

# Rwanda

<b>Status Index</b> (Democracy: 4.23 / Market economy: 4.96) <b>4.60</b>		<b>Management Index</b> <b>4.45</b>	
<b>HDI</b>	0.450	<b>Population</b>	8.8 mn
<b>GDP per capita (\$, PPP)</b>	1,268	<b>Population growth<sup>1</sup></b>	2.5 %
<b>Unemployment rate</b>	-	<b>Women in Parliament</b>	45.3 %
<b>UN Education Index</b>	0.61	<b>Poverty<sup>2</sup></b>	51.7 %
		<b>Gini Index</b>	28.9 (1983)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> People living below \$ 1 a day (1990-2003).			

## A. Executive summary

While Rwanda officially ended its transition period with a referendum, presidential and parliamentary elections in 2003, it has yet to fulfill the criteria for a democracy. During the period under review, the authoritarian regime led by the Rwanda Patriotic Front (Front patriotique Rwandais, RPF) and President Paul Kagame tightened their control of the state and repressed the opposition. Serious problems in political participation, rule of law and political integration continue under the current regime. Although the separation of powers exists in principle, the judiciary is often subordinated to political interests and the parliament and executive subordinated to a forum of parties dominated by the ruling RPF. Elections held in 2003 were only partly free; most of the opposition was excluded or harassed by authorities.

At the root of these constraints on democratic development lie unresolved ethnic conflict and the absence of national reconciliation in the wake of the genocide of 1994. These problems have been exacerbated by Rwanda's involvement in the conflict in neighboring Democratic Republic of Congo, which effectively brought about a direct confrontation with Uganda in 2003 and endangered Rwanda's stateness as Rwandan Hutu militias re-launched attacks on Rwandan territory in 2004.

Economic reforms have continued, but obstacles persist. Previously high growth rates induced by post-genocide developments slowed down and donors have grown increasingly reluctant in response to Rwanda's involvement in the DR Congo and failure to implement democratic reform. Although progress was made in Rwanda's institutional framework and privatization policy, the country has no welfare regime to speak of and a low level of socioeconomic development. The budget has been strained by a growing tendency to finance prestige projects and to meet demands of the formally democratically legitimated institutions.

The government was able to formulate and realize its policies despite strong veto powers in the leadership impeding policy implementation, particularly regarding corruption. The government also uses available resources as efficiently as possible, but is constrained by the low level of socioeconomic development and ethnic conflict. Aiming to defend its regional interests, Rwanda's leadership has cooperated with the international community and made the NEPAD Initiative of the African Union a key aspect of foreign policy. Despite a formal policy of military disengagement from the DR Congo, Rwanda continued involvement via proxy forces, which strained relations with Uganda and international donors and thwarted the DR Congo peace process.

The trend of democratic and economic development is mixed. Whereas democratic transformation seemed to progress in formal terms with the end of the transition period, the unabated exclusion of significant elite sectors represents a setback in democratic transformation. Rwanda has successfully laid down the foundation for a market economy and macroeconomic stability, generating optimism for improved economic productivity, employment and export numbers in the future.

Although occurring primarily beyond Rwanda's borders in neighboring DR Congo, non-state politically motivated violence played an important role in Rwandan politics. The Hutu militia of Rwanda's previous government that carried out genocide in 1994, draws upon several resources of power, the most significant being foreign support. Politically motivated violence will most likely continue in 2006; change is decisively bound to developments in the DR Congo.

## **B. History and characteristics of transformation**

Rwanda is an extremely poor country characterized by several structural deficits relating to its geographical position, a high population density, dominant subsistence sector, limited industrial development and a dependency on world market commodity prices.

Fueled during the colonial era, the ethnic conflict between Hutu (90%) and Tutsi (9%) has played a key role in Rwandan politics and economic life since. The conflict is inflamed by power struggles among members of the elite who exploit ethnic differences and thus divide society and prevent sound development. Following independence in 1962, the Hutu dominated Rwanda's government as Tutsi and oppositional Hutu repeatedly went into exile. Donor community pressure resulted eventually in democratic transition at the end of the 1980s. However, Uganda-based exiled Tutsi, who founded the Rwanda Patriotic Front (Front patriotique Rwandais, RPF), invaded in 1990.

The Arusha Agreement in 1992 led to the introduction of a multiparty system strongly rejected by Hutu extremists of the ruling party. These extremists planned

the genocide and mass murder of political opponents, in which 900,000 Tutsis and oppositional Hutu died in 1994. Fighting resumed; the RPF eventually won and the Hutu regime fled to Zaire, now the Democratic Republic of Congo, with the help of France. Rwanda's new RPF-led government based its transitional rule on the Arusha agreement. However, over time the political landscape transformed into a highly authoritarian system as the government faced a constant threat by the Hutu militia in neighboring Zaire, Tutsi fears based on historical experiences, the will of the ruling RPF clique to retain their hold on power and a power struggle within the political leadership itself.

The regime's power base continuously narrowed as moderate Hutu and Tutsi either left the country (e.g. Prime Minister Faustin Twagiramungu in 1995), or were persecuted (e.g. President Pasteur Bizimungu, who resigned in 2000). At the same time, Rwanda became involved in the DR Congo's civil war, aiming to destroy the former regime's Hutu militia and plunder the DR Congo's natural resources. While the donor community has grown increasingly critical, it remains indulgent of the Rwandan government as a consequence of guilt relating to inaction during the genocide—a fact exploited by the government extensively.

To strengthen its legitimacy, the government ended the prolonged transition period with a referendum and elections in 2003. However, the new constitution fails in many respects to meet international standards for democracy as it provides the legal framework for massive repression of any opposition under the guise of protecting national unity and abolishing ethnic thinking. President Paul Kagame and the RPF gained an absolute majority in part via manipulation.

Economic transformation following independence was not successful. Destroyed traditional social structures were not rebuilt, the subsistence economy continued to dominate an economy lacking in diversification and sinking world market prices for Rwanda's commodities resulted in decreased revenues, which contributed to the regime's legitimacy crisis at the end of the 1980s. The genocide in 1994 destroyed Rwanda's infrastructure and human resources. Influenced by Ugandan policy, the RPF views itself at the forefront of a liberal modernization regime. The RPF cooperates with the donor community on economic and social reforms, as seen with the Structural Adjustment Program in 1998 and a Poverty Reduction and Growth Facility in 2000 and 2002. The goal is to eradicate poverty via macroeconomic stabilization, increased incomes, the development of rural areas and investment in human resources and infrastructure. Decentralization and combating corruption are key elements of government reform policy. However, the state itself is engaged in criminal activities such as plundering the DRC's natural resources and manipulating state budget data to allocate greater military spending than officially approved.

## **C. Assessment**

### **1. Democracy**

Although Rwanda formally finished the transition period with a referendum and elections for parliament and presidency, it has yet to meet the criteria for democracy and is characterized by authoritarianism. Citing fears of ethnic division, the government represses the opposition and fails to acknowledge that such behavior may actually exacerbate continued division along ethnic lines. As a result, severe problems persist regarding political participation, rule of law and political integration.

#### **1.1. Stateness**

While the state's monopoly on the use of force over the entire territory has not been seriously challenged, political developments in the neighboring Democratic Republic of Congo (DRC) have prompted incursions by Rwandan Hutu militia from either within the DRC or via Burundi. As such, the security situation has deteriorated slightly, increasing the danger that Rwanda may, once again, become openly involved in the power struggle in the DRC.

Apart from administrative shortcomings, there are no restrictions as to who qualifies as a citizen. Generally, although deficiencies exist, the bureaucracy is functioning quite effectively by African standards.

The separation of church and state is guaranteed in principle. However, religious activities are subject to state repression.

#### **1.2. Political participation**

International observers from the European Union voiced strong concerns regarding the freedom and transparency of elections in 2003. The U.S. State Department reported major irregularities such as ballot stuffing, irregular ballot counting in two provinces and widespread harassment and intimidation of the opposition. The opponents of President Kagame and his Rwandan Patriotic Front (RPF) had few financial resources, no influence, were little known especially in rural areas and met repression by the administration, which tended to regard them as exacerbating ethnic divisions. The strongly split and formerly most influential party of the Hutu, the Republican Democratic Movement (Mouvement Démocratique Républicain, MDR) dissolved, despite the fact that it had previously been in government for nine years. Faction members more critical toward the government were not allowed to run in parliamentary elections. Faustin Twagiramungu, generally considered Kagame's strongest opponent,

complained of repression in the election campaign. The media was controlled by the state.

Despite irregularities, objective factors also contributed to Kagame's overwhelming victory in presidential elections, with 96.6% of the vote, and that of his party, the RPF, which won 73.8% of the vote. Kagame is seen as the person who ended the genocide and secured peace and stability. The population's fear of events in Rwanda unfolding as they did in Burundi after 1993 played a part in Kagame's electoral victory, as did a strongly rooted belief in what may be considered to be "undemocratic" authority among both the population and administration. This was particularly visible after parliamentary elections, when political and administrative representatives in some districts said that they were "proud" that now a "shameful" result from the former referendum or presidential election had been "adjusted."

Although they came to power through flawed elections, Kagame and his RPF have gained the effective power to govern. The RPF dominates the army and all political structures. Faced with threats of dissolution, political parties like the MDR and non-governmental organizations like the Rwandan League for Promotion and Defense of Human Rights (Ligue Rwandaise pour la Promotion et la Défense des Droits de l'Homme, LIPRODHOR) have been forced to soften their criticism. Influential veto actors include the army, the RPF and organizations of the genocide survivors. To effectively implement its plans for political reform and economic transition, the government must consider these groups.

Theoretically, there are no restrictions concerning political organization and communication. Nevertheless, the new constitution asks for a commitment to fight "ethnic, regional, racial and divisive tendencies." Unfortunately, these formulations are not defined clearly, and can be used to justify the repression of those critical toward the government. The international community's optimistic hopes that the judiciary would resist political influence connected to this constitutional clause proved unrealistic with the censuring of former President Bizimungu in June 2004.

The mass media is subject to the same restrictions. However, some newspapers – like the influential *Umuseso* – are used to meet political aims. Some influential members of government were removed after articles about their possible involvement in corruption cases had been launched. Due to their influential stance in government, other means to combat them would not have been possible. As such, Rwanda ranks only 179th of 193 countries in the Global Press Freedom Survey 2004 by Freedom House, and is characterized as "not free," with a score of 82.

### **1.3. Rule of law**

There are severe restrictions on the separation of powers. The forum of political parties in which all legal parties are members is dominated by the RPF party, which controls government and parliament. Opposition parties are weak and their influence is nearly nonexistent as a consequence of both recent elections and their forced collaboration in the forum. If parties are seen to endanger the position of the RPF, they are dissolved (as was the case with the MDR) or not admitted (as seen with a party founded by Pasteur Bizimungu).

While the judiciary is formally independent and institutionally differentiated, in reality it is significantly subordinated to the will of the executive. As such, it acts in the interest of the executive's interpretation of "ethnic and divisive tendencies" as was the case with the censuring of Bizimungu in 2004. Here, the case of Umeso's editor is illustrative. He was acquitted on the charge of divisionism in 2004 after publishing an article accusing the influential RPF member Denis Polisi of trying to overthrow Kagame, being corrupt and sabotaging legislation against corruption. It was obvious that influential groups in the leadership had used him to attack Polisi via the newspaper. As a result, he was ordered only to pay a symbolic fine. Meant to reform the judiciary in an effort to begin trials for 120,000 imprisoned genocide suspects, the Gacaca jurisdiction has yet to be instituted. Its launch was delayed several times, both due to political influence and to the boycott by those who want RPF members to stand trial for human rights violations. Although fighting corruption is an important political aim, corrupt officeholders are not prosecuted adequately under the law if they are influential, as was the case with Polisi.

Civil liberties exist in principle, but are violated frequently, as any opposition is repressed, and the executive exercises great influence over the judiciary. There are grave human rights violations in the DRC and, to a lesser extent, in Rwanda itself, especially in the cases of "disappearances." While the worst assaults of the former Hutu regime are being prosecuted in court, the government has yet to provide realistic procedures to judge the 120,000 imprisoned genocide suspects. The inefficiency of the Gacaca jurisdiction can be attributed in part to the fact that it has been boycotted in regions occupied by the RPF after 1991 and where members of this movement have committed atrocities. Because the government wants to judge these violations in normal courts, many suspect it does not want to prosecute them at all. The population's distrust of the government has increased in this area, particularly because the government has so far successfully prevented RPF members from being tried in the International Tribunal for Rwanda (ITR) in Arusha, Tanzania. Scheduled for completion in 2010, the ITR focuses on key genocide suspects of the former Hutu regime. In 2003, Rwanda welcomed the release of Attorney General Carla Del Ponte, who sought the prosecution of RPF members.

#### **1.4. Stability of democratic institutions**

The political institutions of parliament and government are stable, largely due to the hegemony of Kagame and his party over both institutions. Destabilizing factors include the weak role of the opposition and the unabated power struggle raging within the RPF. By African standards, the administration works relatively well. The judiciary functions, albeit with the aforementioned restrictions.

Due to the deficiencies already discussed, there are no democratic institutions as such. While political structures and institutions are criticized by opposition politicians (especially from the external opposition), this criticism is generally not very effective. Often, critics of the government are threatened, and must either go into exile or soften their criticism. Due to a number of factors – including a general fear of repression, an authoritarian political culture and the fact that the RPF is seen as the force which brought peace and stability back to the country – the population has adjusted itself to the RPF's dominance.

#### **1.5. Political and social integration**

The party system as a whole is weak because of the hegemonic role of the RPF, the successive abolition of important Hutu parties and the strong influence of ethnic thinking. Political parties do not differ in terms of proposed policy, but reflect ethnic and/or regional divisions. This is true also of the RPF, which officially negates ethnicity, but in reality, is regarded as representative of Tutsi interests. As a result, the dissolution of the MDR had the effect of disenfranchising the country's Hutu majority. The legacy of the genocide, the dominant role of the RPF, the threat of dissolution based on alleged promotion of ethnic divisions and the RPF's control of the forum of political parties all lead to low inter-party polarization.

Interest groups have marked influence, especially advocacy groups of the genocide survivors. That Rwanda's constitution awards high esteem to special interest groups is evidenced by the fact that 27 of 80 members of the upper chamber represent women, youth and disabled persons. In fact, with women accounting for 48% of all members of the lower chamber, Rwanda has the highest share of female parliamentarians in the world. Nevertheless, all activities of interest groups are limited by the prospect of censure on allegations that they support ethnic division.

Due to a lack of survey data, the population's attitude toward democracy cannot be adequately measured. While the very high (according to official data) voter turnout in the recent elections could represent indirectly attitudes, this may also be indicative of the country's authoritarian political culture. The boycott of the Gacaca jurisdiction, especially in regions formerly occupied by the RPF, is more illustrative concerning the population's dissatisfaction with government policy.

Social self-organization is weak and hampered by the ethnic distrust. Well-organized groups of genocide survivors provide an exception to this rule. The return of Hutu refugees or of released prisoners suspected to have contributed to the genocide to their villages often causes renewed friction.

## **2. Market economy**

Rwanda continued economic reforms to build up a socially responsible market economy but has grappled with growing obstacles. As a result, the high growth rates induced by a post-war catch-up phase have slowed. Progress was made concerning the country's institutional framework and privatization policy. Major problems remain concerning the welfare regime and general level of socioeconomic development. A negative impact on budget consolidation came from the tendency to finance prestige projects and to meet demands of the now formally democratically legitimated institutions.

### **2.1. Level of socioeconomic development**

Rwanda is still a very poor and highly populated country. It ranks 159th of 177 on the Human Development Index. This refers to poverty (it ranks 78th of 95 on the Human Poverty Index), education, public health and gender equality (it ranks 129th of 144 on the Gender Development Index). A subsistence economy dominates, and there are few jobs to be had outside agriculture. Poverty concerns all groups, especially women, and is aggravated by HIV/AIDS (5.1% of the population is infected). As such, Rwanda still lacks the socioeconomic prerequisites for adequate freedom of choice.

### **2.2. Organization of the market and competition**

While the government tries to develop the fundamentals of market-based competition, a number of obstacles hinder these attempts, including a significant informal sector, corruption and a lack of qualified personnel in the administration.

The formation of monopolies and oligopolies is regulated inconsistently, but with growing success. Difficulties in connection with the privatization of several important state monopolies were overcome in 2004 so that the process of sale could start.

The liberalization of foreign trade was bolstered by the country's full integration into the Comesa free market zone in 2004. The government encouraged economic actors to expand their contacts with member countries.



The banking system is free but faces a number of challenges due to nonperforming loans, which are either normally a legacy of the genocide or the result of current political influence. As a confidential bank report mentioned, influential members of the political class obtained substantial bank loans without appropriate guarantees. The sale of two state-controlled banks should improve the situation as revenues are to be used for their re-capitalization.

### **2.3. Currency and price stability**

The government is committed to the stability of currency and prices. The central bank (Banque Nationale du Rwanda) has significant foreign exchange holdings and has a substantial degree of independence.

However, the costly organization of elections and the reluctance of donors due to lacking political freedom in 2003 forced the government to resort to internal borrowing, which endangered price stability. The need to gain funding for prestige-motivated projects (such as the provision of financial support for the national soccer team, two hotel projects in Kigali and the cleaning up of the capital before a summit meeting of the African Union in March 2004) also motivated such borrowing. The formalization of democratic institutions played a further role in strengthening such demands.

### **2.4. Private property**

Property rights are adequately defined but cannot be considered satisfactorily safeguarded because of shortcomings in the country's rule of law, especially in relation to its ineffective judiciary.

The politics of privatization met opposition in the transitional parliament, which delayed the sale of the state telecommunications company and two tea estates, all important state enterprises. These problems were resolved and privatization began in 2004. Nevertheless, studies show company performance after privatization lower than had been expected. The new private enterprises met difficulties in the form of prohibitive cost of borrowing, administrative restraints, high costs concerning imports and little support by the Rwandan Privatization Secretariat. In the last point, the government has declared itself ready to tackle the problem by employing further personnel.

### **2.5. Welfare regime**

There is no social safety net to compensate for poverty and other risks in a form that extends throughout the entire population. Traditional systems have largely been destroyed by the genocide.

The government is attempting to tackle the problem in its Poverty Reduction and Growth Facility (PRGF), which targets women and AIDS victims in particular. One of the means by which this is accomplished is electing representatives of these groups into the influential senate. Because of these efforts, Rwanda now has more women in parliament than any other country in the world. Equality of opportunity in education was to be instituted by the introduction of free schooling in September 2003. Yet, the success of this policy is doubtful, as the financing of this and related measures, such as increased teacher hires to improve the quality of the primary school system, can only be instituted at the cost of the tertiary sector, whose representatives are very influential in the RPF.

## **2.6. Economic performance**

During the period under review, economic performance was good, although the extremely high growth rates of the years immediately following the genocide ended. However, with 3.5% real growth in 2003 and 5.1% in 2004, Rwanda's growth rates are still positive from a regional perspective. Negative impacts came from natural constraints such as crop losses as well as deficient electricity, high fuel prices and – especially in 2003 – a weak currency. The latter was due to internal (growing internal borrowing by the government) as well as external factors. Reforms in the coffee sector have just begun to yield positive results. While tea is the nation's most important export with sales at approximately 40% of export earnings, coffee is second at 27%. The work of the Rwanda Revenue Authority was quite successful in increasing state revenues. Currently, the government regards a growing gap in its foreign trade balance as the most important problem to confront.

## **2.7. Sustainability**

Ecological concerns are given high regard in Rwandan politics. A publicity-oriented example of the government's concern for the environment has been the elimination of plastic bags in 2004. The real motive behind such policies seems to be that the government has realized the importance of ecological protection for future development. In general, it tends to support niche products like Fair Trade coffee, which requires that coffee be produced in an increasingly environmentally friendly way. However, both policies contradict the destruction of national parks (a cornerstone of government tourist policy) threatened by poachers or farmers. While the government places great value on education and research, institutions of education, albeit present in significant segments of the country, remain very inconsistent overall.

### 3. Management

The government seems to be committed to implementing reforms efficiently in cooperation with the international community, provided these reforms do not challenge the RPF's near-monopoly on state power. While economic, environmental and gender policies have been relatively satisfactory, the government's handling of such areas as political participation, human rights, civil liberties and freedom of the press was by no means acceptable. Nevertheless, government performance is also greatly hampered by the generally low development of society and, most of all, by the consequences of the genocide and unresolved ethnic conflict. National reconciliation is not yet a reality, and the fact that the population continues to think along ethnic lines has had increasingly counter-productive effects. For all of these reasons the government's performance is mixed.

#### Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	3
		Latest parliamentary election:	30.09.2003
		Effective number of parties:	1.8
1. Head of State:	<i>Paul Kagame</i>	Cabinet duration:	10/03-09/04
Head of Government:	<i>Bernard Makuza</i>	Parties in government:	4
2. Head of State:	<i>Paul Kagame</i>	Cabinet duration:	09/04-present
Head of Government:	<i>Bernard Makuza</i>	Parties in government:	4
Type of government:	<i>unified government</i>		
		Number of ministries:	17
		Number of ministers:	17
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1 / (\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

#### 3.1. Level of difficulty

The structural constraints on governance are massive, and levels of socioeconomic development remain low. A lack of human resources remains a visible consequence – among others – genocide and ethnic conflict.

The most difficult structural constraints the government faces are extreme poverty, AIDS, infrastructural deficiencies (Kigali lacks 60% of its needed electricity), an adverse climate and scarce human resources. All of these constraints exacerbate economic and administrative problems. For example, most of the best-qualified managers are found in the finance department, which leaves other departments lacking in qualified personnel. Decentralization policy, generally considered a cornerstone to economic reform, is gravely restrained, and

the government often lacks sufficient data for policy-making. All of these problems are partly the government's responsibility, as it excludes parts of the educated population from power, effectively driving them into exile.

Civil society is virtually nonexistent. The repressive nature of Rwanda's leadership and the genocide—in particular the mass murder of the opposition in 1994—are both key factors here.

The greatest difficulties stem from deep-rooted ethnic distrust. The government's official policy of negating the reality of ethnic distrust to overcome the problem actually contributes to renewed antagonism. Some experts expect another genocide to take place in the future. A great threat arises from the fact that similar conflicts are present in Burundi and the DRC, all of which are interrelated. Indeed, Rwanda is a key actor in each of these conflicts, particularly in the DRC. As a result, interior peace and stability in Rwanda are threatened by incursions of Rwandan Hutu militias from the DRC. When this occurs, the government is always inclined to invade the DRC again. In Burundi, Rwanda's army supported the government in Bujumbura for a short time against incursions of Hutu forces trying to invade Rwanda via Burundi. Further, Rwandan economic and political interests in the DRC bear the steady danger of a direct confrontation with Uganda, a former ally and current enemy. This menace was avoided in February 2003 only after profound mediation efforts by external forces, especially South Africa and Great Britain).

### **3.2. Steering capability**

Rwanda has an efficient top-down bureaucracy that covers the whole country and largely ensures the implementation of the government's decisions. Although tensions do exist at the highest levels, President Kagame authority is clearly defined. This clear leadership results in outstanding steering performance, but fails to meet the normative points of reference guiding the BTI in terms of democratic development. As this situation will presumably not change significantly in the short- to medium-term, future steering capacity can be expected to remain solid, as will the country's democratic deficits.

In economic questions, the government is able to identify key problems and formulate the adequate means to tackle them. In this realm, the government is determined to realize reforms in cooperation with the donor community. On the contrary, democratic transformation has endured one setback after another because of ethnic conflict and power struggles within the country's political leadership. Here, decision-making is dominated by the executive's unwillingness to share power as well as significant security concerns, which make it impossible to develop the foundation for a free society.

To some extent, the government retains its ability to effectively implement its economic reform policy. However, with the slowing down of the (still satisfactory) growth rates, the country's economic base has become smaller and interests groups compete for increasingly scarce resources. As such, heavy military spending – criticized for years – was edged out by demands for the organization of the elections and further denigrated by the new political leadership as well as the formation of new institutions such as an ombudsman to combat corruption. Such additional costs also compete with poverty reduction measures for space in the state's budget, as the finance minister has stated clearly that the government may only spend money that is at its disposal. In practice, this means that poverty reduction measures must be cut or reduced if the donor community does not contribute sufficient funding. Democratic transformation is endangered by the exclusion of growing parts of the elite.

The political leadership has shown great flexibility in tackling economic and political problems, and has often been successful in solving them, as in its organization of the privatization secretariat and its reaction to the demands of genocide organizations. However, it has not been flexible regarding ethnic conflict and security concerns. In these issues, the government reacts only to international community pressure demanding Rwanda's cooperation. In such cases, the primary mediators have been South Africa, Great Britain, the United States and Tanzania.

### **3.3. Resource efficiency**

The government uses only some of the available resources efficiently. Waste is related to the exclusion of the opposition and military expenditures, while the balance of state budget and state debt indicate the non-optimal use of resources. Few in number, experts are concentrated in key departments, leaving other institutions without qualified personnel. A trend in spending resources to improve the country's image has also been observed. Such measures include support for the national soccer team, the construction of two hotels in Kigali and a thorough cleaning of the capital before an AU summit meeting in March 2004.

While the political leadership tries to coordinate conflicting interests, it is generally successful only where no ethnic differences are involved. An example: the differing views concerning judicial treatment of the genocide suspects. By excluding the opposition, the leadership drives badly needed personnel from the country and endangers its rule by narrowing its political base.

One of the government's key goals, the fight against corruption has been somewhat successful. The positive impacts of the auditor general's work can be seen in the improved documentation system regarding expenditure seen in nearly all departments. Tendering und insufficient judicial follow-ups remained problematic, mainly due to a backlog of genocide cases. As such, while the

auditor general has cited 44 cases of alleged embezzlement since March 2003, only nine have gone to court, where only two of the cases have been concluded. The lacking details in this report were criticized by parliament. Enforcement is also uneven: while 139 police officers lost their jobs due to alleged misconduct, bribery and corruption, members of the political elite typically remain unscathed by charges of wrongdoing. It seems that in the political leadership there are internal differences concerning this subject - or at least a power struggle is fought out by using corruption as a way to damage the other party. As the judiciary is not always regarded as fully reliable in cases involving influential RPF members, other means are resorted to, such as the publication of articles in *Umuseso*. However government divisions seeking to combat corruption sometimes act in counter-productive ways, such as pressuring banks to finance politically motivated projects like two new hotels built in Kigali.

### **3.4. Consensus-building**

There are no fundamental differences between government and opposition parties concerning the existence of a market economy. As different views are barely discussed openly, this assessment is valid only in a generalized form. In contrast, there are profound differences of opinion on democracy. Security concerns and a limited willingness to share power by the ruling political elite led to the development of an authoritarian system that excludes alternate opinions. Existing differences are leveled within political parties or lead to repression in the form of the banning of organizations, harassment, politically motivated trials, imprisonment and “disappearances” of opponents. This, in turn, has forced many opposition figures into exile.

Extra-governmental anti-democratic veto powers exist in the form of the army and the RPF. They prevent open democratic discourse, allegedly for security reasons. However, the RPF is hardly distinguishable from the government and the army; it controls the state and its most important institutions, including the executive and parliamentary branches of government, the army and intelligence organs. Another veto actor is the Hutu militia, which acts from within the DRC. The political leadership tries to eradicate the threat posed by this militia militarily. Nevertheless, many of its forces have been pushed to the brink of surrender; it welcomed several high-ranking leaders of the Democratic Forces for the Liberation of Rwanda (Forces Démocratiques pour la Libération du Rwanda, FDLR) into the country in 2003 and 2004. However, given the deeply rooted antagonism between the Tutsi-led government and the Hutu militia responsible for the genocide, the hope of a mass surrender following the return of these leaders to Rwanda did not materialize.

As such, the political leadership is in no way able either to manage the ethnic conflict that threatens its reform policy fundamentally or to enforce national reconciliation. On the contrary, its conflict management strategy exacerbates and

deepens the problems. The social capital gained by the RPF through ending the genocide and bringing peace and stability to the country has been destroyed by the refusal to act on human rights violations of RPF members. The Gacaca jurisdiction boycott exemplifies this problem. The Gacaca jurisdiction represented a promising means of bringing about national reconciliation. However, it has thus far failed to meet expectations in part due to the boycott.

Insofar as the above restrictions are taken into account, civil society is integrated in the political process.

The eradication of ethnic thinking—as stipulated in the new constitution—and the prosecution of all who contributed to the genocide are important elements of official government policy (either by normal jurisdiction or by Gacaca jurisdiction). However, security concerns and a limited willingness among the political elite to share power have undermined government policy. Indeed, the ruling clique continues to tighten its claim on absolute power. Ten years after genocide, national reconciliation has yet to be achieved. It is also doubtful that the RPF government will be able to bring it about in the future.

Altogether, consensus-building measures by the government have been virtually absent, following the example of previous years. Instead, the ruling clique has tightened its hold on absolute power and continued its top-down style of rule. This is demonstrated by the government's response to political opposition, civil society organizations and to the population in general. A recent example: A new regulation of working hours mandates that the workday begin at 7:00 a.m. and lunch break not exceed 30 minutes; a move that ruined restaurant owners in Kigali. Inside Rwanda, the political opposition is subject to repression, while civil society practices self-censorship to avoid being banned and individual harassment. Outside Rwanda, opposition parties are generally confronted with allegations of pursuing Hutu-extremist ideology and of being linked to the *génocidaires*. This policy of non-consensus-seeking is cemented by the government's control over the security apparatus and the effectiveness of the latter, especially the Rwandan intelligence service.

### **3.5. International cooperation**

The government is to some extent willing to cooperate with external forces, especially as it depends to a high degree on foreign assistance. In doing so, however, the political leadership seeks to strengthen its authoritative grip on society, defend its policies in the region (toward the DRC and Uganda) and realize its own goals concerning economic policy insofar as it does not use its full lending capacity with the IMF and prefers more advantageous borrowing possibilities. It receives the encouragement necessary to implement this policy largely from the guilty conscience of an international community that remained inactive during the genocide and therefore still regards Rwanda as a “special case”—a fact the

government regularly emphasizes. As a result, the IMF has carefully avoided speaking of suspension of the PRGF although the program was, in fact, suspended for a number of months due to endangered macroeconomic stability that resulted from skyrocketing government spending in 2003. Cooperation was fully restored in 2004 – the tenth anniversary of the genocide. Concerning democratic transformation, the government resists demands for an open society and free elections. Here also the guilty conscience of the international community inhibits needed criticism.

The government's continual reference to the genocide is also used as a political tool to prevent relations with France from improving. Paris supported the former Hutu regime before and after the genocide and refuses to ask the current government for official pardon.

Rwanda cooperates intensively with the United States, particularly in the fight against terrorism. In 2003, Washington financed again an initiative to capture suspected Hutu leaders in the DRC. Common interests brought about the removal of Carla del Ponte as attorney general for the ITR: together with London, Washington promotes a quick conclusion of the cost-intensive work of the tribunal. For its part, Kigali wants to finish with the work of this unloved institution and to prevent the planned prosecution of RPF members suspected of human rights violations. A shared vision of wanting to combat genocide and terrorism from its outset contributed to the fact that Rwanda had been one of the very few African countries to support the United States in Iraq. Rwanda has also sent troops to the Sudanese region of Darfur, contributing to the peace efforts of the African Union. Rwanda is also one of the driving forces of the New Partnership for Africa's Development (NEPAD) initiative. With this policy, it aims to strengthen its international image as a reformist, progressive government and taking the spotlight off its own negative reputation for playing an active role in the DRC. Kigali has been compensated for this policy with the nomination of Patrick Mazimhaka as deputy to the AU Commission Chairman Alpha Oumar Konaré at the AU summit in Maputo in 2003, and with obtaining responsibility for the organization of an important NEPAD summit in Kigali in February 2004.

On the other hand, the readiness of Rwanda to cooperate with the international community enables its international partners to pressure for collaboration in the DRC. Criticism concerning the country's democratic process remained low, although some countries cut financial support for the election after the dissolution of the MDR and the government appeared strong enough to ignore the protests eventually made.

Kigali's relations with neighboring countries are mixed and depend to a considerable degree on Rwanda's security concerns and economic interests. The wish to eradicate the Hutu militia and to keep access to natural resources dominates government policies in the DRC. However, it is also able to separate political and economic policy. For example, while its political relations with



Uganda have remained strained and, in 2003, nearly ended up in a military confrontation because of conflicting interests in the Ituri region of the DRC, the economic cooperation between the two countries remains unhindered.

#### **4. Trend of development**

A verdict concerning the trend of democratic and economic development is mixed. While some trends indicate movement toward democracy at the end of the transition period, the unabated exclusion of significant elite sectors and the manipulation of elections represent setbacks in democratic transformation. While economic growth slowed in comparison to its high post-genocide levels, the fact remains that the foundations for a market economy and macroeconomic stabilization were successfully laid down. As such, a slight economic improvement is likely, particularly concerning productivity, acquisition of jobs and export performance.

##### **4.1. Democratic development**

In theory, Rwanda meets the minimum requirements for a democracy. In reality, however, the period between 2001 and early 2005 witnessed the emergence of a liberalized authoritarian system of government. The political system has become hegemonic, centered on Kagame and his entourage. A decade after the genocide, serious ethnic divisions and distrust persist and a true sense of national unity remain absent. The government's avowed commitment to fighting "ethnic division" by all means possible is ill-defined and has been used as a weapon to repress opposition, as with the abolition of the MDR and the threat to ban other non-governmental organizations such as the LIPRODHOR. That justice is subordinated to the executive was proved by censure of former President Bizimungu.

Therefore, the government failed to fulfill the goals of establishing rule of law and political participation. The referendum and elections were not free and fair. The opposition has been suppressed and civil society denied a voice.

Stateness diminished slightly because of renewed violence in the DRC. This deterioration was especially marked in 2004, because of incursions of Hutu militia into Rwandan territory.

It is not predictable when authoritarian rule in Rwanda will end. Given the missed opportunity for democratic consolidation that followed the formal end of the country's transition period, the prospects for sustainable democratic development look even bleaker than four years ago.

## 4.2. Market economy development

The high growth rates seen in the years following the genocide (growth rates averaged 8.9% between 1998 and 2002) dropped in 2003 and 2004, when growth rates measured at 3.5% and 5.1%, respectively. The country's overall level of development has improved in the past five years. In the decade following the genocide, Rwanda's HDI ratings have changed markedly, increasing by 0.072 between 1995 and 2000 (from a value of 0.341 to 0.413) and by another 0.018 between 2000 and 2002, when the country was ranked at 0.431.

The institutional framework improved slightly as the government remained committed to policies of economic transformation and modernization. Progress on the organization of market and competition was mixed. Successes included the realization of privatization policy via the removal of difficult constraints, as well as progress in sustainability and improvements in the country's welfare regime. After taking a backseat in 2003, budgetary health improved. The fight against corruption also gained impetus. On the other hand, socioeconomic development remained low and there were indications that interest group pressure actually worked to the detriment of poverty reduction measures, as the responsibility for such was left mainly of the donor community.

While economic strength slowed down, the country's growth rate remains positive, and improved qualitatively in some important sectors. Nevertheless, the danger of economic failure persists and subsistence farming and agriculture still provide the backbone of the economy.

### Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004 <sup>a</sup>
Growth of GDP in %	6.0	6.7	9.4	3.5	5.1
Export of goods fob (US\$ m)	68.4	93.3	67.2	63.1	89.5
Import of goods fob (US\$ m)	223.2	245.2	233.3	217.7	219.7
Inflation in % (CPI)	3.9	3.3	2.0	7.5	12.0
Investment in % of GDP	n/a	14.7	18.8	n/a	n/a
Government revenue in % of GDP (excluding grants) <sup>c</sup>	9.7	11.4	12.3	n/a	n/a
Unemployment in %	n/a	n/a	n/a	n/a	n/a
Government deficit/surplus in % of GDP (excluding grants) <sup>c</sup>	-8.9	-9.5	-11.0	n/a	n/a
Current account balance in US\$ m	-94.4	-102.5	-126.2	-80.2	-44.2

Source: EIU Country Report, February 2005;<sup>a</sup>estimates; <sup>c</sup>African Development Indicators 2004.

#### **D. Strategic perspective**

The Rwandan leadership has become a dictatorship and the international community, once again, is failing to do anything about it. While Rwanda has shown progress in terms of economic and political reconstruction and establishing a relatively viable bureaucracy, the leadership has failed to ensure free and transparent elections. The Rwandan government must be criticized for suppressing dissent and contributing to regional destabilization. However, the international community must also be criticized: A prevailing sense of guilt among Western governments for failing to intervene in the genocide of 1994 has led their manipulation in the current situation.

The absence of national reconciliation, continued through unacknowledged ethnic conflict, and developments in the DR Congo, tied to the intransigence of the Rwandan-based Hutu militia, pose the greatest threats to democratic and economic transformation in Rwanda. Political parties and civic associations will remain weak and subordinate to the RPF. With increasingly more members of the elite exiled, Rwanda is losing its diversity of opinion and thus the stimulation needed for successful transformation. Political power will continue to rest with Kagame so long as he remains in power. He continues to guarantee peace and stability within Rwandan territory, which is a key prerequisite to transformation. However, with time, his hold on power via military means will weaken as security grows increasingly threatened and military costs too expensive in an economic environment with average or declining growth rates. Successful transformation toward a functioning democracy appears increasingly less realistic and threatens the promising gains made in economic transformation.

Economic transformation will likely continue along its planned path for a certain period. The government is committed to its reform program and dependent on the financial support of the international community insisting on these reforms. The NEPAD initiative of the AU provides the Rwandan government the means to improve its international image by implementing reforms. However, an ongoing power struggle and the necessity to fulfill the demands of a shrinking elite will likely make it increasingly difficult to curb negative trends such as corruption. Such negative developments could undermine positive developments such as a diversifying export industry, qualitative reforms in the coffee sector and the support of a sustainable politics. Rwanda's continued dependence on donor assistance will provide the international community with leverage regarding especially Rwandan-Congolese relations.

Clear, unequivocal condemnation of human rights violations in Rwanda is imperative. Unabated international support for national reconciliation is equally crucial; suspected perpetrators of the genocide must stand trial. Furthermore, the government's security interests should not be neglected. The ongoing battle with Hutu militias legitimizes and justifies the government's security concerns. Regional politics are therefore a key element in resolving the problems plaguing Rwanda.