National Cooperative Policy in Rwanda

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

Revised Version [1]

Kigali, January 15_2018
Outline of the Contents

1. General Introduction
2. Situation Analysis of the Cooperative Sector
3. New Strategic Direction of the Cooperative Policy
4. Policy options for the Development of the Cooperative Sector
5. Policy Implementation Areas for the Development of Cooperatives
6. Policy Implementation Plan
7. Conclusion
The structure of the development of the new cooperative Policy

Status Quo
- SWOT Coops & Gaps current policy
- Development framework

New Strategic Direction
- Objectives
- Expected Outcome of Policy Options
- Policy Options
- Policy Actions

Additional Information:
- All gaps and relevant information in the development framework are reflected in the objectives.
- Each objective is targeted by at least one expected outcome.
- Each expected outcome has measurable performance indicators.
- Each policy option has at least one expected outcome.
- Each policy option has at least one policy action.

Fig.: Targeted Structure Coop. Policy

All policy options, policy actions, expected outcomes/performance indicators and objectives are reflected in the implementation plan, among other information.
I. 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 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.
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.
I. General Introduction: Why Cooperatives?

- 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 lot to play in promoting inclusive, sustainable development and economic transformation.

- Cooperatives have a great poverty reduction potential.

- 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.
I. General Introduction: Justification of the Policy Review

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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.
- 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 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.
Traditionally, Rwanda had its own self-help forms that conform to the principles of self-help: Ubudehe, Umubyizi and Umuganda.

After the independence in 1962, the situation did not progress much in regards to cooperative movement.

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 the current 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.
Institutional related issues:

- The need for streamlined process of formation and registration of cooperatives
- Unclear definition of hierarchical relationships between primary cooperatives, Unions and Federations
- Ambiguity about the eligibility of political leaders to hold leadership positions in cooperatives
- Unclear definition of collaboration modalities among different stakeholders, leading to inefficiencies in cooperative governance and management
- No clear mapping and categorization of cooperatives so as to facilitate the Government and other development partners interested in supporting cooperatives.
- The framework, guidelines and regularity of auditing and inspection by RCA as part of oversight mechanism are not clearly defined.
2. Situation Analysis of Cooperative Sector: Gaps and Emerging Issues

Policy related issues:

– Lack of policy guidance on cooperatives with high investment potentials
– Lack of policy orientation on the minimum farm gate prices for key stable and commercial crops;
– Insufficient access to credit by most farmer cooperatives warranting policy action;
– 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 members of the Executive Committee, which shall comply with general principles of private-led entities and discourage embezzlement;
– Specific needs and constraints hindering the participation of special categories of people such as women, youth, PWDs, and cooperative membership of Rwandans living in the diaspora for inclusive cooperative development are not tackled within the current policy.
2. Situation Analysis of Cooperative Sector: Gaps and Emerging Issues

Issues pertaining the Management of Cooperatives:

– Non-transparent decision-making process within cooperatives

– Limited information and awareness of existing policies, laws and internal rules and regulations, and even 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.

– Mismanagement of cooperative resources, due to poor financial management capacity, embezzlement of some cooperative leaders and employees, lack of transparency, and limited accounting skills.

– There is no clear limitation in terms of members of a single family allowed to participate in one Cooperative, especially in decision-making committee.
2. Situation Analysis of Cooperative Sector: Gaps and Emerging Issues

Investment, Research, and Development

- Low levels of research and development taking place within cooperatives;
- Low levels of R&D in turn lead to high dependence on government or donor support for development;
- 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 capacity of the National Institute dedicated for training of cooperative leaders, managers and members (RICEM);
- Limited access to markets: Cooperatives both suffer from limited number of buyers capable of engaging in forward contracts or off-taking relationships with farmer cooperatives, as well access to those buyers that do exist;
### 2. Situation Analysis of Cooperative Sector: Some Statistics

<table>
<thead>
<tr>
<th>Item / variable</th>
<th>Estimate</th>
<th>%</th>
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<td>Primary Non-Financial</td>
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<td>Cooperatives</td>
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<td>SACCOS</td>
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<td><strong>Total cooperatives</strong></td>
<td><strong>8406</strong></td>
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<td>Membership (Primary Cooperatives)</td>
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<tr>
<td>Male</td>
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<td>Female</td>
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<td><strong>Average Share Primary Coops (Frw)</strong></td>
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<tr>
<td>Membership (SACCO)</td>
<td>2944086</td>
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<td><strong>Total membership</strong></td>
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<tr>
<td>Average Share / SACCO (Frw)</td>
<td>469,970</td>
<td>33</td>
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<td>Unions</td>
<td>141</td>
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<td>Federations</td>
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2. Situation Analysis of Cooperative Sector: Some Statistics

### % membership of P.Coops compared to SACCOs

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<thead>
<tr>
<th>Category</th>
<th>Total membership</th>
<th>Female</th>
<th>Male</th>
<th>Membership (SACCO)</th>
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<th>Membership (Primary Cooperatives)</th>
<th>SACCOS</th>
<th>Primary Cooperatives</th>
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<td><strong>Membership (SACCO)</strong></td>
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<td><strong>Membership (Primary Cooperatives)</strong></td>
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<td>Primary Cooperatives</td>
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### Share Capital P.Coops Compared to SACCOs

- Average Share Capital (P. Coops): 51,651
- Average Share Capital (SACCO): 499,470
2. Situation Analysis of the Cooperative Sector: SWOT Analysis

Internal Environment of Cooperatives

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Strong membership base and tradition for forming cooperatives</td>
<td>▪ Limited ownership of cooperative movement by members</td>
</tr>
<tr>
<td>▪ National frameworks to support cooperative movement</td>
<td>▪ Weak self-help and diligence capacities by members which underpins the lack of sustainability of cooperatives</td>
</tr>
<tr>
<td>▪ Well-structured set-up</td>
<td>▪ Weak internal communication system</td>
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<tr>
<td>▪ Varied sectors of activity</td>
<td>▪ Limited financial and human resources</td>
</tr>
<tr>
<td>▪ Expertise in some specific value chains</td>
<td>▪ Limited skills in cooperative management and governance</td>
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<tr>
<td>▪ Joint collection of produce e.g. Agriculture Coops</td>
<td>▪ Insufficient IT equipment</td>
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<td>▪ Strong voice Possibility of joint investment.</td>
<td>▪ Aging members and limited innovation</td>
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<td></td>
<td>▪ Limited women and youth’s participation</td>
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<td></td>
<td>▪ Indecision-making</td>
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<td></td>
<td>▪ Lack of infrastructure (soft, hard)</td>
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</tbody>
</table>
2. Overview of the current status of cooperative Sector: SWOT Analysis

External Environment of Cooperatives

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Existence of political will</td>
<td>▪ Member disillusionment from leadership embezzlement and lack of managerial capacity</td>
</tr>
<tr>
<td>▪ Aligned with national development framework</td>
<td>▪ Staff competition in the sector such as transport cooperatives</td>
</tr>
<tr>
<td>▪ Strong institutional and policy frameworks (a regulatory agency,</td>
<td>▪ Interference by different stakeholders in the support and management of cooperatives</td>
</tr>
<tr>
<td>decentralized government entities, existence of policy and law, Government</td>
<td>▪ Climatic variability and climate change.</td>
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<tr>
<td>incentives)</td>
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<tr>
<td>▪ Existence of available support from development partners and other</td>
<td></td>
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<tr>
<td>stakeholders</td>
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<tr>
<td>▪ Umbrella organization that help in advocacy</td>
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<td>▪ Regional integration</td>
<td></td>
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<tr>
<td>▪ Favorable weather conditions for agriculture production</td>
<td></td>
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<tr>
<td>▪ Availability of committed stakeholders</td>
<td></td>
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<tr>
<td>▪ Accountable governance Development niches for cooperatives</td>
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<tr>
<td>▪ Strong emphasis on performance and delivery</td>
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</tbody>
</table>
4. New strategic Direction of the Cooperative Policy

**Vision**

**Mission**

**Goal/Objective of the Policy**

**Policy Intervention Areas**

**Policy Objectives**

**Desired Status of Cooperatives in the Long-Run**

**Policy Options**

**Areas of change**

**Enabling Conditions**

**Implementation Plan**

**Organizational Development**

08/02/2018

**Vision:**
“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”.

**Mission:**
“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.”

**Main Objective:**
The overriding objective of this policy is to enable the cooperative movement play its vital role toward the transformation of the national economy.

The institutional framework for the cooperative movement in Rwanda reflect the need to create a conducive environment for the functioning and effectiveness of the cooperative movement.

These comprise all laws pertaining to cooperative activities, regulations and guidance from various governance bodies, and entities of the cooperative organizations based on their hierarchical dependence.

Therefore, the new cooperative law under review will also address issues related to governance of cooperatives, how cooperative shares should be administered, and how to promote investment within the cooperative movement.
4. Policy Options for the Development of the Cooperative Sector

Policy Options

1. Re-visit the structure of RCA
2. Review of the Organizational Structure of Cooperative Movement
3. Establish Government and Cooperative Policy Dialogue Forum
4. Active and Inclusive Cooperative Membership
5. Results and Performance Based Cooperative Management

Policy Recommendation(s)

- Policy recommendations

Course of Policy Action(s)

- Proposed Policy Actions

08/02/2018
4. 1. Upgrading the mandate of RCA

1. Re-visit the structure of RCA

   - Restructure the functions of RCA to improve its regulatory role with focus on institutional development or non-prudential regulation.

   - Revision of the law establishing RCA, restructuring of RCA’s functions, and adaptation of other laws such as the cooperative and the Micro-Finance Laws.
4. 2. New Operational structure of Cooperative Movement

1) Individual and primary non-financial cooperatives at village level will constitute the first layer of the four-tier system of the cooperative movement;

2) A Cooperative Union will represent at Sector level all non-financial cooperatives from different value chains in the same sector (such as agriculture, livestock, fishing, mining, handicraft, transport, services, housing, and multi-purpose cooperatives). This implies to have more than one cooperative unions at sector level.

3) A Cooperative Federation will then represent all cooperative unions at District level, linking with local PSF representations where relevant.

4) The National Cooperative Confederation will stand for 30 federations at national level – one federation per District.
4. 2. New Operational structure of Cooperative Movement

1) Individual and primary non-financial cooperatives at village level will constitute the first layer of the four-tier system of the cooperative movement;

2) A Cooperative Union will represent at Sector level all non-financial cooperatives within the same value chain.

3) A Cooperative Federation will then represent all cooperative unions at District level; as the number of value chain is the number of cooperative federations.

4) The National Cooperative Confederation will stand for N-Value Chains based federations at national level—more than one federation per District.
4. 2. New Operational structure of Cooperative Movement: Changes proposed under Model 1

- Cooperatives from different value chains of the same economic activity or sector are clustered to form an Union;
- The cooperative Union will operate as an umbrella at Sector level instead of District level as is the case for now;
- There is no geographic boundary for activity implementation by cooperatives, unions, and federations.
- Federations will operate as an umbrella at District level instead of the national umbrella;
- The model facilitates benefits from both vertical and horizontal linkages
- The model has the flexibility for distinct provisions for specific categories of cooperatives to ensure their viability (such as Umurenge-SACCOs);
- SACCOs and other special cooperatives will have a different structure.
4. 2. New Operational structure of Cooperative Movement: Changes proposed under Model 2

- Cooperatives in the same value chains of the same economic activity or sector form individually an Union;
- Cooperative unions in the same value chain form a cooperative federation
- The cooperative Union will operate as an umbrella at Sector level instead of District level as is the case for now;
- Federations will operate as an umbrella at District level instead of the national umbrella
- There is no geographic boundary for activity implementation by cooperatives, unions, and federations.
- The model has the flexibility for distinct provisions for specific categories of cooperatives to ensure their viability (such as Umurenge-SACCOs);
- SACCOs and other special cooperatives will have a different structure.
4. 2. New Operational structure of Cooperative Movement: Structure of Model 1 Considered

Three main assumptions:
1: Align to the LED Policy
2: Ownership of cooperative Organizations by their members
3: Financial sustainability
4. The main change is how Union and Federations are formed

- Tier 4: NCCR
- Tier 3: Federation of all Unions
- Tier 2:
  - Union of Clustered Value Chains 1 in the same sector
  - Union of Clustered Value Chains 2 in the same Sector
  - Union of Clustered Value Chains 3 in the same sector
  - Union of Clustered Value Chains N in N Sectors
- Tier 1:
  - Primary Cooperatives in N Value chains
  - Primary Cooperatives in N value chains
  - Primary Cooperatives in N value Chains
  - Primary Cooperatives in N value Chains

08/02/2018
4. 2. New Operational structure of Cooperative Movement: **Structure of Model 2**

- **Tier 4**
  - NCCR

- **Tier 3**
  - Individual VC-based Federations

- **Tier 2**
  - Union of cooperatives in the same value chain
    - Union of cooperatives in the same value chain
    - Union of cooperatives in the same value chain
    - Union of cooperatives in the same value chain

- **Tier 1**
  - Primary Cooperatives
  - Primary Cooperatives
  - Primary Cooperatives
  - Primary Cooperatives

- National
- District
- Sector
- Village
4. 3. Government and Cooperative Policy dialogue

Policy Option

Establish Government and Cooperative Policy Dialogue Forum

Policy Recommendation (s)

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

Course of Policy Action (s)

- Cooperative movement to be invited and represented at the Sector and District Forums: JADF and PSF, Sector and District Council.
- Invitation and participation of Coops in the Sector Working Groups
- Invitation and active Participation of Cooperatives in Investment Forums
4.4. Active and Inclusive Cooperative Membership

**Policy Option**

Active and Inclusive Cooperative membership

**Policy Recommendation(s)**

- The government will put in place mechanisms for classification of the performing and non-performing cooperatives.
- Enforce registration of cooperatives based on socio-economic needs to be addressed, initiate the CIMS to manage cooperative related information and to improve the operational efficiency.

**Course of Policy Action(s)**

- Cooperatives to be assessed based on their business or economic plan.
- Re-visit the criteria of cooperative registration and formation of the Unions and Federations.
- The NCCR to establish a special programme to promote awareness and the empowerment of special categories and in mainstreaming cross-cutting issues.
5. Results and Performance Based Cooperative Management

The government through RCA to institutionalize results and performance based management of cooperatives “Imihigo”.

- All cooperatives will need to have their economic or business plans,
- Result-based planning,
- Monitoring and evaluation frameworks, and
- Implement the cooperative management information System (CIMS).
6. Policy Intervention areas for the development of Cooperatives

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

- **Capacity and Entrepreneurship Development**: Improve the current model of training to ensure quality and positive effects of the training received and improve how related services are provided.

- **Growth and Graduation of Cooperatives**: 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.
Pathways for graduation/growth of primary cooperatives into permanent or stable organizations

**Vertical Growth/Graduation**
- Transformation into small/Medium Enterprise
- Transformation into a private company
- Disengagement of Government's direct supervision
- Self-sustained private companies
- Self-sustained cooperative
- Diversification of activities along the same initial value chain
- Diversification of activities into other value chain(s)
- Disengagement of Government's direct supervision

**Horizontal Growth/Graduation**
- Diversification of activities along the same initial value chain
- Diversification of activities into other value chain(s)
- Disengagement of Government's direct supervision
- Self-sustained cooperative
<table>
<thead>
<tr>
<th>Cooperative Category</th>
<th>Description</th>
<th>Type of government support</th>
<th>Duration of classification</th>
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<tbody>
<tr>
<td>A</td>
<td>Graduated Cooperatives which are self-reliant, run profitable commercial operations and create <strong>substantial</strong> benefits for their members</td>
<td>No specific cooperative support since by definition these cooperatives do not need it. 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.</td>
<td>No limit</td>
</tr>
<tr>
<td>B</td>
<td>Growth Cooperatives which operate in priority sectors and demonstrate substantial potential to generate benefits for their members, but are not yet profitable.</td>
<td>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.</td>
<td>Five years. If after five years, the cooperative is not ready to be classified as a Graduated Cooperative they will revert to Category C</td>
</tr>
<tr>
<td>C</td>
<td>Ordinary Cooperatives, which may or may not be profitable but fail to generate <strong>substantial</strong> benefits for their members.</td>
<td>A generic BDS provision package, covering the essential capabilities for all cooperatives.</td>
<td>No limit</td>
</tr>
</tbody>
</table>
Cooperative Sector Coordination: Improve the coordination mechanism of stakeholders and partners for an integrated and effective support of the cooperative movement.

Awareness and Adaptation: Promote cooperative membership for special groups of people such as youth, people with disabilities, women, and Rwandans living in the diaspora. Special interventions will consider increasing awareness and adaptation service delivery, environmental protection, youth empowerment, gender equality and women’s empowerment.

Research and Impact Assessment of 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.
Roles and Responsibilities of:

a) The Central Government
b) MINICOM
c) Key Government Agencies (other than RCA)
d) Districts
e) Rwanda Cooperative Agency
f) Non-State stakeholders
g) Cooperative Unions
h) Federations
i) NCCR
7. Implementation Plan: Detailed Matrix of Policy Implementation

[Matrix of Policy Implementation Plan]

Revised Version_2-15-January_2018.docx
7. Conclusion

– 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
– This policy review has proposed various policy options and intervention areas.
– 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, avoid duplication of cooperatives within the sector, adequate representation and advocacy roles,
• ensuring co-operation among cooperative organizations,
• re-align the cooperative movement to the new Strategy for Transformation and subsequent Sector Strategic plan and the decentralization policy, and respond to the concern for development of the community where the cooperative is located.
8. Conclusion

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.