

Impact of Covid-19 on Cooperatives Movement in Rwanda

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ABSTRACT

Cooperatives play important role in promoting inclusive, sustainable development and economic transformation. 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 in accordance with cooperative values and principles. The world now encounters a grim reality, with exponential growth of contagion of COVID-19 pandemic, human lives are being lost and the virus continues to spread rapidly across the globe. Different prevention measures including the confinement were enacted by the government. Cooperatives operations were suspected due to the confinement. This paper examines the impacts of COVID-19 pandemic on cooperatives in Rwanda using descriptive statistics from primary and secondary data collected which helped to draw conclusions on the effect of the pandemic. The results highlight the impacts till now of the pandemic on cooperative formation, income losses for both members and cooperatives, effects on working capital and investment, and key facts on cooperative contributions to support their members.

Keywords: COVID-19, Pandemic, Impact and Cooperative

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.

They 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, their 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 [1-3].

For last 15 years, cooperatives in Rwanda have been increasing in numbers whereby they have increased from 919 (2005) to 10,025 (Feb, 2020) with more than 5.2 million of members whose share capital increased from 7,153,335 frw in 2005 to 49,797,022,184 frw in February 2020.

Table 1: Situation of registered cooperatives in Rwanda as of Feb 2020

Economic sector	No. of coops.	Membership			Share Capital
		Male	Female	Total	
Agriculture	2,712	462,530	392,358	854,888	5,311,572,128
Livestock	1,833	95,793	94,139	189,932	4,328,287,503
Trading	1,354	141,539	136,302	277,841	9,170,577,008
Service	1,085	133,565	121,659	255,224	2,451,552,380
Transport	597	24,073	3,043	27,116	1,923,115,800
Handicraft	1,111	60,966	63,865	124,831	2,018,592,080
Transformation	126	13,441	11,466	24,907	770,481,100
Mining	137	48,517	46,804	95,321	664,086,100
Fishing	93	9,758	11,624	21,382	162,422,000
Housing	177	27,022	18,546	45,568	5,271,556,338
Other sector	198	51,361	49,312	100,673	498,431,800
Subtotal	9,423	1,068,565	949,118	2,017,683	32,570,674,237
SACCOs	437	1,815,549	1,378,054	3,193,603	16,953,611,272
Unions	150	-	-	-	211,716,675
Federations	15	-	-	-	61,020,000
Grand Total	10,025	2,884,114	2,327,172	5,211,286	49,797,022,184

Note: Situation of registered cooperatives in Rwanda, Feb 2020.

This has improved the livelihood of cooperative members and contribute a lot to the economic growth of country as a whole. The objective of this paper is to examines the impacts of COVID-19 pandemic on cooperatives in Rwanda using descriptive statistics of primary and second data collected using simple random sampling techniques.

Situation of COVID-19

The world has changed dramatically since the last WEO (World Economic Outlook) update on the global economy. A pandemic scenario had been raised as a possibility in previous economic policy discussions, but none in the worldwide had a meaningful sense of what it would look like on the ground, except the worse-case scenario Warwick et al (March 2020) [4].

After the confirmed cases of infections in China, the coronavirus disease (COVID-19) has rapidly continued to spread worldwide, Warwick et al (March 2020) (March 2020) [5]. According to World Health Organization (2020), there have been 2,626,321 confirmed cases of COVID-19, including 181,938 deaths worldwide, in Africa 18,234 confirmed cases and 788 deaths [6].

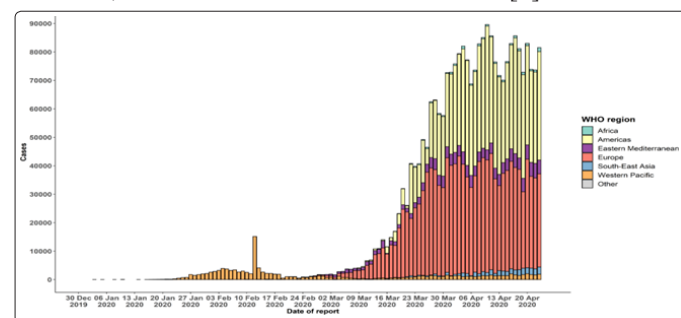


Figure 1: The spread of COVID-19 around the world, Source from WHO (24 April 2020)

In Rwanda, there have been 147 confirmed cases of COVID-19 according to Rwanda Biomedical Center as of 19th April 2020.

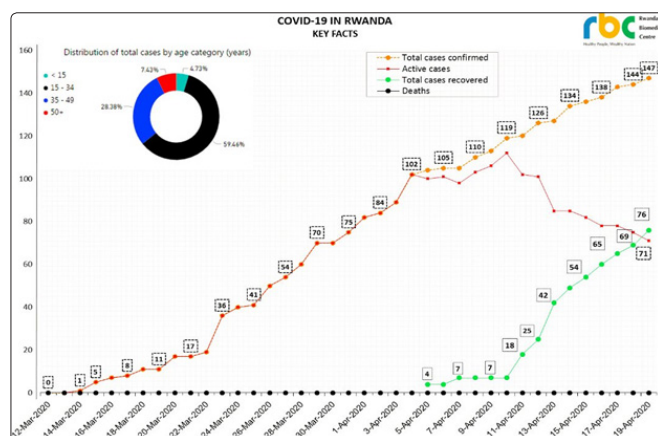


Figure 2: Key facts on COVID-19 in Rwanda, Source from Rwanda Biomedical Center

The world now encounters a grim reality, with exponential growth of contagion. Tragically, many human lives are being lost and the virus continues to spread rapidly across the globe. There is a huge debt of gratitude owed to the medical professionals and first responders who are working tirelessly to save lives.

This crisis is like no other. First, the shock is large. The output loss associated with this health emergency and related containment measures likely the losses that triggered the global financial crisis. Second, like in a war or a political crisis, there is continued severe uncertainty about the duration and intensity of the shock. Third, under current circumstances there is a very different role for economic policy. In normal crises, policymakers try to encourage economic activity by stimulating aggregate demand as quickly as possible. This time, the crisis is to a large extent the consequence of needed containment measures.

The cooperative movement sector is greatly affected both economically and socially by the Pandemic where most of them

have temporary closed their doors due to prevention measures [7]. including confinement and social distancing taken by the government for avoiding the spread of the pandemic.

Impact on registration of cooperatives

According to ILO survey (2013), cooperatives have a potential in achieving sustainable development goals with concrete actions and engagement at local level. However, the pandemic has affected the unification of people to form cooperatives.

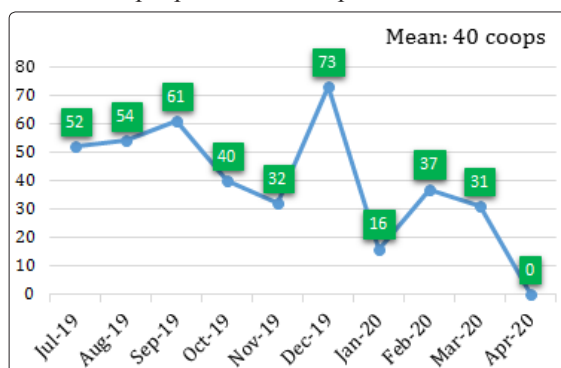


Figure 3: Illustrates the trend of cooperatives registered during the last 10 months by Rwanda Cooperatives Agency [8].

The numbers of registered cooperatives have up and down fluctuated along the way, then sharply declined to zero in April 2020. Slightly decreasing along the period from July 2019 to April 2020. This number has highly decreased in the beginning of 2020 whereas the spread of COVID-19 had continued to increase. “In April 2020, no registration at all, at least 40 cooperatives would be formed without COVID-19”.

Table 2: Registered members and their share capital

Registration period	Male	Female	Total	Share Capital (frw)
Jul-19	1,093	1,680	2,773	89,772,990
Aug-19	1,344	1,482	2,826	72,227,480
Sep-19	1,653	1,448	3,101	202,360,000
Oct-19	895	420	1,315	58,090,868
Nov-19	1,370	1,014	2,384	166,663,000
Dec-19	750	4,493	5,243	94,297,680
Jan-20	547	412	959	23,134,000
Feb-20	707	424	1,131	37,950,608
Mar-20	1,008	318	1,326	57,850,600
Apr-20	-	-	-	-

Note: Registered members and their share capital, source from computed data.

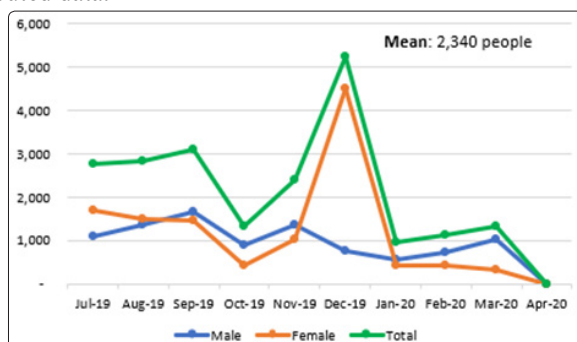


Figure 4: Trends of registered cooperative members

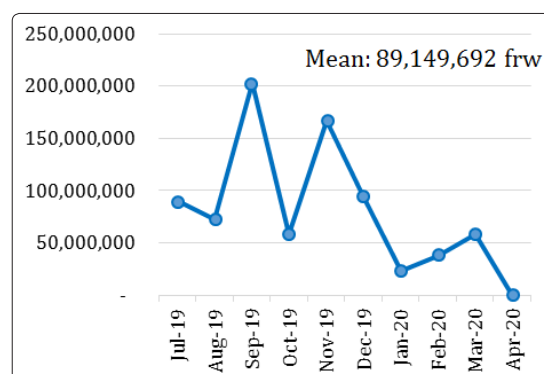


Figure 5: Collected Share Capital (in frw)

The number of people joining together and the capital invested have rapidly decreased due to the increase of cases of COVID-19.

“At least 2,340 people would join together to form more than 40 cooperatives by pooling together more than eighty-nine million one hundred forty-nine thousand six hundred ninety-two Rwandan Francs (89,149,692 frw) of share capital”.

Economic impact monthly income losses.

More than 50% of the cooperatives have stopped operations especially in the sectors of transport, service delivery, some trading coops, handicrafts value chains, mining, fishing and housing, whereby they couldn't generate any coin of francs, thus affecting their close families and their plans as well. Most of them have targeted to increase their production and to double their income for the year 2020, but now should be sharply revised downward. Consider the effects on sampled 15 motorcyclist cooperatives in City of Kigali.

Table 3: Average income generated by members

Cooperatives	Member	Daily average income/ member	Monthly average income/ member	Monthly average income of all members
CTM	312	8,500	221,000	68,952,000
GECOMO	922	8,500	221,000	203,762,000
GCMC	530	7,000	182,000	96,460,000
GMTSC	363	8,000	208,000	75,504,000
JCDM EJO HEZA	200	10,000	260,000	52,000,000
GCM	260	7,000	182,000	47,320,000
GMC	505	8,000	208,000	105,040,000
CTMR	420	7,000	182,000	76,440,000
BAHAFI YANJYE	300	7,500	195,000	58,500,000
CODMG	550	10,000	260,000	143,000,000
KCDM	540	12,000	312,000	168,480,000
COUTAMOGA	450	8,000	208,000	93,600,000
NYAMOCOOP.	267	10,000	260,000	69,420,000
KOTAMONYAKO	433	9,000	234,000	101,322,000
COTRAMO-IKIZERE	700	10,000	260,000	182,000,000
Total	6,752			1,541,800,000

The table reveals the number of members of 15 sampled motorcyclist cooperatives in City of Kigali. A daily and monthly average income by member were computed. The last column shows the estimated monthly income of all members in each cooperative.

Thus, 6,752 members have lost more than 1.5 million Rwandan Franc a month, this will be worse once lockdown continues.

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Table 4: Contributions of members (Frw) from September 2019 to April 2020

Month	COTRAMO IKIZERE	BAHAFIYANJYE	KCDM	GCMC	CODMG	KOTAMONYAKO	JCDM EJO HEZA	Mean income
Sep-19	1,275,000	945,000	995,000	1,110,000	995,000	995,000	710,000	981,429
Oct-19	1,285,000	720,000	975,000	1,115,000	975,000	875,000	605,000	935,714
Nov-19	1,340,000	940,000	1,025,000	1,070,000	955,000	775,000	675,000	968,571
Dec-19	1,335,000	1,005,000	1,020,000	1,105,000	975,000	880,000	635,000	993,571
Jan-20	1,488,000	865,000	900,000	1,105,000	960,000	835,000	650,000	971,857
Feb-20	1,498,000	1,006,250	700,000	902,000	945,000	805,000	665,000	931,607
Mar-20	-	195,000	-	960,000	830,000	-	-	283,571
Apr-20	-	-	-	-	-	-	-	-

The table reveals mean income for motorcyclist cooperatives operating in City of Kigali. The overall mean income is 758,290 frw. Therefore, each of the cooperative in Kigali has lost at least seven hundred fifty-eight thousand two hundred ninety Rwandan francs (758,290 frw) in a month of confinement.

If the pandemic and containment measures last longer, emerging and developing economies are even more severely hit, tight financial conditions persist, or if widespread scarring effects emerge due to firm closures and extended unemployment.

Contribution of cooperatives

Communicating the contribution of cooperatives (ICA)⁴

Representing around 12 percent of humankind, the cooperative movement is making a vital contribution to help cooperative members, families and communities, get through this crisis. A key example of such a contribution is made by health cooperatives that are represented by International Cooperative Health Organization (IHCO), one of ICA's Sectoral Organizations, whose President Carlos Zarco and Director José Perez have sent us the following message: “*In the face of the health emergency caused by the spread in many countries of the COVID-19 disease, the priority of health cooperatives is to collaborate with all their resources in the containment of the pandemic, aligning themselves at all times with the action measures recommended by the World Health Organization and by the competent health authorities. We also want to express that the professionals of the health cooperatives are making an enormous effort, like the entire health profession, to face the situation and try to guarantee the safety and well-being of both their patients and the rest of the population in the territory in which they carry out their activity*”, ICA (March 2020).

The ICA Global Office is in continuous consultation with the IHCO on the ongoing crisis.

Figure 6: The trends of collected monthly contributions from September 2019 to April 2020

This figure show how COVI-19 has affected cooperatives with a higher decrease of income generated during the quarantine period. However, agricultural sector cover more than 4.5 thousand cooperatives with around 9.7 billion Frw share capital. This sector and few service coops are the only one continuing their activities but stuck due to other services related now locked down such as transport of their production.

Impact on working capital and investment

Almost no income generating by most of the cooperatives as well as their members due to COVID-19 pandemic yet the expenses has slightly increased especially due to the support of vulnerable members. Unexpected expenses due to the pandemic will affect the cooperative annual budgets and this may cause operational and management issues to some cooperatives. This may also affect the working capital of the cooperatives if not well management may lead to lack of financial capacity. There are also some cooperatives that have projects under constructions, having heavy loan from banks and other big investment were affected due to confinement. There is less use of technology in most cooperatives where possible services should be working home during this complicated time.

Our thoughts and deepest thanks go to all doctors, nurses, medical staff and all workers in health cooperatives, for their devotion to duty, greatest professionalism and utmost selflessness.

Key facts on cooperatives contributions

Usually, all cooperatives in Rwanda convene the general assembly's meetings from which they provide bonus to their members if the cooperative has got profit during the previous year. The meetings were suspended due to the COVID-19 pandemic. Good enough, cooperatives are fighting the pandemic by respecting cooperative values including self-help and solidarity, and concern for community principles.

Table 5: Contribution of cooperatives so far distributed to their members as bonus, dividends and mutual aid for members as of 23 April 2020

No.	District	No of coops	Members supported	Amount in frw
1	Rubavu	104	8,397	276,754,976
2	Rusizi	67	13,121	210,594,642
3	Gasabo	60	5,725	103,493,800
4	Gakenke	28	5,636	101,079,174
5	Nyarugenge	70	3,163	93,701,250
6	Nyabihu	66	12,108	64,509,150
7	Rutsiro	54	3,452	63,119,360
8	Ngororero	34	2,436	54,610,500
9	Nyamasheke	41	5,912	52,800,971
10	Karongi	20	2,676	48,019,080
11	Huye	28	4,791	45,900,028
12	Musanze	48	3,487	41,950,000
13	Kamonyi	25	5,111	41,792,838
14	Kicukiro	21	1,673	41,326,200
15	Bugesera	28	5,536	29,509,130

“More than 1.2 billion Rwandan francs were contributed by 939 cooperatives to support 116,843 members. The cooperative leaders should strive to alleviate the effects of the pandemic and continually work in solidarity.”

The lesson learnt

As this pandemic COVID-19 was astonishment shock towards the whole world, cooperatives should learn from it and strengthening their solidarity funds where not strong, and establish new ones where not exist now. There is a need of improved cooperative operations such as integration of ICT services. Moreover, RCA is calling all cooperatives to improve their governance and financial management for preventing any crisis that could happen at any time. This call is based on previous experience with funds raised to help cooperatives and their communities affected by extraordinary challenges following natural disasters like the 2011 tsunami, Okada (2012) and the 2015 earthquake in Nepal, WFP (2015), among others.

Conclusion

The government (RCA together with Local Government) is making advocacy for tackling the impact of the pandemic to cooperatives movement, whereby RCA has enforced its regulations by inviting all cooperatives to distribute bonus, dividends and mutual aid to their members and use solidarity funds for helps during this trials period as well. As feedback, cooperatives are complying with regulations and it is ongoing, and RCA is making closer follow up for proper coordination. This paper examined the impacts of COVID-19 pandemic on cooperatives in Rwanda using descriptive statistics from primary and secondary data collected which helped to draw conclusions on the effect of the pandemic. The results highlight the impacts till now of the pandemic on cooperative formation, income losses for both members and cooperatives, effects on working capital and investment, and key facts on cooperative contributions to support their members. Cooperative leaders have to stand with all of their members during these challenging times and continue to do everything possible to mitigate the effects of the pandemic and ensure the continued growth of the cooperatives once operations resume.

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