

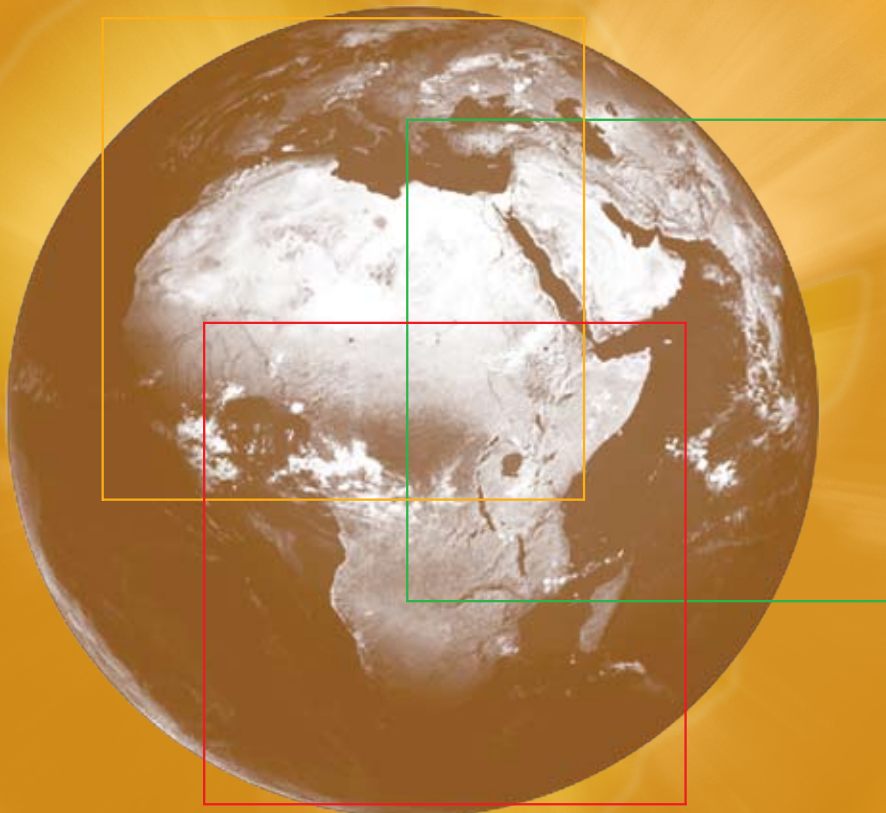


International
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Coop^{AFRICA} Working Paper No.12

The hope for rural transformation : A rejuvenating cooperative movement in Rwanda

Espérance Mukarugwiza





The Cooperative Facility for Africa (Coop^{AFRICA}) is a regional technical cooperation programme of the ILO contributing to the achievement of the Millennium Development Goals and the promotion of decent work in Africa by promoting self-help initiatives, mutual assistance in communities and cross border exchanges through the cooperative approach.

Coop^{AFRICA} contributes to improving the governance, efficiency and performance of primary cooperatives, other social economy organizations and their higher level structures in order to strengthen their capacity to access markets, create jobs, generate income, reduce poverty, provide social protection and give their members a voice and representation in society.

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List of acronyms

ACDI/VOCA	Association Cooperatives Development International/ Volontaries Overseas Cooperation
ARDI	Association Rwandaise pour la Promotion du Développement intégré
CAPMER	Centre d'Appui aux Petites et Moyennes Entreprises au Rwanda
CCOIB	Conseil de concertation des Organisations d'Appui aux Initiatives de Base Council of Dialogue for Support Organizations to Grassroots
CESTRAR	Centrale des Syndicats des Travailleurs au Rwanda
CHAMP	Community HIV/AIDS Mobilization Program
CHF	Community Habitat Foundation
COPAC	Committee for the Promotion and Advancement of Cooperatives
CLARITY	Cooperative Law & Regulation initiative
COTRAF	Congrès du travail et de la fraternité
CSC	Centre de Service aux Cooperatives
DGCD	Direction Générale de Coopération au Développement
DUHAMIC	Duharaniramajyambere y'icyaro
EDPRS	Economic Development and Poverty Reduction Strategy
FERWACOTHE	Fédération Rwandaise des Coopératives des Théiculteurs
FUCORIRWA	Fédération des Unions des Coopératives de Riz au Rwanda
GOR	Government of Rwanda
GTZ	Gesellschaft Technische Zusammenarbeit/ German Agency for Technical Cooperation
HIV/AIDS	Human immunodeficiency virus/Acquired immune deficiency
ICCO	Inter- Churches Organization for Cooperation to Development
IFAT	International Fair Trade
ILO	International Labor Organization
MAP	Multi country Aids Program
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training and Labor
MINAGRI	Ministry of Agriculture
MINICOM	Ministry of Commerce and Industry
NGOs	Non Government Organizations
NOVIB	Netherland Organization supporting the development
OCIR	Office des Cultures Industrielles du Rwanda
PDMAR	Projet de Développement des Marchés Agricoles et Ruraux
PPPMER	Projet de Promotion des Petites et Micro Entreprises Rurales
PRAUPA	Projet de Relance des Activités Urgentes de Production Agricole
PSF	Private Sector Federation
RBS	Rwanda Bureau of Standards
RCA	Rwanda Cooperative Agency
REPARWA	Réseau des Organisations Paysannes au Rwanda
RIEPA	Rwanda Investment and Export Promotion Authority

RSSP	Rural Sector Support Programme
RWF	Rwanda Francs
SACCOs	Savings and Credits Cooperatives
SNV	Service Néerlandais des Volontaires
SPREAD	Sustaining Partnership to enhance Rural Enterprise and Agribusiness Development
UBPR	Union des Banques Populaires du Rwanda
UGAMA CSC	Umuryango wo Gushyigikira Amashyirahamwe n'Amakoperative-Centre de Service aux Coopératives
UN	United Nations
UNDAF	United Nations Fund for Development
USAID	United State Agency for International Development

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Executive summary

Like many African countries, cooperatives in Rwanda have their origins in the efforts of the colonial government that sought to create institutions for implementing policies. This use of cooperatives continued at independence, when the new government also embraced cooperatives as mechanisms for implementing policies and development plans. In particular, the independent government viewed cooperatives not as economic entities, but as institutions for producing subsistence needs of its members. This subjected cooperative members to state control, which hampered the development of cooperatives as economic enterprises that meet members' needs and interests. Cooperative development was further disrupted by the 1994 genocide, which impaired all socio-economic activities in the country. Since then, little has been reported on the cooperative movement in Rwanda.

The purpose of this paper is to assess the status of the cooperative movement in Rwanda by highlighting the pace at which cooperatives in Rwanda have evolved; the structural organization of the cooperative movement; the efforts of the Government of Rwanda in creating an enabling environment for the development of the movement; and the challenges encountered by cooperatives in the country. The discussion shows that the steady growth of the cooperative movement in Rwanda was severely affected by the 1994 genocide. However, the impact of the genocide also seems to have created an opportunity for renewal of NGO and government interest in the rejuvenation of the cooperative movement. This saw the Government set up a 'Taskforce on Cooperative Promotion' in 2005, in order to facilitate the establishment of an enabling legal environment for the development of cooperatives.

This taskforce has since been transformed into the 'Rwanda Cooperative Agency', which has put in place a legal and administrative framework that is steadily guiding the rejuvenation of the cooperative movement. Though the structural organization of the movement is still weak, the two cooperative federations are increasingly steering the growth of the movement at a promising rate. As of 2008, there were approximately 2,500 registered cooperatives and this number is likely to have increased as all pre-cooperative associations are required to register as cooperatives in order to comply with new legislation. At the end of 2005, 10,038 associations has been identified, most of which may have already been registered as cooperatives.

The cooperative movement is currently being supported by a number of local and international NGOs, bilateral and multilateral donor agencies and international organizations. However, a well-coordinated approach to supporting the development of the movement is still lacking. For instance, despite the many donor organizations that support the development of the movement, there is still no college to train cooperative staff, leaders and members. However, cooperatives are increasingly being used as tools to reduce exclusion and alleviate poverty in Rwanda, which may increase the country's prosperity if cooperatives are effectively supported. The most important challenges are related to the low education of members, and lack

of autonomy in some cooperatives. The more active role of support institutions, including government, may gradually undermine member-based ownership of cooperatives, as more and more cooperatives tend to be created through a top-down logic.

1. Introduction

Like many African countries, cooperatives in Rwanda have their origins in the efforts of the colonial state that sought to create institutions for implementing policies (ILO, 2001). This use of cooperatives as political tools continued at independence, when the new government also embraced cooperatives as mechanisms for implementing policies and development plans (MINICOM, 2006). In particular, the independent government viewed cooperatives not as economic entities, but as institutions for producing subsistence needs of the members. This subjected cooperative members to state control, which hampered the development of cooperatives as economic enterprises for meeting members' interests. Cooperative development was further disrupted by the 1994 genocide that impaired all socio-economic activities in Rwanda.

After the genocide, different NGOs that supported the recovery of the country recognized the important role that cooperatives and pre-cooperative associations could play in social reconstruction and began to encourage the establishment of these organizations. The efforts by these NGOs significantly contributed to the increase in the number of cooperatives in the post-genocide period. However, it was realized that the essence of cooperatives was being diluted due to the absence of a legal framework to guide the development of the movement in the country. The Government therefore set up a taskforce for cooperative promotion in 2005, in order to develop a legal framework and provide for the registration and promotion of the cooperative movement in Rwanda.

This study has been undertaken with the purpose of assessing the current situation of cooperatives in Rwanda and for understanding the significance of the cooperative movement's role in socially relevant issues. The paper highlights the pace at which cooperatives in Rwanda have evolved and the status of the cooperative movement, while also discussing the efforts of the Government of Rwanda in creating an enabling environment for the development of the movement.

1.1 *Research methodology*

This study utilized a descriptive and qualitative approach to collect data. Accordingly, the instruments for collecting data included open interview schedules with standardized questions that were based on a checklist of required data and documentation. Data was collected from a purposively selected sample that consisted of cooperative members, management staff, and management board members of primary cooperatives, cooperative unions and federations. Some respondents were also selected from the management staff of trade unions, NGOs and other cooperative support organizations. Efforts were also made to include respondents from donor organizations, government departments dealing with cooperatives and centers specializing in cooperative training. The respondents from these varied organizations were purposively sampled on the basis of their knowledge of the cooperative movement in Rwanda. On the whole, a total of 29 interviews were

conducted to collect the data that informs this discussion. Secondary data from official documents supplemented the primary data that was obtained from the aforementioned interviews.

1.2 *Organization of the paper*

This section has laid the background to the paper. The second section introduces the reader to the essence of a cooperative movement, emphasizing the nature, principles and roles of cooperatives in development. The third section discusses the status of the cooperative movement in Rwanda, while the fourth section focuses on the institutions that support the development of the cooperative movement in Rwanda. Section five deals with the role of the Government in cooperative development, and section six analyses the role of cooperatives in the development process in Rwanda. Section seven provides conclusions.

2. **Understanding of the cooperative movement**

The International Cooperative Alliance (ICA, 1995) defines a cooperative as:

an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Cooperatives have specific values, including self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 1995). In pursuit of these values, the cooperative movement has developed principles that guide the transaction of their activities. These principles are contained in the 1995 ICA Statement of the Cooperative Identity and they include: voluntary and open membership, democratic member control, member economic participation, cooperative autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community. The following is a brief description of each principle (ICA, 1995).

- a) *Voluntary and open membership*: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- b) *Democratic member control*: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.
- c) *Member economic participation*: Members contribute equitably to, and democratically control the capital of their cooperative. At least part of

that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes:

- i. Developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible;
 - ii. Benefiting members in proportion to their transactions with the cooperative;
 - iii. Supporting other activities approved by the membership.
- d) *Autonomy and independence*: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- e) *Education, training and information*: Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
- f) *Cooperation among cooperatives*: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- g) *Concern for community*: Cooperatives work for the sustainable development of their communities through policies approved by their members.

A key element that runs through these principles is cooperation. The concern for cooperation, which requires cooperatives not to compete among themselves, has to a large extent determined the structural organization of the cooperative movement globally. According to the ILO (2001), cooperation allows cooperatives to combine their strength as locally rooted organizations with the advantages of large scale enterprises. In that context, primary cooperatives create unions; unions create federations; and federations create confederations as the apex cooperative organizations within countries.

2.1 *The roles of cooperatives in development*

According to the ILO (2001), the role of cooperatives in development is threefold: economic, social and political. The economic role involves provision of opportunities for improved incomes to members. Besides playing an important role in the economies of countries, as evidenced by their market share of the GDP, cooperatives are used as a tool to help alleviate poverty. They play an important role in facilitating access to credit, procurement and storage, distribution of input and marketing of products. It is in this regard that cooperatives supplement the functions of state credit institutions and marketing corporations. In the process of playing these roles, cooperatives create employment opportunities, particularly in

rural areas, and allow disadvantaged groups to be organized for social and economic benefit (ILO, 2001). It is also important to mention that cooperatives are concerned with the creation of decent work in most developing countries. In general, the main economic activities in which cooperatives have ventures are agriculture, fishing, financial services, production and labor, mutual guarantee or insurance, retailing and wholesaling, housing and public services (ILO, 2001).

The social role involves protection of members from risks. According to ILO (2001), cooperatives play an important role in mitigating risks and solving pressing social problems by:

- Improving living and working conditions of farmers and factory workers;
- Providing members with financial services to help them respond to unexpected problems;
- Making production and consumption credit available to small-scale producers and agriculturists;
- Offering production, health, funeral and life insurance and protecting consumers from adulteration of commodities;
- Taking other social actions such as care for the aged, children and handicapped, and the creation of employment for socially disadvantaged population.

With regard to their political role, cooperatives play an important role in public life and civil society. In democratic countries, cooperatives express their views on different issues concerning their communities' welfare such as environmental conservation and the provision of services such as health care, education, creation of employment and taxation, amongst others. Moreover, by defending the interests of their members, cooperatives defend the interest of the public in general. For example, consumer cooperatives set standards for consumer protection. The contribution of cooperatives to civic life is embedded in the fact that they are schools of democracy. The principles of voluntary and open membership as well as democratic member control ensure the cooperative a school of values is comprised of honesty, transparency, and equity.

2.2 *The role of government in cooperative promotion*

Different organizations have declared their position on the role of government in promoting cooperatives. The ILO, ICA, and the United Nations unanimously agree that the government should assist cooperatives by establishing a supportive environment for their growth (COPAC, 1997). However, when government exercises undue controlling influence over the cooperative movement, cooperative democracy and autonomy are negatively affected, particularly membership participation and the democratic administration of cooperatives (CLARITY & USAID, 2006).

In a meeting on cooperatives, the UN (2003) recommended the following concerning the intervention of government in supporting cooperatives:

- Government should not support cooperatives just because they are cooperatives, but because of what they do and how well they do it, alongside other businesses and enterprises, on a competitive basis;
- Cooperatives should not be used as an instrument of the state and must be able to act autonomously;
- Policies should move cooperatives away from dependency on the state;
- Cooperatives should not be promoted as instruments of government policies or technical aid programmes, as conduits for subsidized loans or scarce commodities, as forums for political indoctrination of the people, as a means to formalize the informal economy or as agents for helping the poor. Experience shows that cooperatives contribute best to society when they are true to their values and principles;
- Laws and regulations should require that directors of cooperatives are qualified and accountable for safeguarding the interests of the cooperative and its members.

The implication of this recommendation is that the major role of the government in cooperative development is to provide an enabling environment through enactment of appropriate cooperative legislation. The latter can be found in different forms:

- It can be a general cooperative law that regulates all types of cooperatives in a country;
- In some countries, there are separate laws for special types of cooperatives;
- Other countries have chapters of more general codification such as a civil code;
- Another option is having special provisions governing the application of a more general organization law to cooperatives.

Although each country can have a specific legislation, there should be some principles in the preparation of the legal and regulatory enabling environment (CLARITY & USAID, 2008). Those principles are mainly related to protection of democratic member control, protection of autonomy and independence; the respect voluntary membership; and the requirement member economic participation; promotion of equitable treatment and access to markets; provision of coherent and efficient regulatory framework and the protection of due process and the avoidance of conflicts of interest.

The key issues to cover in a cooperative law include establishment of cooperatives, governance and management, capital formation, dispute settlement, structure of the cooperative movement, and responsibility for cooperative support services (ILO, 2001).

3. The cooperative movement in Rwanda

3.1 Background

Rwanda is one of the five countries that constitute East Africa. It is a small country that measures only 26,338 square km. Its population stood at close to nine million in 2008. It has the highest population density in Africa, with over 300 people/sq km. With a high fertility rate of approximately 6.1 children per woman (GOR, 2007a), its population has been increasing at an average annual rate of approximately 2.2 per cent per annum (World Bank, 2008). Consequently, the population is expected to reach 12 million by the year 2012. Approximately 60 per cent of the population of the country lives in rural areas, where the rate of poverty is quite high (GOR, 2007a). Agriculture remains the main economic activity for the country, on which virtually all of the rural dwellers depend for their livelihoods. It is in this context that cooperatives are expected to play a key role in mobilizing rural people to contribute to the development of the country.

3.2 Evolution of the cooperative movement in Rwanda

Like in most African countries, cooperatives were first introduced in Rwanda by the Belgians in the colonial period as instruments for driving the agenda of the government's socio-economic goals. Due to the paternalistic approach of the colonial administration that sought to keep Africans in underprivileged positions, cooperatives were not considered to be attractive to Africans, as they restricted their activities to the social and agricultural sectors. Even in the agricultural sector, African cooperatives were strictly controlled by the colonial administration to the point of fixing the prices that cooperatives could pay their members for their produce, which was lower than what private European entrepreneurs paid (Wanyama, Develtere and Pollet, 2009: 366). The end result of this scenario was that the cooperative movement witnessed little growth during the colonial period.

However, the growth of the movement picked up at independence, following the support of the movement by the new government. Table 1 presents data on the growth of the movement between 1962 and 1983.

Table 1: Number of cooperatives in Rwanda, 1962-1983

Period	Number of cooperatives
Before 1962	4
1962 – 1966	36
1967 – 1973	423
1974 – 1980	1203
1981 – 1983	1528

Source: Ntavyohanyuma, P, *Inventaire des coopératives et groupements à vocation coopérative*, CFRC- IWACU, Kigali, 1987, p.20.

Data in table 1 above clearly shows that though the number of cooperatives was very low during the colonial period, it quickly increased at independence and the growth of the movement stabilized after 1967. Despite the destruction of the country during the 1994 genocide, the country's cooperatives steadily developed in the aftermath of the genocide. In 1996, a survey of the movement identified 4,557 cooperatives to be operating in Rwanda (Ntirushwa, 1996). It should, however, be pointed out that the number of cooperatives in the country in 1996 might have been higher because the study did not cover the entire country. Three provinces (Umutara, Gitarama and Kigali City) and some of the districts in the visited regions were not reached due to security problems.

Besides the cooperatives, the number of associations or pre-cooperative organizations also increased after the genocide, mainly because the few people who were in the country were vulnerable and hence formed groups to overcome the hardships of poverty that confronted them. The situation also provided an opportunity to get support from several NGOs that operated in the country. At the end of 2005, the Taskforce on Cooperative Promotion identified 10,038 associations, among which a large number of cooperatives were represented (MINICOM, 2005).

In 2005, the Government of Rwanda recognized cooperatives as a tool for alleviating poverty. After the evaluation of the Economic Development and Poverty Reduction Strategy (EDPRS), the Government realized that it was important to use little financial resources and work with the organizations of farmers to help them have access to the market to sell their produce. It is in that context that the taskforce was set up by the Government to revive cooperatives and started its work in August 2005. The taskforce organized a survey and identified approximately 12934 cooperatives and cooperative-like organizations operating in Rwanda. 68.7 per cent of the cooperative organizations were in the agricultural sector; 12.8 per cent in the financial sector (SACCOs); 5.0 per cent in handicrafts; 4.4 per cent in commerce; 4.2 per cent in the services sector; 0.6 per cent in fishing; and 0.4 per cent in the construction sector (MINICOM, 2006). The study also identified 47 *Banques Populaire* (People's Banks), representing 0.4 per cent of all identified cooperatives.

The same survey identified four levels of formal recognition of cooperatives in the country. First, 347 of the 12034 (only 2.7 per cent) cooperatives were properly registered at the ministry in charge of cooperatives. These were the cooperatives that were legally recognized by the law. Second, 572 (4.4 per cent) of these organizations were registered at the district level. They functioned as real cooperatives, but were in the process of being registered by MINICOM. Third, 10038 organizations (representing 77.6 per cent of the total) were associations, which had been recognized at the district level as pre-cooperative associations for many years. These associations had not started the process of registration as cooperatives with the MINICOM. Fourth, associations (15.3 per cent of the total) functioned like cooperatives, but had not been registered at the district level. They, however, demonstrated an interest to become cooperatives.

However, the above figures are only estimates, as the figures only include cooperatives that were reached by the surveyors of this study. Nevertheless, the figures from the survey revealed that the number of cooperatives had significantly increased compared to the figures from before 2005. At the conclusion of the its study, the Taskforce on Cooperative Promotion continued to function as an agency for spearheading the development of cooperatives in Rwanda. It subsequently went out to request all associations to formalize. In addition, the population was sensitized and taught the method of mobilizing the self help function of cooperatives for poverty reduction. This was done through public meetings of district authorities, providing information through the mass media, and training sessions provided by cooperative support organizations. As a result of these initiatives many new cooperatives were formed. The available data from the Taskforce on Cooperative Promotion at the beginning of October 2008 showed that there were 2,500 cooperatives registered as legal entities, which was a tremendous increase from the 347 that existed in 2005. Thus, within three years of its operation, the Taskforce on Cooperative Promotion registered 2153 cooperatives as legal entities up to October 2008.¹

The growth trend in cooperative registration was confirmed during an interview with the district Cooperative Officer in Huye district (Southern Province), who informed that on average the district received eight applications for registration per month. However, all applications were not forwarded to the taskforce because some did not fulfill all necessarily requirements. According to the law on cooperatives (GOR, 2007b), the legal requirements for registration include the following:

- Four copies of the by-law document related to the new law of 2007, signed or finger printed by all the founder members;
- Four copies of the minutes of the constituent general assembly meeting of the cooperative bearing the signatures or finger prints of all founder members;
- Four copies of the list of the members of the board of directors and of the supervisory committee indicating their names, addresses, functions and the signature of each person;
- A specimen of the signature or fingerprints of persons authorized to represent the cooperative before the law.

Although cooperatives operate in all sectors of the Rwandan economy, the available disaggregated data for approximately 1500² cooperatives registered by the taskforce reveals that 43 per cent of the cooperatives are in the agricultural sector. Table 2 presents data on the number of cooperatives and number of members in the various sectors of the economy in 2008.

¹ The Taskforce converted into Rwanda Cooperative Agency (RCA) in November 2008.

² By the time of editing this paper, the cooperative movement has been speedily growing. The figures shown in the table significantly changed after October 2008

Table 2: Registered cooperatives by economic activity in 2008

Categories	Sub-category	Number of cooperatives	Number of members	Percentage of all cooperatives
Agriculture	Coffee	113	19096	43
	Maize	71	14524	
	Household Crops	67	8711	
	Rice	60	23100	
	Vegetables	60	6175	
	Horticulture	52	682	
	Fruits	49	4445	
	Cassava	46	5030	
	Potatoes	41	4252	
	Other cash crops	36	3677	
	Banana	15	1623	
	Wheat	13	2809	
	Pyrethrum	9	769	
	Sugar cane	6	428	
Tea	4	4608		
Handicraft		224	12322	15
Commerce		198	11105	13
Livestock	Cows	59	3413	10
	Beekeeping	47	2971	
	Small livestock	35	2667	
	Fishery	5	314	
Services		127	11496	8
SACCOs		104	38954	7
Fishing		35	2035	2
Mineral		22	925	1
Total		1498	186131	100

Source: Taskforce on Cooperative Promotion, October 2008

NB: The researcher could not get the number of cooperatives by activity for the other 2015 cooperatives registered by the taskforce. The staff responsible for maintaining the database is not in place yet.

3.3 The structural organization of the cooperative movement in Rwanda

The law governing cooperatives in Rwanda allows primary cooperatives to form cooperative unions. These unions can, in turn, create federations. The latter can also form confederations or apex cooperative organizations, for the better management of their affairs and defense of their common interests (GOR, 2007b). However, there was no cooperative confederation in Rwanda by the end of 2008. Nevertheless, there were 48 cooperative unions and two federations that had formally registered with MINICOM. Table 3 shows the number of cooperative unions by economic activity in 2008.

Table 3: Number of cooperative unions by economic activity in 2008

Economic Activity	Number of Unions
Coffee	13
Handicraft	9
Horticulture	7
Rice	6
Tea	4
Irish potatoes	3
SACCOs	2
Livestock	2
Pyrethrum	1
Mining	1
Total	48

Source: Taskforce on Cooperative Promotion, October 2008

It is evident in Table 3 that most of the cooperative unions are in the agricultural sector, with the marketing of various agricultural produce as their main activity. Though SACCOs are the second most predominant cooperatives after those in agricultural, it is surprising that there are only two unions for these cooperatives. Perhaps two reasons may help to explain this discrepancy. First, the People's Banks of Rwanda Union (UBPR) has changed its status from a cooperative union to a limited liability company (*Société Anonyme*). This has had a negative impact on the growth of the SACCO movement, given that the union had approximately 473,547 members in 2005 (UBPR, 2006). Secondly, the Union of Worker's Cooperative (UCT- *Union des Cooperatives des travailleurs*) collapsed in 2007 due to mismanagement and the lack of a strong foundation, having been created from the top rather than the bottom where members are. This sent the 20 primary cooperatives that were affiliated to it into disarray. Eight of its members have since disintegrated while the remaining 12 are yet to form a union.

Primary cooperatives generally value their unions as organs that lobby and advocate for their interests, and can provide other important services such as training, financial support, and access to the market, amongst others. However, it was noted that some primary cooperatives and their unions had conflicts. This occurred in the handicraft sector where a union did not stick to its export activities, but instead started competing with its members (primary cooperatives) by selling handicraft products in the local market.

According to interviews with representatives from local NGOs and other institutions, cooperative unions are relevant and key cornerstones in the development of the cooperative movement in Rwanda. However, it was stressed that the idea for primary cooperatives to be organized into unions, and even unions to be organized into federations, should originate from their respective members and not from outside. Primary cooperatives or unions must see the need for it and the concerned administrative organs should only facilitate the process.

With regard to the federations, there was FERWACOTHE in the tea sector and FUCORIRWA in rice sector operating as the only federations in the country as of 2008. It is worthy discussing briefly these two higher level cooperatives in Rwanda.

3.3.1 FERWACOTHE

The Federation of Cooperative Unions in Tea sector (FERWACOTHE) was formed in 2000, but was not legally recognized until 2007. It has four member cooperative unions. These unions, in turn, have 14 primary cooperatives that serve 31,000 households as their members.

FERWACOTHE renders different services to its members including capacity building, advocacy, lobbying, and advisory services. In collaboration with the Office des Cultures Industrielles du Rwanda (OCIR), the federation organizes technical training for cooperative members in tea farming. The federation has also partnered with ACDI/VOCA to organize the training of cooperative board members and internal auditors in cooperative accounting. Some cooperative members have also been to Kenya on a field trip organized by FERWACOTHE. The federation also trains cooperative members in cooperative management and has prepared a financial management procedure manual for its members.

The federation lobbies and advocates for better prices for green leaf tea on behalf of its members. It has been advocating for farmers to be given the first priority to buy shares in tea factories that are privatized. In addition to these activities, the federation supports cooperatives in rendering advisory services on cooperative management and funds external auditing of cooperatives.

FERWACOTHE shows strong signs of sustainability. It is funded mostly by its members through each farmer's contribution of RWF 0.4³ for each kilogramme of tea delivered to the factory. However, some of its activities, such as campaigns, are funded by donor institutions including MINAGRI, MINICOM and OCIR. In terms of staffing, the federation has three employees, who have been on its staff since 2003. FERWACOTHE was consulted in the preparation of the law on cooperatives and it is represented in the chamber of agriculture by the Private Sector Federation.

3.3.2 FUCORIRWA

The federation of cooperative unions in the rice sector (FUCORIRWA) was formed in June 2008, and was in the process of being formally registered by the taskforce at the time of this study (FUCORIRWA, 2008). Its main services to the members includes provision of technical support to rice farmers; enhancing the managerial capacity of rice marketing cooperatives; sensitization of rice producers to be organized into cooperatives; and promotion of the cooperative spirit in the rice production sector.

Though FUCORIRWA is a new federation, it recorded significant achievements when it was operating as UCORIRWA before it was legally registered as a federation. In collaboration with RSSP, UCORIRWA training was organized for primary cooperatives in different modules including gender and development; organization of cooperatives; saving and credit management; business plan preparation; techniques for rice cultivation; and auditing. UCORIRWA also played an important role in advocating for its members not to subdivide rice paddies along administrative sector as had been directed by some administrative authorities. Such a decision would have adversely affected its membership and split some cooperatives along administrative lines. Building on these initial successes, the union of rice cooperatives has played an important role in the preparation of policies in the agricultural sector.

FUCORIRWA is a member of REPARWA (*Réseau des Organisations paysannes au Rwanda*), a network of rural organizations in Rwanda. This membership enables its members to access organizational funds. To date, FUCORIRWA relies on donor's funds and some contributions of its members. It is too early to discuss its sustainability as it had just been formed at the time of this study in October 2008.

³ The average exchange rate for 2008 was 1 USD to RWF 558.9

4. Cooperative support institutions in Rwanda

There are numerous institutions supporting the development of cooperatives in Rwanda. Such institutions provide important services, such as technical training, funding, mobilization of members to join cooperatives, accounting and auditing, and facilitating the establishment of an enabling legal framework. The institutions include trade unions, local and international NGOs, bilateral cooperation agencies and the Government of Rwanda.

4.1 Trade unions

Consistent with social movement tradition of cooperative development⁴ that the Belgians introduced in Rwanda, trade unions have significantly influenced the establishment of cooperatives in the country. Two trade unions have been at the forefront in this regard. First is *La Centrale des Syndicats des Travailleurs au Rwanda* (CESTRAR). This is the largest and oldest trade union in Rwanda. It has 18 trade unions with 35 000 members affiliated to it. CESTRAR has initiated some economic activities, such as ‘Economat’ and a pharmacy for its members. It subsequently encourages its members to be organized into cooperatives around such economic activities.

The second trade union is *Congrès du Travail et de la Fraternité* (COTRAF), which started in 2003 and has 14 000 members. Like CESTRAR, it uses cooperatives to attract and retain members. Consequently, it supports the development of cooperative enterprises as means of defending the interests of its members.

Previously, IMBARAGA, which is the largest farmers’ trade union in Rwanda, also supported the establishment and development of agricultural cooperatives in the country. However, it has shifted the focus of its activities from economic activities that would have enhanced cooperative development to the trade union aspects. The interview with IMBARAGA managers revealed that they organize their members into farmer groups, which will be organized into sections of the trade union.

4.2 Non-government organizations

There are a number of NGOs (international and local) that support cooperatives in Rwanda, though their mission is not explicitly to support cooperatives. One of these is the Centre IWACU, which is a Non-Profit association that started in 1984. It supports the development of 700 cooperatives, 30 000 members of which are in the agricultural sector specializing in the production of maize and rice. The center is, however, dependent on the support of donors such as the Inter-Churches Organization for Cooperation to Development (ICCO), the Ministry of Agriculture, the *Projet de Promotion des Petites et Micro Entreprises Rurales* (PPMER UNDP), the World

⁴ For a detailed discussion of the traditions of cooperative development in Africa, see Patrick Develtere, “Cooperative Development in Africa up to the 1990s”, in Patrick Develtere, Ignace Pollet and Fredrick Wanyama (eds.), *Cooperating out of Poverty: the Renaissance of the African Cooperative Movement*, Geneva: ILO, 2008.

Bank, the *Projet de Relance des Activités Urgentes de Production Agricole (PRAUPA)*, the *Projet de Développement des Marchés Agricoles et Ruraux (PDMAR)* and the *Rural Sector Support Programme (RSSP)* to fund its activities.

There is also the *Umuryango wo Gushyigikira Amashyirahamwe n'Amakoperative-Centre de Service aux Coopératives (UGAMA)*, *Centre de Service aux Cooperatives (CSC)*, which is a non-profit association that supports 17 cooperatives situated mainly in the Southern Province of Rwanda. Most of these cooperatives are in the agricultural sector and specialize in rice, potatoes, maize, soy beans and coffee production. Other cooperatives specialize in the processing of soy beans, pineapple, cassava and sunflowers. However, the organization depends heavily on external donors to fund its activities. Its main sources of funds between 2008 and 2010 included ICCO from the Netherlands; Bread for the World; the European Union; Service Neerlandais des Volontaires (SNV); and the UNDP. Although UGAMA's activities do not primarily intend to promote cooperatives, the organization considers cooperatives to be one of its partners in the development process. Consequently, it allows cooperatives to participate in making decisions regarding the type and the management of the support that they obtain from UGAMA. Thus, the organization invites managers of supported cooperatives to draw up plans of action that forms the basis for funding from UGAMA. A contract is signed between the two parties before funds are availed, and the cooperatives are fully responsible for the achievement of the planned activities.

Association Rwandaise pour la Promotion du Développement intégré (ARDI) is a local NGO that has been involved in rural development activities in Rwanda since 1982. It currently supports 84 cooperatives engaged in beekeeping and marketing of potatoes, soya, maize and rice. In partnership with other local NGOs, ARDI has spearheaded the establishment of *Conseil de concertation des Organisations d'Appui aux Initiatives de Base (CCOIB)*, which supports cooperative development through training and facilitating cooperative access to the market (ARDI, 2006).

With regard to international NGOs, Care International, SNV Netherlands, Concern World Wide, Millennium Village Project, World Vision and AGRITERRA have been instrumental in supporting cooperative development in a variety of ways. For instance, SNV supports beekeeping and coffee marketing cooperatives, AGRITERRA supports potato production cooperatives; the Community Habitat Foundation supports cooperatives with HIV/AIDS infected members through *Community HIV/AIDS Mobilization Programme* project.

4.3 *Governmental agencies*

The Government of Rwanda supports cooperative development through Ministry of Commerce and Industry, which houses the Taskforce on Cooperative Promotion. This is essentially the parent ministry for the cooperative movement in the country. In addition to this ministry, there are also specialized government projects that indirectly support the development of cooperatives. One example of such projects is *Projet Pour la Promotion des Petites et Micro Entreprises (PPPME)*, which is a project for

supporting the development of rural non-farming small-scale and micro enterprises. This initiative falls under the Ministry of Commerce and Industry. By supporting non-farming businesses, such as handicraft and beekeeping, the project extends its assistance to cooperatives engaged in these activities. More specifically, PPPMER supports cooperatives with credit facilities by depositing funds into the ‘Peoples’ Banks’ that rural entrepreneurs can access. The project also supports cooperatives to participate in fair trade, training in entrepreneurship skills and marketing.

Second, there is also the Rural Sector Support Project (RSSP) that falls under the Ministry of Agriculture and Animal resources. Some of its activities have benefitted the development of agricultural cooperatives in the country. Another initiative is “Sustaining Partnership to enhance Rural Enterprise and Agribusiness Development”, which is jointly implemented by the National University of Rwanda and Michigan University. It focuses on strengthening agribusiness, which has seen it support cooperatives in coffee, pepper and cassava production.

4.4 Bilateral and multilateral donor agencies

Beside these different organizations, there are bilateral and multilateral donors that support the development of the cooperative movement in Rwanda. They range from foreign embassies and development cooperation agencies to international organizations that operate under the auspices of the United Nations. These donors support cooperatives either directly or through local NGOs and the taskforce. The UN agencies that support the cooperative movement in Rwanda include IFAD, ILO, UNDP, and UNIDO. International development cooperation organizations include USAID, GTZ and the European Union. Other international organizations that support the movement are the World Bank, the Netherland Organization supporting the development, the Inter- Churches Organization for Cooperation to Development and the Direction Générale de Coopération au Développement. The support that cooperatives obtain from these donors include funds for training, access to the market, and advisory and guidance services. Multilateral donors do not directly give support to cooperatives, but channel it through Ministry of Commerce and Industry, the Ministry of Agriculture, the Private Sector Federation, the Rwanda Investment and Export Promotion Authority, the Centre d’Appui aux Petites et Moyennes Entreprises au Rwanda CAPMER, PPPMER, Rwanda Bureau of Standards, local NGOs, Ministry of Public Service, Skills Development, Vocational Training and Labour, banks and/or through different NGOs. However, some bilateral development cooperation agencies directly support cooperatives. For instance, the Canadian International Development Agency directly supports nine primary cooperatives and four cooperative unions, as well as pre-cooperative organizations formed by women and youth. The supported cooperatives operate mainly in the agricultural sector.

Though the level of funding to the cooperative movement by these donors could not be established, the UNDAF (United Nations Development Assistance Framework) reports provide a broad indicator. Table 4 below provides a basic indication of the level of funding given to cooperatives and SMEs by the United Nations agencies for the period 2008-2009.

Table 4: Funds allocated to SMEs and cooperatives by UN agencies for 2008 and 2009

Organization	Amount (millions of USD)
IFAD	20.074
UNIDO	7.78
FAO	5.1
ILO	0.115
Total	33.069

Source: One UN Programme Rwanda, Common Operational Document 2008-2012, 2008, P.63-65.

5. The role of government in cooperative promotion

For a long time, the Government never gave much attention to cooperatives in Rwanda. Cooperative development was subsequently hosted by different ministries whose routine activities involved cooperatives in one way or the other. In 2005, the Government reviewed this situation and realized that cooperatives could play a vital role in poverty reduction. Thus, it decided to enhance coherence in cooperative promotion by setting up the Taskforce on Cooperative Promotion, which falls under the Ministry of Commerce and Industry (MINICOM). According to MINICOM (2005), the taskforce is mandated to:

- Analyse the actual functioning of cooperatives and pre-cooperative associations in Rwanda in order to align them with the policy on Cooperative Promotion and the relevant laws;
- Propose measures to address the existing problems that hinder the building of a strong cooperative movement;
- Establishment a viable structure for the cooperative movement that would enable members to own and control their own cooperatives and also enable them to build regional and international linkages;
- Create a favourable environment for establishment of cooperatives that can serve as pillars for poverty alleviation both in urban and rural areas;
- Develop a legal and institutional framework that is responsive to the development of a strong and viable cooperative movement in Rwanda;
- Sensitize and mobilize the politico-administrative authorities to support the solving of existing problems in cooperatives, in order to accelerate economic growth;
- Facilitate the establishment and functioning of a cooperative structure consisting of unions, federation and confederations;
- Design and follow-up all the procedures for establishing the Rwanda Cooperative Agency.

The taskforce has since launched two important documents for the promotion of cooperatives in Rwanda. The first is the policy document that defines the movement; highlights the importance of cooperatives; reviews their past and present status; and scans through the

constraints and opportunities that they face in national development. Furthermore, the document includes strategies and a plan of action aimed at orienting and ensuring that cooperatives become a viable tool for socio-economic development in Rwanda.

Besides the policy document, the taskforce also established the legal framework for cooperative development. The new law was published in the official journal in October 2008 and replaced the 1988 law. The 2008 law on cooperatives provides for:

- The operation of cooperatives tools for economic development;
- Details on the roles and functions of cooperative organs;
- The procedures for legal registration of cooperatives, though it does not allow pre-cooperative associations to exist as was the case in the past;
- Proper financial management of cooperatives in order to prevent the collapse of a large number of cooperatives.

With this legal framework, the main service provided by the Government to the cooperative movement is the facilitation of an enabling environment through registration and regulation of cooperatives. With regard to registration, there are a number of authorities involved in the process. First, the cooperative must be registered at the sector level (which is a small politico-administrative unit) and get a recommendation of the executive secretary of the sector to proceed to the district level. The secretary verifies the cooperative; ascertains the number of members; confirms that the initiative to form the cooperative is really the members' wish; and confirms the location of operation for the proposed cooperative.

Second, at the district level, there is an officer in charge of cooperative development who receives all the applications. The officer issues a legal certificate of registration to the applying cooperative if all the registration documents are satisfactory. Then the document is forwarded to the Rwanda Cooperative Agency (RCA). It is important to mention that each cooperative must submit an application along with the by-law document signed by all members. A template for the by-laws has been prepared by the taskforce and is available to all districts and sectors. However, this procedure for registration has turned out to be cumbersome for some of the cooperatives that seek to be registered. It was found that all the cooperatives requesting registration tend to experience delays due to different reasons, including:

- The objectives of the cooperative are not clear;
- The chosen name belongs to another cooperative;
- The by-laws are based on the outdated cooperative law of 1988;
- The name of the cooperative restricts membership to a category of people;
- Some members do not sign the by-law or the internal rules and regulations;
- The name shows the sponsoring organization;
- The number of shares do not raise the required equity capital for operation of the cooperative;
- The list of members is missing.

Besides registration and regulation of cooperatives, the Government also supports the development of cooperatives through specialized projects as already discussed in sub-section 4.3.

6. Cooperatives and development in Rwanda

6.1 *The economic role*

Cooperatives are instruments used to alleviate poverty and to accelerate agricultural production in Rwanda. Similarly, cooperatives contribute to the achievement of the Millennium Development Goals, Vision 2020 and the Economic Development and Poverty Reduction Strategy (EDPRS) programme that focuses on rural economic transformation, human resource development, development and promotion of the private enterprises and poverty alleviation. Cooperatives engaged in cash crop production, such as tea and coffee, play a major role in organizing producers to earn the country foreign exchange, which is an important contribution to the economy of the country. In 2007, agriculture’s share of the GDP was approximately 37 per cent and the contribution of cooperatives to agricultural productivity was significant.

Beside the above macro-economic role, cooperatives create decent employment for their members, especially in the handicraft and artisanal sector. Different crafts such as baskets are made across the country and are marketed by a large number of women’s cooperatives. Different organizations, including ILO, GTZ and PPPMER have supported artisans in the informal economy and most of such artisans are organized into cooperatives. The union called “Kora” is one example of such a cooperative.

Cooperatives create jobs not only for their members but also for their staff. According to the taskforce on promotion of cooperatives, each SACCO creates seven and half jobs, while other cooperatives create four jobs on average. From visits to unions and federations, it was established that each employs at least four individuals. Table 5 estimates the number of jobs that cooperatives had created as of October 2008.

Table 5: Number of jobs created by cooperatives in Rwanda in 2008

Description	No. of Cooperatives	Average jobs per cooperative	Total number of jobs created
SACCOs	114	7.5	855
Other primary cooperatives	2386	4	8544
Unions	48	4	192
Federation	2	4	8
Total	2550	N/A	10599

Source: MINICOM (2008) and the researcher’s estimates

Finally, cooperatives play an important role in financial intermediation in Rwanda. The National Bank that regulates SACCOs recognized approximately 114 SACCOs in the country.

6.2 *The social role*

In addition to job creation, cooperatives have helped to improve the living conditions of their members. Success stories on how members have used their cooperatives to buy cars, build houses, pay school fees for their children, produce food for the family, and improve their clothing are indicators of such changes. Women weavers that we visited in Bugesera reported how their husbands were proud of their contribution to meeting family needs.

In addition, cooperatives have been used to organize vulnerable and excluded groups of people to start income generating activities. Such groups include demobilized soldiers; people living with HIV/AIDS; genocide survivors, especially widows and orphans; ex-prisoners; street children; women; and prostitutes, among others. Cooperatives are, therefore, a tool for reducing social exclusion.

Cooperatives play a role in the social protection of their members and their families, especially in getting health insurance. Although health insurance is mandatory for all Rwandans, cooperatives have made it easier for their members to pay premiums for health insurance schemes that are popularly referred to as *mutuelle de santé*. For example, cooperatives in the tea sector pay insurance premiums for their members on credit. Beside health insurance, cooperatives facilitate closer interaction among members that makes it possible for them to develop mutual assistance schemes. For instance, there are cases where some cooperative members help each other when bereaved or when they have social functions such as wedding ceremonies that require higher capital outlays that could be beyond the reach of an individual member.

Finally, cooperatives serve as a channel for HIV/AIDS awareness and protection campaigns. The national commission in charge of HIV programme provides funds to institutions to keep cooperative members sensitized and trained about HIV/AIDS. Moreover, some associations of people living with HIV/AIDS have formed cooperatives as instruments for improving their welfare.

6.3 *The political role*

The political role of cooperatives is discernible in its articulation of cross-cutting issues in society in areas including gender, HIV/AIDS, human rights, children's rights, among others. This study found that cooperatives networked with trade unions and other international organizations to bring these issues to the attention of those in decision-making authority. For instance, cooperatives in the handicraft sector are members of International Fair Trade (IFAT), which enables the cooperatives in the handicraft sector to have access to the international market.

Cooperatives also try to influence public policies, especially cooperative unions and federations. As already pointed out, the federation of cooperatives that produces tea lobbies for its members to be given the first priority for buying shares in tea factories that are privatized. It also lobbies for better prices for tea, in order to improve the income of the producers. However, primary cooperatives do not actively advocate and lobby for the interests of their members.

7. Conclusion

This paper set out to assess the status of the cooperative movement in Rwanda by highlighting a number of factors including:

- The pace at which cooperatives in Rwanda have evolved;
- The structural organization of the cooperative movement;
- The efforts of the Government of Rwanda in creating an enabling environment for the development of the movement;
- The challenges encountered by cooperatives in the country.

The discussion has shown that the steady growth of the cooperative movement in Rwanda was severely affected by the 1994 genocide. However, the impact of the genocide also seems to have created an opportunity for renewed NGO and government interest in the rejuvenation of the cooperative movement. In 2005 the Government set up a taskforce for cooperative promotion, in order to facilitate development of an enabling legal environment for the development of cooperatives.

The taskforce has since been transformed into the Rwanda Cooperative Agency, which has put in place a legal and administrative framework that is steadily guiding the rejuvenation of the cooperative movement. Though the structural organization of the movement is still weak, partly due to the lack of a strong confederation, the two cooperative federations are increasingly steering the growth of the movement at a promising rate. The cooperative movement is currently being supported by different organizations, but it is still lacking a well-coordinated approach to support the development of the movement. For instance, despite the many donor organizations that support the development of the movement, there is still no college to train cooperative staff, leaders and members. However, cooperatives are increasingly being used as tools to reduce exclusion and alleviate poverty in the county, which may increase the country's prosperity if cooperatives are effectively supported. The most important challenges are related to the low education of members and the lack autonomy and independence in some cooperatives. These issues need to be addressed by all partners working for the development of the cooperative movement in Rwanda.

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The hope for rural transformation : A rejuvenating cooperative movement in Rwanda

Espérance Mukarugwiza

The cooperative movement in Rwanda is in its infancy stage and was revived with the creation of the Task Force on Cooperative Promotion in 2005. The new policy in Rwanda on cooperative promotion emphasizes the economic role of cooperatives and focuses on the jobs they create for a large number of Rwandans as well as their benefits for social development. Structures to support cooperative development are growing stronger, with a number of local and international development partners supporting cooperatives directly or indirectly. This paper highlights the pace at which cooperatives in Rwanda have evolved and the efforts of the Government of Rwanda to create an enabling environment to develop cooperatives.

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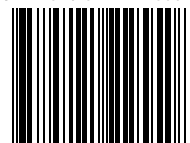
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