooperative organizations to cooperative members shows limited benefits for members in the whole cooperative movement. It is observed that members are likely to benefit more from their primary cooperatives social, economic, and institutional benefits than in the cooperative unions and federations (see Figure 1).
  - Social benefits include mutual support (*Gufashanya*), contribution to *health insurance* (*Mutuelle de santé*), and networking.
  - Economic benefits comprise *job creation, collective investment schemes, access to financial services, and productive assets and facilities.*
  - Institutional Benefits are *access to information, advocacy and representation, capacity building, and access to markets.*

### ***2.3.2. Investment, research and development issues***

- **Low levels of research and development, taking place within cooperatives:** Research and investment can facilitate the identification of new potential areas for investment, and stimulate innovation and activity diversification. However, there is no focus on cooperative research, investment, and the majority of cooperatives in Rwanda continue to operate with low productivity technology;
- **Limited financial resources, which in turn lead to high dependence on government or donor support for development:** Reliance on external sources of support for developing the cooperative and promoting its growth is negatively correlated with the overall success of the cooperative movement.
- **Limited use of ICT by cooperatives:** ICT has the potential to have a significant impact on cooperatives' success in terms of access to information, extension services, markets, and finance;
- **Limited access to markets:** Cooperatives suffer from limited number of buyers capable of engaging in forward contracts or off-taking relationships with farmer cooperatives.

While some of the issues highlighted above could be addressed by appropriate policy actions, others will be addressed by the renewed cooperative law.

## 2.4. SWOT Analysis of the Cooperative Sub-Sector

### 2.4.1. Current statistics of cooperatives, Membership, and Share Capital

Currently in Rwanda there are 8,406 registered cooperatives operating in 11 socio-economic sectors: Agriculture, Livestock, Trading, Service, Transport, Handicraft, Agro-processing, Mining, Fishing, Housing and Finance (SACCOs). Those are grouped into 141 cooperative Unions<sup>2</sup>, and 15 cooperative Federations<sup>3</sup> which together form the National Cooperatives Confederation of Rwanda (NCCR) as a national umbrella of the cooperative movement. However, since 2006 when the first cooperative policy was approved, cooperatives have increased tremendously in number from 919 (2005) to 8,406 as of September 2017 with about 3.5m members. Share Capital has increased from 7.1bn FRW to 42.1bn FRW. An assessment conducted on over 500 cooperatives has indicated that they have accumulated investment worth 240 Billion FRW.

**Table 1 : Estimates on Cooperative membership and Share capital**

Item / variable	Estimate	%
Primary Cooperatives	7958	94.7
SACCOS	448	5.3
<b>Total cooperatives</b>	<b>8406</b>	<b>100</b>
Membership (Primary Cooperatives)	543439	<b>15.6</b>
Male	321222	59.1
Female	222217	40.9
Average Share Primary Coops (Frw)	51,561	67
Membership (SACCO)	<b>2944086</b>	<b>84.4</b>
Male	1665844	56.583
Female	1278242	43.417
<b>Total membership</b>	<b>3,487,525</b>	<b>100.0</b>
Average Share / SACCO (Frw)	469, 970	33
Unions	141	
Federations	15	

Source: RCA, Annual Report ( September, 2017)

**2 One cooperative Union is formed of at least of three primary cooperatives operating in the same value chain**

**3 One Cooperative Federations formed currently by at least of three Cooperative Unions operating in the same value chain.**

It is clear from the table above that 94.7% of total cooperatives are primary non-financial related cooperatives compared to 5.3% of Savings and Credit Cooperatives. However, 84.4% of members are for the SACCOs while only 15.6% are members of non-financial cooperatives.

The average share capital is high for SACCOs (Frw 469,970) compared to Frw 51,561 for the non-SACCOs. Despite the fact that SACCOs have been instituted of late, they have performed well compared to the non-financial cooperatives which have been around since independence. This stagnation of the cooperative movement calls for redressing measures and interventions to boost cooperative development in Rwanda. The following Table (2) provides the estimates of the cooperative membership per Economic activity at Province level.

**Table (2): Estimates of cooperative membership per province, Rwanda**

Economic activity	Province					Total	% Weight
	East	KC	North	South	West		
Agriculture	642	119	477	589	572	2,399	29.10
Livestock	324	143	366	318	474	1,625	19.71
Trading	231	235	246	187	282	1,181	14.32
Service	169	203	174	131	206	883	10.71
Transport	158	139	44	61	130	532	6.45
Handicraft	139	232	185	206	207	969	11.75
Transformation	21	18	22	15	19	95	1.15
Mining	28	10	12	33	36	119	1.44
Fishing	24	1	15	3	49	92	1.12
Housing	21	68	27	19	21	156	1.89
Other	20	25	59	32	58	194	2.35
<b>Sub-Total</b>	<b>1,777</b>	<b>1,193</b>	<b>1,627</b>	<b>1,594</b>	<b>2,054</b>	<b>8,245</b>	100.00
SACCOs	98	37	98	106	109	448	
Unions	35	15	25	24	42	141	
Federations	-	14	1	-	-	15	
<b>Grand-Total</b>	<b>1,910</b>	<b>1,259</b>	<b>1,751</b>	<b>1,724</b>	<b>2,205</b>	<b>8,849</b>	

Source: RCA, December, 2017

#### **2.4.2. Analysis of Internal and External Environment of Cooperatives (SWOT analysis)**

The SWOT analysis aims to identify the strengths, weaknesses, opportunities and threats that are likely to influence the future of cooperatives. Strengths and weaknesses represent the characteristics of internal environment of the cooperative movement

while opportunities and threats mainly describe external drivers of the development of the cooperative movement in Rwanda.

**Table 3: SWOT Analysis for the Cooperative sub-sector**

<b>Internal Environment of Cooperatives</b>	
<b><i>Strengths</i></b>	<b><i>Weakness</i></b>
<ul style="list-style-type: none"> <li>▪ Strong membership base and tradition for forming cooperatives</li> <li>▪ National frameworks to support cooperative movement</li> <li>▪ Well-structured set-up</li> <li>▪ Varied sectors of activity</li> <li>▪ Expertise in some specific value chains</li> <li>▪ Joint collection of produce e.g. Agriculture Coops</li> <li>▪ Strong voice Possibility of joint investment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited ownership of cooperative movement by members</li> <li>▪ Weak self-help and diligence capacities by members which underpins the lack of sustainability of cooperatives</li> <li>▪ Weak internal communication system</li> <li>▪ Limited financial and human resources</li> <li>▪ Limited skills in cooperative management and governance</li> <li>▪ Insufficient IT equipment</li> <li>▪ Aging members and limited innovation</li> <li>▪ Limited women and youth's participation</li> <li>▪ Failure to take decisions</li> <li>▪ Lack of infrastructure (soft, hard)</li> <li>▪ Limited social, economic, and institutional benefits to members of cooperatives.</li> </ul>
<b>External Environment of cooperatives</b>	
<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"> <li>▪ Existence of political will</li> <li>▪ Aligned with national development framework</li> <li>▪ Strong institutional and policy frameworks (a regulatory agency, decentralized government entities, existence of policy and law,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member disillusionment from leadership embezzlement and lack of managerial capacity</li> <li>▪ Staff competition in the sector such as transport cooperatives</li> <li>▪ Interference by different stakeholders in the</li> </ul>

<p>Government incentives)</p> <ul style="list-style-type: none"> <li>▪ Existence of available support from development partners and other stakeholders</li> <li>▪ Umbrella organization that help in advocacy</li> <li>▪ Regional integration</li> <li>▪ Favorable weather conditions for agriculture production</li> <li>▪ Availability of committed stakeholders</li> <li>▪ Accountable governance Development niches for cooperatives</li> <li>▪ Strong emphasis on performance and delivery</li> </ul>	<p>support and management of cooperatives</p> <ul style="list-style-type: none"> <li>▪ Climatic variability and climate change shocks.</li> </ul>
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**Source:** Report on Consultative meetings in Provinces and City of Kigali by RCA (2017)

## 2.5. Development Process of the New Cooperative Policy

This new cooperative policy has been developed through extensive vertical and horizontal consultations. The Ministry of Trade and RCA in partnership with Rwanda Governance Board (RGB) conducted a service delivery week in 30 Districts of Rwanda during May 2017. During these field visits, the team identified a number of challenges facing cooperative organizations and which cannot be addressed by the 2006 Cooperative Policy. After this service delivery week, a series of consultations were conducted among various partners and stakeholders on how to better improve the previous cooperative policy.

## 3. New Strategic Direction of the Cooperative Policy

### 3.1. Vision, Mission, Objectives

#### 3.1.1. Vision:

The Vision of the Cooperative Policy Rwanda is:

**“Cooperatives are private oriented enterprises and self-reliant business entities for significant contribution to the national socio-economic transformation through creation of productive jobs and wealth.”**

#### 3.1.2. Mission:

The mission of the cooperative movement is:

**“To empower the cooperative movement as a viable engine through which cooperative members could create productive jobs, increase income, and maximize the social and financial capitals for socio-economic transformation.”**

#### 3.1.3. Main Objective:

The overriding objective of this policy is to enable the cooperative movement play its vital role towards the transformation of the national economy.

#### 3.1.4. Specific Objectives:

- a) Revisit the structure of the Rwanda Cooperative Agency to respond to new dynamics in the various sectors of the cooperative development
- b) Redefine the organizational structure of cooperative movement
- c) Improve the current management and accountability system in the overall structure of cooperative movement;
- d) Improve the government and cooperative policy dialogue to enhance cooperative’s contribution in the national development;
- e) Re-align the cooperative policy with the new country’s vision 2050, NST1 2018-2024 and subsequent sector and district development strategies;
- f) Promote the structural transformation of the cooperative movement from low productivity to high productivity sectors for increased production, improved value addition, and increased income;
- g) Increase the ownership of cooperative movement by cooperative members by avoiding dormant cooperatives and members;

- h) Increase the efficiency of the service delivery by the cooperative movement through automated services using ICT-based models and Cooperative Information Management System (CIMS);
- i) Promote performance based cooperative management through performance contracts “Imihigo”;
- j) Improve the financial sustainability of the cooperative movement through diversified activities;
- k) Improve the coordination mechanism of stakeholders and partners for an integrated and effective support of the cooperative movement;
- l) Promote Research and development to stimulate innovation and support diversification;
- m) Promote self-financing of the cooperative movement and reduce its reliance to government and donor financial support;
- n) Improve the capacity development and entrepreneurship skills of cooperative members;
- o) Clearly define the division of labor amongst government agencies and institutions working with cooperatives;
- p) Promote cooperative membership for special groups of people such as youth, people with disabilities, women, and Rwandans living in the diaspora;
- q) Conduct cooperative research and impact assessment of cooperatives on socio-economic transformation of their members and the entire respective communities.”
- r) Improve livelihoods of cooperative members and the community through cooperatives.

### **3.2. Institutional Framework of Cooperatives**

The Government of Rwanda has put in place a conducive environment for the development of the cooperative movement in recognition of its contribution to the attainment of national development goals for economic and social transformation.

Following the first Cooperative Policy in 2006, and the enactment of the Cooperative Law, 2007; a regulatory entity – the Rwanda Cooperative Agency (RCA) was instituted

in 2008 as an autonomous institution with the mandate of promoting, registering, monitoring and supervising cooperatives in Rwanda. RCA's main responsibilities include; implementing Government policy in matters relating to cooperative organizations, developing the Cooperative sector through policy and legal framework to facilitate attainment of the national social-economic goals in Rwanda, coordination, supervision and inspection, as well as audit of cooperative organizations, unions, federations and their Confederation (APEX Body).

The institutional framework for the cooperative movement in Rwanda reflects the need to create a conducive environment for the functioning and effectiveness of the cooperative movement. This encompasses laws pertaining to cooperative activities, regulations guiding various governance bodies and entities of the cooperative movement based on hierarchical dependence.

## 4. Policy Options for the Development of the Cooperative Sector

The new policy envisages to improve the current institutional arrangement and organizational structure of the cooperative movement. This involves the need to review the mandate of RCA to align it with new dynamics in the cooperative sector. It also involves the revision of the organizational structure of cooperatives, the re-vitalization of cooperative membership and a redefinition of the roles of stakeholders.

### 4.1. Review of current structure and functions of RCA

**Policy objective:** Revisit the structure of the Rwanda Cooperative Agency and subsequent functions to respond to new dynamics in the various areas of the development of the cooperative sector.

As per the Law establishing RCA, the regulatory role of cooperatives is not solely executed by RCA but also by other government entities namely the Central Bank of

Rwanda (BNR) and Rwanda Utilities Regulatory Agency (RURA). Given institutional issues mentioned in the second section above, and the emerging need for structural transformation of cooperatives towards socio-economic transformation; there is a need to pack the regulatory functions of cooperatives under RCA to enable reactivity and effectiveness. There is also a need to restructure the functions of RCA for an effective delivery of its mandate.

#### **Policy Recommendation:**

Restructure of RCA to strengthen its regulatory role *with focus on institutional development or non-prudential regulation*. This comprises the registration of new primary cooperatives, approval of cooperative associations (Unions and Federation), promotion of new laws and instructions, and cooperative growth.

#### **Course of policy action:**

Review of RCA functions and adaptation of other laws such as the cooperative and the Micro-Finance Laws.

#### **Policy implications:**

In addition to legal reform implications, centralizing all the regulatory mandate within one Institution will have operational implications as well, mainly in terms of human and financial resources required in the fulfillment of additional responsibilities.

## 4.2. Operational Structure of Cooperative Movement

**Policy objective:** Improve the current management and accountability system in the overall structure of cooperative movement.

The current cooperative movement in Rwanda operates on a four-tier umbrella representation system: at the bottom of the pyramid three (3) primary cooperatives, **may join together** and form a Union at district level, also referred to as secondary cooperative organizations. Three (3) or more Unions **may also join together** and form a federation at national level (referred to as tertiary cooperative organization). Similarly, three or more federations **may join together** and form the National Confederation of Cooperatives at national level, referred to as the APEX (see Appendix 1).

While the functions of Umbrella Organizations include the provision of professional services and the protection of interests of affiliated members, there is *little evidence* that cooperative unions, federations, and confederation are *effectively supporting* their respective member cooperatives and hence individual members. Secondly, evidence shows that there is *little ownership* of the cooperative umbrella by members of primary cooperatives, hence the need of restructuring the current set-up of cooperative movement, especially since any level of ineffectiveness affects the performance of member cooperatives who become dormant in the long run.

The following changes are proposed for a profound restructuring of the existing structure of the cooperative movement for more effectiveness and member services orientation (see figure 1).

### **Organizational Structure Model:**

- a. Primary non-financial cooperatives at any level will constitute the first layer of the four-tier system of the cooperative movement;
- b. A Cooperative Union shall represent non-financial cooperatives **willing to join each other, within the same value chain;**
- c. A Cooperative Federation shall then represent **cooperative unions involved in the same value chain and willing to join each other,**

as the number of value chains corresponds with the number of cooperative federations; *It shall link with local private sector representation body, to enable synergies, partnerships and networking with other private sector related programs.*

- d. The National Cooperative Confederation will ***stand for all Value Chains*** based federations.

**Changes implied in this model:**

- Primary Cooperatives in the same value chain in a given economic activity or sector may join together and form a cooperative Union. The cooperative Union will operate as an umbrella at any level;
- Cooperative unions in the same value chain may join together and form a Cooperative Federation, which will operate as an umbrella at any level;
- All cooperative Federations formed in different value chains in different sectors of activities **will** join together to form a Cooperative Confederation, referred to as the APEX.
- There is no geographic boundary for activity implementation by primary cooperatives, unions and federations.
- Cooperative Unions and Federations will be located in the proximity of the primary cooperatives members and Unions members respectively. However, before Unions and Federations are formed, a particular attention will be focused on the financial sustainability by taking into account the sensitivity and the nature of the Union or Federation and the sector of activity they are involved in.
- Savings and Credit Cooperatives (SACCOs) will have a different structure.

The emerging cooperatives through needs analysis will be assessed before forming sector/value chains based cooperative Unions, Federations and Confederation. These secondary and tertiary cooperatives institutions will utilize economies of scale to support and provide specialized services that the primary cooperatives cannot provide to their members and not otherwise to compete against each other.

However, a cooperative Union or a cooperative Federation to be formed, cooperative members should (1) manifest their respective interest/will to join each other, (2) identify specialized services they cannot provide to their members and (3) have the capacity to finance those services. Before registration, they will be requested to elaborate and submit for approbation to the organ in charge of the cooperative development their respective Business plan showing how they will become financially self-sustainable and self-reliant vis à vis the cooperative members.

Other conditions for primary cooperatives in the same value chain to form a Union of the same value chain and/or Unions to form a Federation of the same value chain shall be determined in the revised Cooperative Law.

**Policy recommendation:**

The proposed policy recommendation is to consider this organizational structure above as it has numerous advantages such as possibility to gain economies of scales, and proximity of Unions to the member cooperatives. This will enhance ownership of secondary cooperative organizations by primary cooperative members.

Furthermore, the proposed model will address issues related the ineffectiveness of the cooperative movement, improve mechanisms of accountability, strengthen the current coordination, ensure adequate representation and advocacy roles, ensure co-operation among cooperative organizations, re-alignment of the cooperative movement to the new Strategy for Transformation or Sector Strategic Plans and the decentralization policy, and responsiveness to the concern for development of the local community in which the cooperative is located (Cooperative Principle # 7).

**Course of policy actions:**

The adoption of this organizational structure will necessitate the review of the current cooperative law to allow the change in constituencies of the umbrella cooperative organizations.

- (1) Cooperative Union: to be composed of primary cooperatives in the same value chains such as tea, coffee, maize, rice, construction and housing, transport, services, trade and so on.
  
- (2) Cooperative Federation: to be constituted by cooperative unions from the same value chains, allowing joint investments in potential areas of business development regardless of the sector. Joint investments will be based upon

equal sharing of dividends and returns from investment by all affiliated unions and individual member cooperatives.

- (3) A clear classification and categorizations of primary cooperatives with a well-conceived argument of what particular needs each category of cooperatives is best placed to respond to. This requires closer attention to the economic or business plan of the cooperatives during their registration;
- (4) Revisit or reset conditions or criteria / process/ rationale of forming a cooperative union or a federation. Among other conditions, the cooperative Union or Cooperative Federation to be formed will have to present for consideration and approval, a Business Plan including, but not limited to, (a) the intended business model, (b) a clear outline of the economic, social and institutional benefits the Cooperative provides to its members, (c) an action plan for at least the first three (3) years and (d) a financial forecast for at least the first two years which proves the financial sustainability of the cooperative Union or Federation.
- (5) Assess the existing cooperative Unions and Federations to determine whether or not they are viable and if they are financially sustainable by taking into account the sensitivity and the nature of the Union or Federation and the sector of activity they are involved in. Those found dormant will be dissolved and liquidated.

### **Policy implications:**

Support the review process of the current organizational structure of cooperatives in implementing this proposed structure of cooperative organizations. This structure is for the non-financial cooperatives since the U-SACCOs' structure is being developed towards the "**Cooperative Bank**" and hence they are not concerned by this proposed organization structure of the cooperatives.

## **4.3. Government and Cooperatives Policy Dialogue**

**Policy objective:** Improve the government and cooperative policy dialogue to enhance cooperative's contribution in the national development.

The government will need to improve its dialogue with the cooperative movement through formal forums. These forums will serve as platforms to discuss and channel the Government support to the cooperative movement to ensure a smooth graduation process. Such forums will also help to

address issues affecting the performance of cooperatives in their respective areas of operation.

**Policy recommendation:**

Improve government and cooperative policy dialogue through the integration of local cooperative representatives in existing policy dialogue forums.

**Course of policy actions:**

- Cooperative movement to be represented at District level forums including the Joint Action Development Forums, the Private Sector Federation, the Sector and District Councils.
- Participation of the Cooperative Movement in the Sector Coordination Platforms such as the Sector Working Groups for Agriculture, Private Sector Development and Youth Employment, Local development, Environment and Natural Resources Management, etc.
- Active participation of the Cooperative Movement in the Investments Forums.

**Policy implication:**

The implementation of these policy actions will require a bold political will by the Government to ensure representation and effective participation of cooperative organizations in all levels policy dialogue forums.

#### **4.4. Active and Inclusive Cooperative Membership**

**Policy objectives:** *Increase the ownership of cooperative movement by cooperative members by avoiding dormant cooperatives and members; Increase the efficiency of the service delivery by the cooperative movement through automated services using ICT-based models and Cooperative Information Management System (CIMS);*

The cooperative law of 2007 providing for the establishment, organization and functioning of cooperative organizations in Rwanda, as amended to date defines the cooperative and provides conditions of cooperative membership both for individuals and legal entities, how shares are

administered and protected, how members participate in the decision-making, and the rights of cooperative members, among others.

One of the gap in the cooperative movement is a clear articulation of the specific social and economic needs to which cooperatives are best able to respond. Thus, this policy addresses issues related *to dormant cooperatives and members*, low incentives and benefits and the need for cooperative membership or formation of cooperatives by Rwandans living in the diaspora.

- The government through the organ in charge of the development of cooperative organizations will assess on a regular basis performance of cooperatives and of the cooperative management to prevent cooperatives and members to become dormant.
- The cooperatives will need to ensure and increase incentives and benefits of members. These are grouped in three categories:
  - **Social benefits**: mutual support, collective action, social cohesion, and networking;
  - **Economic and Financial benefits**: joint and collective investment, facilitation for easy access to loans from financial institutions or among cooperative themselves, access to loans at lower interest rates, access to government facility funds such as guarantee fund, share of dividends, and creation of job opportunities for cooperative members; and
  - **Institutional benefits**: access to information including market information; easy access to extension services and professional technical support such as audit, inspection, and putting in place appropriate laws and bylaws, access to market, representation and advocacy when the need arise at all levels, access to training, joint ventures and new partnerships.

### **Policy recommendations:**

- The government will put in place mechanisms for classification of the performing and non-performing cooperatives. Towards this end, three key complementary programmes are important: the cooperative registration programme, performance-based cooperatives and the programme to be in charge of cooperative graduation and growth.
- Enforce registration of cooperatives based on socio-economic needs to be addressed, initiate the Cooperative Management Information System (CMIS) to manage cooperative related information and to improve the operational efficiency.

- The government through the organ in charge of the development of cooperatives will promote creation of cooperatives and cooperative membership by *women, youth, PWDs and Rwandans in the Diaspora*. This will help mobilize more savings and contribution to the national development in a very inclusive manner.

### **Course of policy actions:**

- The performance of cooperatives will be assessed based on their economic or business plans and the extent to which they respond to members' socio-economic needs which in turn constitute the main incentive for cooperative membership.
- Re-visit the criteria of cooperative registration and formation of cooperative union and federation, identify and classify information needed and the types of reports to be generated using CIMS; and investment to establishing the CIMS.
- Simplify the process of cooperative registration and improve benchmarking on business registration:
  - Application for a legal personality shall be electronically submitted by the elected Cooperative leaders/members.
  - Issuance of a provisional registration Certificate upon reception of the application for legal personality to which a business plan elaborated by a cooperative organization will be attached for consideration and approval;
  - Evaluation, one year after, by the local authorities and /or the Organ in charge of the cooperative development, of the implementation of the Business Plan. If the report is positive, a definitive registration certificate will be issued by the relevant authority. If the report is not satisfying, the Cooperative will be dissolved and liquidated. This will help avoid issuing final registration certificates to dormant cooperatives.
  - Registration certificates, be it provisional or definitive, will be electronically issued and delivered to the applicants.
- The NCCR along the organ in charge of the development of cooperatives to establish a special programme to promote awareness and the empowerment of special categories in cooperatives and mainstream cross-cutting issues across the cooperative movement.

### **Policy implications:**

Design and implement programmes for cooperative classification and graduation. Investment in IT infrastructure for digitalizing the cooperative registration system. Investments in building a mass of IT skilled personnel to spearhead the implementation of the programme.

## **4.5. Results and Performance Based Cooperative Management**

***Policy objective: Promote performance based cooperative management through performance contracts “Imihigo”.***

The culture of results-based management and approaches is increasingly receiving good attention in Rwanda mainly from the public sector. In this regard, the government continues to enforce services that are

result-oriented, effective, and efficient to meet the targets towards national development goals. This is well captured and detailed in the 2015 Result Based Performance Management Policy by the Ministry of Labour, in collaboration with the Ministry of Finance and Economic Planning. Although the policy is designed for public servants, there is no restriction for adaptation by the private sector and the cooperative movement.

Since 2006, Rwanda has been implementing *Imihigo* – Performance contracts. These performance contracts are prepared, signed, and evaluated on an annual basis. The evaluation is done jointly by responsible entities and an independent body to ensure objectivity and transparency. Therefore, to address the issue of dormant cooperatives and unions, the policy option is to institutionalize results-based planning where each cooperative organization will be signing performance contract with direct supervising body (Unions, Federations, and NCCR), and with Local government Entities, outlining main results and targets it will be expected to achieve every fiscal year.

The second venue of advantage of institutionalizing “Imihigo” within the cooperative movement is active participation of cooperatives in the setting and implementation of District level “Imihigo” targets. Subsequently, once this is well integrated, it will lead to better appreciation of cooperatives’ contribution in the development at District level.

### **Policy Recommendation:**

The government through the organ in charge of the development of cooperatives to institutionalize results and performance based management of cooperative organizations.

### **Course of policy actions:**

All cooperative organizations need to have their business plans, result-based planning, monitoring and evaluation frameworks, and implement the cooperative Information Management System (CIMS). *The organ in charge of the development of cooperatives will also need to give clear guidance on how different stakeholders will work with cooperatives at different levels of their organizations*, institutionalize the cooperative performance contract system, and support the cooperative movement to initiate its planning system that is results and performance oriented. An enabling factor for this is the provision of incentives for leaders and managers of cooperatives taking into consideration the level of growth of primary entities.

### **Enabling conditions:**

Given the huge number of cooperatives spread across the country and their current weak capacity, this action will necessitate substantial amount of time and the involvement of various stakeholders to reverse the trend toward performing cooperatives ready to engage with the private sector. It will also require significant investment in district-level capacity to monitor and oversee the successful implementation of **Imihigo** actions. Furthermore, this will require the quality of **Imihigo** to be high. And this requires that in each district or sector office enough people with time and relevant skills to help cooperatives draft good *Imihigo* and monitor their execution to avoid this just being another requirement for reporting that has little impact on how cooperatives work.

## **4.6. Financial Sustainability of Cooperatives**

***Policy objective (s): Promote self-financing of the cooperative movement and reduce its reliance on government and donor financial support.***

Limited financial resources and financial dependence of cooperative organization has been revealed as one of the major challenge and constraint for the development of cooperatives. The main source of funding for cooperatives is the membership fees, share capital and other returns from the investment although limited. Diversification of

financial resources and benefiting from the financial inclusion policy in Rwanda are part of options in addressing issues related to financial sustainability of the cooperatives. In addition, collective and joint investments through the cooperative unions and federations constitute additional sources of finances needed by cooperatives.

**Policy recommendation:**

Cooperatives to diversify their investment so as to ensure their self-reliance and financial sustainability. The government to ensure the growth pathway of cooperatives with gradual disengagement of its support for their self-reliance.

**Course of policy actions:**

- All cooperatives need to diversify their businesses and thus investments, contribute regularly their membership fees and other contribution, **ensure proper management of the resources** already acquired and **avoid embezzlement**, use and benefit from the existing financial facilities such as business guaranty funds, among others.
- RCA to conduct regular inspections and investigative audits;
- Graduated cooperatives to use External auditors accredited by Rwanda Cooperative Agency (RCA);
- RCA to encourage Cooperatives to use Cooperative Information Management System (CIMS);
- BNR to urge SACCOs to have and use their own Internal auditors;
- To automate Umurenge SACCOs and consolidate them into 30 district SACCOs towards the Cooperative Bank.
- RCA to sign Agreements (MoUs) with key Government Agencies (NPPA, RIB) in order to fight mismanagement and embezzlement in cooperatives.

**Policy Implications:**

Financial sustainability for cooperatives will require more investment by cooperatives themselves, diversification of their activities, and strategic development support by development partners and other stakeholders.

## 5. Policy Intervention Areas for the Development of Cooperatives

This policy recognizes the importance of having new but also strengthen existing key Policy Intervention Areas (PIA) in order to create the enabling and conducive conditions for the development of the cooperative movement, in terms of interventions areas and hence enabling conditions. This will also have important impacts in terms of its contribution to the development of other sectors. The proposed interventions areas include registration and graduation of cooperatives, operational support, capacity development and entrepreneurship, empowerment of special groups (youth, PWD, women, and Rwandans in Diaspora) for inclusiveness and effective participation, service delivery by and for cooperatives, and policy research and impact assessment of the cooperative movement.

### PIA-1: Registration of cooperatives

***Policy objective (S): Increase the efficiency of the service delivery by the cooperative movement through automated services using ICT-based models and Cooperative Information Management System (CIMS)***

The Rwanda Cooperative Agency will continue its role of registration of new cooperatives. This entails clear statement of the requirements (e.g. economic or business

plan) and their dissemination to the general public, delivery of registration certificate, insuring respect and conformity to the universal cooperative principles, use of ICT facilities for efficient service delivery in the process of registration, and link the registration process with the CIMS for easy tracking and regulation. **Furthermore, the approval of Unions and Federations will require specific conditions or criteria to avoid ineffective Unions.** The cooperative principles, criteria, and specific requirements for registration of cooperative or approval of the cooperative organizations will be provided in the Cooperative Law.

Redefine the criteria of legal personality of cooperatives to align **to the growth and graduation programme** of cooperatives. This will be done at three levels: **temporary registration certificate for primary cooperatives, definitive registration certificate of legal personality, and a growth certificate (both for horizontal and vertical).** The cooperative to receive growth certificate will be considered fully autonomous and self-sustained both from the financial and technical perspectives. The organ in charge of the development of cooperatives will define the criteria of the above categorization. Once this is well done, will reduce the spirit of cooperative dependency to government support. Consequently, the cooperative law will have to be adapted accordingly.

## PIA-2: Capacity and Entrepreneurship Development

***Policy objective (s): Improve the capacity development and entrepreneurship skills of cooperative members.***

It has been noticed that capacity development in the form of trainings is one of the main areas of cooperative support by various partners.

There is need to improve the current model of training to ensure quality and positive effects of the training received and improve how related services are provided. A partnership with capacity building professional Institutions to organize different trainings and coaching will be a sustainable response to this issue.

Areas of training will include: *cooperative management, financial literacy, economic or business plan development, negotiation skills for new markets, innovation and entrepreneurship development, and gender mainstreaming and conflict management.* Therefore, the training curriculum will need to be based on specific needs assessment by relevant institutions/ entities.

## PIA-3: Growth and Graduation of Cooperatives

***Policy objective(s): Promote the structural transformation of the cooperatives from low to high productive sectors for increased production, improved value addition, and increased income; promote self-financing of the cooperative movement and reduce its reliance to government and donor financial support.***

In the current context of globalized economy, the need for government support to the cooperative movement is arguably greater than ever before. This support is necessary but not a sufficient condition for the development of cooperatives.

On the other hand, the government has limited resources, cooperatives have, therefore, as far as possible to be self-sustained. In addition, since cooperatives are and will always be at different stages of their growth, they need to define their growth pathways. There should be a maximum period of years they can get support for, after which they have to be self-reliant or be dissolved. This growth pathway will also depend on the nature or the category of the cooperative. Currently, the recognized categories are: ***agricultural marketing cooperatives, agriculture production cooperatives, workers' cooperatives or industrial cooperatives, handcraft cooperatives, housing cooperatives, multi-purpose cooperatives, consumer cooperatives, and microfinance related SACCOs.*** Therefore, these proposed growth pathways will be adapted for the non-financial cooperatives.

Cooperatives will therefore be classified into three categories, pertaining to their current capacity and trajectory:

## Classification of cooperatives and types of Government support

Cooperative Category	Description	Type of government support	Duration of classification
<b>A</b>	Graduated Cooperatives which are self-reliant, run profitable commercial operations and create <b>substantial</b> benefits for their members.	<p>No specific cooperative support since by definition these cooperatives do not need it.</p> <p>However, they may still be eligible for other GOR support, such as support through the supplier upgrade programme run by RDB, the Anchor Firm Initiative run by MINICOM or the Export Growth Facility under BRD.</p> <p>They may form Unions or become a Small and Medium Entreprises or limited companies.</p>	No limit
<b>B</b>	Growth Cooperatives which operate in priority sectors and demonstrate substantial potential to generate benefits for their members, but are not yet profitable.	<p>1° An intensive high-quality support programme, tailored to the individual Growth Cooperative's need, covering extensive management, financial, marketing and other BDS. The Cooperative management will be partnered with a professional manager who will stay with them for the duration of their programme and they will also receive support to apply for various other government programmes.</p> <p>2° Such types of Cooperatives may join and form Union (s) if they are willing to.</p>	Five years. If after five years, the cooperative is not ready to be classified as a Graduated Cooperative they will revert to Category C
<b>C</b>	Ordinary Cooperatives, which may or may not be profitable but fail to generate <b>substantial</b> benefits for their members.	<p>1° A generic BDS provision package, covering the essential capabilities for all cooperatives.</p> <p>2° Such kind of cooperatives cannot form Union (s).</p>	No limit

In view of the above, there is need to have a business model that will help deliver on this growth model and hence the vision of this policy. It is proposed that all cooperatives should adapt their business plans to this growth model. *Each primary cooperative will need to have a 3-Years Business Plan approved by the Cooperative Unions and local government* with support from Cooperative Federation and local Government. Cooperative Unions and Federations will have also to design and implement their strategic plans with support from the National Cooperative Confederation and the support from responsible government agency. **In line with the country plans and programs**, the cooperative business plans should take reference from the latter to consider major challenges and development opportunities identified along specific economic activity.

Figure 2 provides a framework for cooperatives growth and graduation. Regardless of the type of cooperatives, two major growth pathways can be derived:

**(1) Horizontal growth pathway:**

The horizontal growth pathway entails the possibility of a cooperative to diversifying its activities along the same initial value chain or into as different value chain within the same sector. For example, a production cooperative may diversify into agricultural marketing or processing in a form of re-investment of income generated from the initial activities. Alternatively, a cooperative may decide to invest in a different value chain as result of good performance in the initial one or simply a change of the value chain.

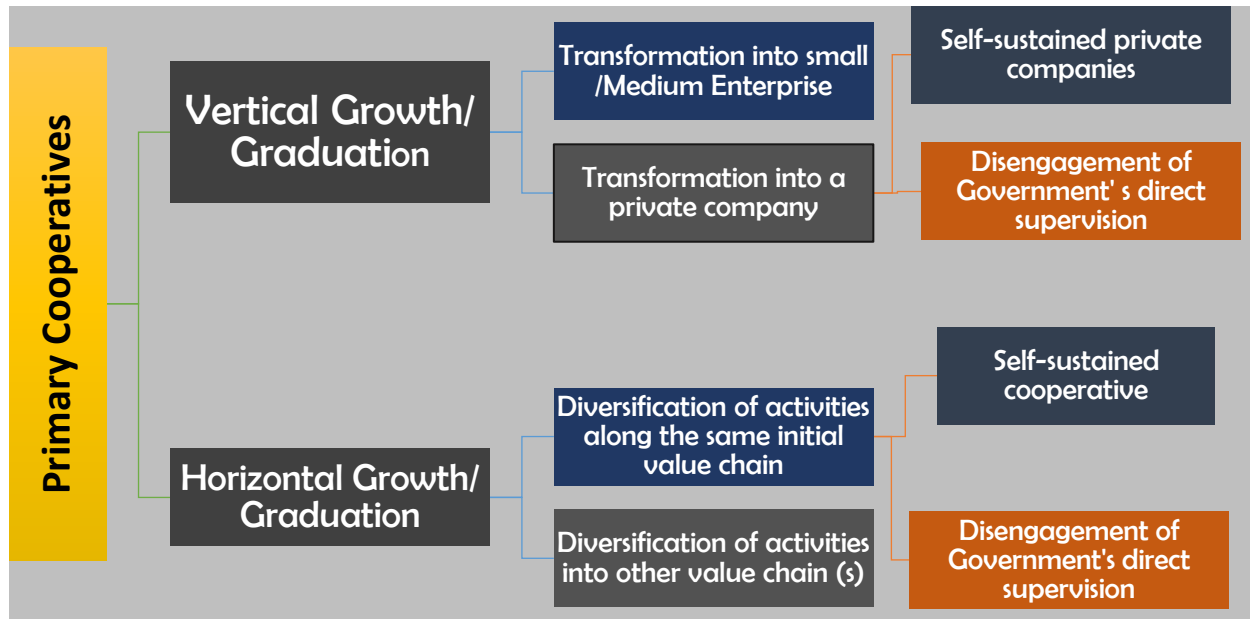
**(2) Vertical growth pathway:**

The vertical growth of a cooperative implies the possibility of its transformation into a private company or enterprise as limited company. In this case, the law has to clearly accommodate this shift without compromising the interest of cooperative members. In addition, the cooperative may decide to diversify its investments which may require to register a private company for the implementation of its business. However, this has to be done in a way that this path does not lead to disenfranchising the members and loose of engagement that caused cooperatives to grow in the first place.

The operationalization of this graduation and growth pathways will need an evaluation and ranking framework. Some of the criteria to be used in this ranking process may include: ***a three years business plan, levels of turnover, share capital, level and size of investment including assets, appropriate management such as having adequate internal control mechanisms and the functioning of organs,***

***size of membership, respect of the cooperative principles, level of compliance to the relevant legal and institutional frameworks and whether there is impact to their members and the community in general.***

**Figure 3: Pathways for graduation/growth of primary cooperatives into permanent or stable organizations**



#### **PIA-4: Cooperative Sector-Coordination**

***Policy objective(s):*** Improve the coordination mechanism of stakeholders and partners for an integrated and effective support of the cooperative movement.

The cooperative movement has diverse operation areas that need support from partners and stakeholders. Gaps in operations along the

value chain will need a well-coordinated support by stakeholders and the cooperative organizations. Areas of support will include designing of economic or business plans, bankable and grant projects, internal regulations, procedures' manual, facilitation to the access of cooperative fund through BDF. Operational support will be mainly the responsibility of the cooperative unions and federations in collaboration with the Local government entities and other stakeholders.

Therefore, this cooperative-sector coordination programme will specifically focus on addressing issues related to operations by the cooperatives and ensure integrated support to the cooperatives. Participation of cooperatives in the Sector Working Groups at central level and JADFs at District level can be leveraged on in ensuring integrated support to cooperatives by actors from other sectors. Therefore, the Government of Rwanda through the organ in charge of the development of cooperatives will implement this activity in collaboration with other relevant stakeholders.

Furthermore, the government through its competent agencies will need to ensure that collaboration or partnership between the cooperatives and non-state actors is done through a specific sector support programme or interventions to ensure integrated support and enhanced coordination.

## **PIA-5: Empowerment of special categories**

***Policy objective (s):** Promote cooperative membership for special groups of people such as youth, people with disabilities, women, and Rwandans living in the diaspora.*

The government's orientation is to leave no one behind in various development programmes. Special considerations will be made for youth entrepreneurship, women's empowerment, people with

disabilities (PWD), and other special categories to make the cooperative movement more inclusive and enable people under these categories to participate effectively at all levels of cooperative structure, including in decision making bodies. This will be done in consideration of specific challenges faced by each of the special groups listed above as follows:

### **1) Youth**

Rwanda's population structure is characterized by the youth: 53% of the population are aged 19 or younger; and around 82% of the population are under 40 years old. However, youth population in Rwanda face issues of ignorance, lack of access to information on business opportunities, the inability to access financial and credit services, as well as the lack of appropriate skills due to their inexperience.

### **2) Women**

Women account for more than half of Rwanda's workers, but are more likely to be economically inactive than their male counterparts due to challenges such as illiteracy, lack of business management skills, limited access to finance, mobility constraints, and limited resilience capacity in doing business among others.

### 3) People with disabilities

People with disabilities encounter enormous barriers to engage in socio-economic activities due to limited education, stigma and discrimination in employment, lack of accommodations to make workplaces friendly to their physical situation, etc.

### 4) Rwanda's diaspora

Rwandans in the diaspora can play a prominent role in the development of cooperative movement in Rwanda if provided with the right legal and institutional framework for savings mobilization and participation in collective investment schemes through cooperatives.

As recognized by the Government, the empowerment of special categories will enable the country to reap the demographic dividend for employment and economic growth. If equipped with the right type of skills and supported with capital and technology to actively participate in the labour market, special categories can play a significant role in the development of the cooperative movement in Rwanda.

## PIA-6: Research and Impact Assessment of cooperatives

***Policy objectives:*** Promote performance based cooperative management; improve livelihoods of cooperative members and the community through cooperatives.

The cooperative movement needs a specific programme of research and impact assessment of the cooperatives. Research will help the

cooperative movement to understand the development and governance dynamics within the sector and in other related sectors. The function of impact assessment will always be relevant in informing about the socio-economic impacts of the cooperative members but also other multiplier effects. The potential impacts of other policies and development interventions on the cooperative movement are part of potential areas of research. This programme will address also the issue of lack of reliable data and information about cooperatives, cooperative statistics, among others.

## 6. Policy Implementation plan

### 6.1. Roles of key stakeholders

Key stakeholders of the cooperative movement can be categorized in three levels: stakeholders from central government, local government, development partners, private sector, and civil society organizations. Broadly, these are grouped into government and non-state stakeholders.

#### 6.1.1. Roles and Responsibilities of the Central Government

Key government ministries operating with the cooperative movement include: Ministry of Trade and Industry (MINICOM), Ministry of Local Government (MINALOC), Ministry of Agriculture and Animal Resources (MINAGRI), and Ministry of Finance and Economic Planning (MINICOFIN). Their roles and responsibilities with respect to the development of the cooperative movement comprise:

- To contribute to the development of the cooperative policy and law when deemed necessary;
- To provide institutional support to RCA or a government agency responsible of the cooperative movement as a regulatory agency;
- To provide financial support to cooperatives through earmarked sub-programmes in relevant sectors (e.g. farmer professionalization in agriculture...)
- To link the cooperative movement with the private sector and development partners in specific sector(s) through NCCR/ Federation/ Union and District authority;
- To develop specific sector guidelines and regulations aimed to improve the roles of cooperatives to the specific sector development.
- To streamline the government support into the cooperative movement without compromising the development of cooperatives.
- To facilitate active participation of the cooperative movement in the Sector Working Groups or other government development forums.

### **6.1.2. Responsibilities of Ministry of Trade and Industry (MINICOM).**

The Ministry of Trade and Industry (MINICOM) as a line Ministry will:

- Oversee the development and implementation of the cooperative policy;
- Provide technical assistance in designing regulations and instructions by RCA for the cooperative movement;
- Provide capacity development of cooperatives through the National Cooperative Confederation, Cooperative Federations and Unions, and other accredited professional bodies by the organ in charge of the development of cooperatives;
- Play advocacy role to different stakeholders regarding the development of the cooperative movement;
- Carry out mid-term reviews of the cooperative policy to align this with new dynamics or development needs in the sector;
- Set up guidelines for proper collaboration with different stakeholders whose interventions involve cooperative organizations.

### **6.1.3. Roles and Responsibilities of Key Government Agencies (other than RCA)**

Key government agencies with direct collaboration with the cooperative movement are the National Bank of Rwanda (BNR, the National Public Prosecution Authority (NPPA)), Rwanda Investigation Bureau (RIB), the Rwanda Utilities Regulatory Authority (RURA), Rwanda Agricultural Board (RAB), National Agricultural Export Board (NAEB), and Rwanda Standards Board (RSB). Their roles and responsibilities will include:

- Initiate and sign MoUs between cooperative umbrellas and the respective government agency;
- Provide direct support to the cooperative movement as enabling condition for the movement to deliver on the potential collaboration (e.g. special training on new technology, quality standards and norms or on any other best practice within their portfolio);
- Determine floor prices, especially for farmer and service cooperatives;
- Link the cooperative movement with development partners in the specific sector through prevailing organizational structure of cooperatives;
- *Draft operational regulations and guidelines for the cooperative movement under respective portfolios;*

- Supervise and inspect cooperatives basing on roles and responsibilities of each stakeholder as agreed in MoUs;
- Conduct investigations and prosecute cases of Mismanagement and Embezzlement identified in Cooperative organizations including SACCOs;
- Conduct compliance inspections when necessary.

#### **6.1.4. Roles and Responsibilities of National Bank of Rwanda (BNR)**

The roles and responsibilities of the National Bank of Rwanda will include:

- Supervise and regulate financial institutions including SACCOs;
- Supervise financial institutions to ensure that they are complying with Laws and regulations aiming at ensuring their soundness and sustainability;

The supervision by BNR should cover all aspects of the life of the financial institutions including governance, operations and finance, liquidity, loan portfolio management, compliance aspects.

#### **6.1.5. Roles and Responsibilities of Districts**

The roles and responsibilities of the Districts in this cooperative movement will consist of:

- Promoting cooperative membership through sensitization campaigns;
- Providing operational support to cooperative management;
- Addressing cooperative disputes through arbitration with an option of appeal to the organ in charge of the development of cooperatives as a regulatory body;
- Ensuring that Cooperative organizations are well governed and well financially managed;
- Preventing and fighting mismanagement and embezzlement in U-SACCOS and in non financial Cooperatives in close collaboration with relevant institutions such as NPPA, RIB, Police,....
- Ensuring representation of the cooperative organizations in various forums at the District level including the Joint Action Development Forum (JADF) and the Private Sector Federation (PSF),

- Addressing all arising conflicts in the cooperative movement, in unions, federations and affiliated cooperatives;
- Conducting regular Monitoring and evaluations of the graduation process of cooperative organizations and report to the line ministries;
- Online registration of Cooperatives
- Providing technical, legal and advisory services for cooperative development
- Reporting about the cooperative status to the organ in charge of the development of cooperatives;
- Signing Performance contracts with primary cooperatives, and **where possible**, with cooperative unions and federations;
- Ensuring that cooperatives targets are integrated in the overall District performance contracts in the framework of “Imihigo” signed between the District and His excellence president of Rwanda.

#### **6.1.6. Government Agency Responsible of Cooperative Development (Currently RCA)**

The roles and responsibilities of the government agency responsible of cooperative development (currently RCA) will be:

- Implementation of Government Policy in matters relating to Cooperative organizations;
- Monitoring the applicability and respect of Cooperative Principles, Laws and Regulations even in SACCOs;
- Regulating all cooperatives, including registration, inspection, auditing, reporting and other requirements;
- Putting in place mechanisms for consumer protection
- Register new cooperatives, Unions, and Federations
- Register the new developed products and services of cooperatives, unions, and federations;
- Promoting cooperative organizations including assistance to cooperatives in the capacity building through training and seminars of its members, leaders and managers;
- Automation of the cooperative movement: initiate and implement the Cooperative Information Management System (CIMS);

- Evaluation of the performance and effectiveness of the cooperative movement;
- Authorization of provisional or final legal personality of cooperatives, Unions, and Federations,
- Conduct growth and Graduation assessment for SACCOs and find or make a list of SACCOs performing well to be supervised and regulated by BNR. RCA to continue to support SACCOS that still need the government or stakeholders' intervention.
- Accreditation and approval of cooperative categories, their growth and graduation;
- Identification of the type of support needed for each category of cooperatives, Unions, and federations;
- Carrying out of policy research and impact assessment supporting the development of the cooperative movement;
- Conduct investigative audits for the cooperatives, where need arises, in collaboration with the District;
- Accreditation of the external auditors for the cooperative movement and supervision on regularity of audits;
- Consolidation of reports concerning the achievements of cooperative sub-sector.

#### **6.1.7. Roles and responsibilities of non-state stakeholders**

There is an increasing interest of international and national non-state actors to support the cooperative movement for development. This should go in hand with the guidance on roles of different development partners as defined by the Ministry of Finance and Economic Planning. Since cooperatives are organized around different value chains, the support from development partners shall be provided based on the areas of each partner's interest along those value chains. The non-state actors comprise International Non-Government Organizations (INGOs), Local Non-Government Organizations (NGOs), Members of the Private Sector, Civil Society Organizations (CSOs), and Bilateral and multilateral organizations: EU, SIDA, USAID, among others. Their roles will include:

- Provision of technical and financial support to cooperatives through cooperative Umbrella Organizations, District, and the organ in charge of the development of cooperatives;

- Collaboration with cooperatives in activity implementation after approval of planned activities by relevant government entity;
- Capacity development of cooperatives through Cooperative Umbrella organizations in partnership with professional bodies and the organ in charge of the development of cooperatives.

#### **6.1.8. Roles and responsibilities of Cooperative Unions**

The roles of the cooperative unions will include the following:

- Capacity building of members of the cooperatives,
- Address cooperative disputes through arbitration with an option of appeal to the organ in charge of the development of cooperatives as a regulatory body;
- Facilitation to primary cooperatives for better access to raw materials for production and business development,
- Linking primary cooperatives to markets, support to post-harvest handling (storage facilities, packaging,),
- Play the advocacy and representation role at district and Umurenge levels,
- Provide back-up or guarantee to primary cooperatives for application,
- Support the accountability system of cooperative union and primary cooperatives
- Promote joint or collective investment,
- Pursue contract or MOU negotiation and their management with various stakeholders,
- Provide technical and operational support to Cooperatives in diverse forms,
- Define the incentives for membership by primary cooperatives.

#### **6.1.9. Roles and responsibilities of Cooperative Federations**

The roles of the cooperative federations will include the following:

- Capacity building of cooperative Unions members,
- Address cooperative disputes through arbitration with an option of appeal to the organ in charge of the development of cooperatives as a regulatory body;
- Facilitation to Cooperative Unions for business development and for joint investment,

- Play the advocacy and representation role at district level of the cooperative movement,
- Support the accountability system of cooperative union and primary cooperatives
- Promote joint or collective investment,
- Pursue contract or MOU negotiation and their management with various stakeholders,
- Provide technical and operational support to Cooperatives in diverse forms.
- Solve potential conflicts/disputes within or between cooperatives before Government institutions are seized.

#### **6.1.10. Roles and responsibilities of NCCR Apex Organization**

The roles and responsibilities of the National Co-operative Confederation are not to change steeply but they need to be streamlined for more effectiveness. Those include:

- Representation of the cooperative movement at national and international forums;
- Provision of technical and operational support to cooperative unions and federations;
- Collaborate with professional bodies in the design and implementation of capacity development programmes for the cooperative movement;
- Prevent and /or fight mismanagement and embezzlement in Cooperative organizations in close collaboration with relevant institutions such as NPPA, RIB, Police, Districts, ....
- Address cooperative disputes through arbitration with an option of appeal to the organ in charge of the development of cooperatives as a regulatory body;
- Facilitate and Coordinate regional and international relations for the development of the national cooperative movement;
- Enforce the accountability and proper management of cooperative resources;
- Solve potential conflict within and between cooperatives, Cooperative Unions, and Cooperative Federations;
- Initiate and enforce various partnerships within the cooperative movement (federation to federation or union to Union, and primary cooperative to another);

- Ensure compliance to policies and regulations by the cooperative movement.
- Promote cooperative membership for special groups and Rwandans living in the diaspora;
- Represent the cooperative movement in the Sector Working Group and in the Private Sector Federation;
- Carry out market search, facilitate linkages between producer Cooperatives and buyers and advocate for the establishment of forward contracts.

## **7. Conclusion**

The need to adapt the current policy to the national context and to the national transformational goals, has necessitated this policy review. The co-operative

organizations have found themselves operating within the old legal framework and outdated policy enacted in the last 12 years since 2006. Despite their expected role in jobs and wealth creation; these impacts are not fully optimized since they have been operating mainly in lower production sectors such as traditional areas of agricultural production, processing, and marketing. Other reasons for this policy review include general changes in the development landscape; the explosion of information and communication technology with enormous implications on the business operations and services of the cooperatives; a recognition of the need for results-based management in the cooperative movement; and general realigning to a decade of developments in the legal and regulatory environment. Furthermore, the current policy has some gaps related to the organizational and institutional development of the cooperatives; all constitute the rationale for this policy review.

The process of this policy review has identified number of gaps in the current one and emerging issues facing sustainable development of the cooperative sector. These include issues pertaining the institutional and policy framework (e.g. the need to streamline the process of formation and registration of cooperatives, unclear definition of hierarchical relationships between primary cooperatives, co-operative unions, and co-operative federations, and lack of clear policy guidance on cooperatives with high investment potentials); issues pertaining to management of co-operatives (e.g. non-transparent decision-making process within cooperatives, limited leadership, managerial, technical, IT and other soft skills required for effective management of cooperatives; and mismanagement of cooperatives); issues related to benefits of cooperative members, and issues related to investment, research and development ( e.g. low levels of research and development taking place within cooperatives, high dependence on government and donor support for development).

In view of the above, this policy review has proposed various policy options and intervention areas. These comprise improving the governance of the cooperative movement comprising the restructuring of RCA as the current government agency responsible for the development of cooperative sector, restructuring the current organizational structure of cooperatives, and promote dialogue between government and the cooperative movement. The cooperative structure has been of four-tier system with primary cooperative societies operating at sector level, cooperative union at District level, cooperative federation operating at national level and the National Cooperative Confederation as the national umbrella of cooperatives. However, this structure was found to be ineffective, limited financial capacity to support its operations, and low level of ownership by members. The policy has proposed re-

organization of the structure of the cooperative movement. The new structure enforces the need to address issues related to: the ineffectiveness of the cooperative movement, improve level of ownership by members, improve mechanisms of accountability, strengthen the current coordination, adequate representation and advocacy roles, ensuring co-operation among cooperative organizations, re-align the cooperative movement to the new National Strategy for Transformation (NST) and subsequent Sector Strategic Plans (SSPs) and the decentralization policy, and respond to the concern for development of the community where the cooperative is located.

Furthermore, this policy has proposed six areas of policy interventions of which some are newly proposed while others need improvement and adaptation: improvement of cooperative registration using ICT and introducing the Cooperative Information Management system, strengthening the capacity development and entrepreneurship of cooperatives, introduction and implementation of cooperative growth and graduation framework which in turn informs the cooperative categorization, cooperative sector support, awareness and adaptation, and research and impact assessment of cooperatives, and policy implementation plan. The proposed areas, once well implemented, will respond to the vision, mission, and objectives of this new policy.

In all, this policy review has proposed shifts in the organizational and institutional development of cooperatives, enabling conditions for conducive environment of the development of the cooperative sector, policy interventions areas, and actions as encapsulated in the policy implementation plan. More specifically, this policy has proposed a number of changes including the following:

- New strategic direction of the cooperative movement that integrates the current national planning process as captured in the new vision, mission, objective of this cooperative policy;
- New organizational operational structure of the cooperatives which enforces the need for improved ownership of cooperative organizations by the members, alignment of local economic development policy, financial sustainability, and the change on how cooperative unions and federations operate;
- The growth and graduation model of cooperatives that proposes three categories of cooperatives based on the proposed growth model and the graduation from direct government's support and other subsequent practices such as provision of growth and graduation certificates;
- The registration of cooperatives created by Rwandans living in the diaspora to contribute to the resource mobilization for investment in the country;
- Proposal to introducing the Cooperative Information Management System (CIMS) that is ICT based for efficient management of registered cooperatives;

- The need to have a sector support coordination to ensure that the support to cooperatives by different partners and the government is well coordinated and streamlined for increased and sustainable impact;
- The need to enforce research and impact assessment of the cooperative sector to inform the policy and the effectiveness of this cooperative policy.
- An implementation plan with policy impact outcomes, indicators, activities for each policy option and the roles of all stakeholders involved in the cooperative sector.

