

BTI 2010 | Rwanda Country Report

Status Index	1-10	4.57	# 91 of 128	
Democracy	1-10	4.03	# 96 of 128	➔
Market Economy	1-10	5.11	# 78 of 128	⬆
Management Index	1-10	4.76	# 70 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	9.5	HDI	0.46	GDP p.c.	\$	925
Pop. growth	% p.a.	2.6	HDI rank of 182	167	Gini Index		46.7
Life expectancy	years	50	UN Education Index	0.61	Poverty ²	%	90.3
Urban population	%	18.1	Gender equality ¹	-	Aid per capita	\$	73.2

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

During the period under review, Rwanda strengthened its authoritarian development strategy. The 2008 parliamentary elections failed to meet international standards and confirmed the façade character of its democratic institutions. Meanwhile, the Rwandan leadership insists on its particular version of democracy based on an alleged “consensus model.” At the same time, the government sidelines parts of the domestic society that it does not trust and rejects dialogue with a significant number of groups in exile that are regarded as either perpetrators of the genocide or promoters of “divisionism.” The stability of President Paul Kagame’s government depends upon the return of order and security after the 1994 genocide, increasing economic success and repression. The population may not fully perceive the price it pays for this stability due to a lack of democratic experience. Rwanda is not and has never been a democracy. Poverty, unresolved ethno-social conflicts and ill-conditioned reconciliation are still the main ills that plague Rwandan society. The political decision to bar any reference to ethnic differences – which is severely punished as an offence of “divisionism” – marked a political turnaround from escalation to denial. This approach has taken precedence over a process of reconciliation. Most official attempts to resolve the problem follow an authoritarian and didactic pattern. They are one-sided; thus allegations of war crimes presumably committed by the current regime’s troops are not seriously investigated.

Rwanda still is a very poor country with a low level of human development. Massive population density and continued growth have led to serious scarcity of arable land for the vast majority of subsistence farmers. Structural factors – such as Rwanda’s landlocked geographic position, infrastructure conditions and lack of considerable natural resources – also constrain economic development. However, the upper and urban echelons of the population welcomed the considerable international efforts mainly from Western states and international organizations that prevented the country from total state failure after the genocide and set it on a respectable economic pathway. Privatization of key economic sectors advanced further. However, government supervision is strict on behalf of ambiguous interests: The involvement of

investment companies of Kagame's political party provokes doubts about a sufficient separation of the state and the private economy. The economic life of most of the population is informally structured and dominated by subsistence cultivation. The majority of the rural population has not benefited from economic progress.

While donors are increasingly satisfied with Rwanda's economic cooperation, political cooperation suffers from the international community's sense of guilt, having failed to intervene before and during the genocide and, certainly, under the present autocratic government. International observers noted persistent and severe deficiencies, particularly in the judiciary. The latest intervention in the D. R. Congo (January 2009) confirmed that Rwanda is still a key regional military power that prefers to resolve its conflicts by military force and political pressure rather than by dialogue.

History and Characteristics of Transformation

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

The conflict between the Hutu, who constitute almost 85% of the population, and the Tutsi, who make up 15%, was exacerbated during the colonial era and has played a key role in Rwandan politics and economic life ever since. Mainly perceived as an ethnic conflict, it is, in reality, far more complex. The conflict encompasses social, historical and political dimensions. Members of the elite inflamed the conflict by exploiting ethno-social differences in their struggle for power, thus dividing society. Following independence in 1962, a group of Hutu dominated Rwanda's government as large numbers of Tutsi repeatedly fled the country due to political harassment and massacres. When General Habyarimana took power in 1973, the situation was stabilized for some years, albeit under the auspices of autocracy. Later, economic pressures and the demands of the donor community led to a process of political liberalization. The July 1990 speech of French President Mitterrand at the Africa-France summit in La Baule, announcing the future dependence of public development aid on democratic reforms, played a key role. Shortly thereafter, Habyarimana conceded to internal demands and established a constitutional commission. The October 1990 invasion of the Rwandan Patriotic Front (RPF) – a Uganda-based, Tutsi-led rebel group – interrupted the process.

Thereafter, ceasefire and political liberalization had to be negotiated together. The internationally mediated 1993 Arusha Agreement led to the introduction of a multiparty government and foresaw the integration of RPF politicians and the military into state structures. This initiative sought to bring about the large-scale integration of RPF soldiers into the national armed forces, which contributed to further radicalization. Hence, Hutu extremists planned the genocide and mass murder of political opponents, in which approximately 800,000 Tutsi and

moderate Hutu died in 1994. It is unclear who bears responsibility for the shooting of Habyarimana's airplane on 6 April 1994, the event that launched the genocide. Nevertheless, elite units of the Rwandan army and centrally organized militias carried out the most brutal atrocities. Finally, RPF troops conquered Kigali and the rest of the country and thus brought an end to the genocide. The perpetrators of genocide and army soldiers regrouped in neighboring Zaire, hiding among the approximately 2 million refugees while the RPF based its transitional regime formally on the Arusha Agreement.

Throughout the rest of the 1990s, the RPF consolidated its dominance over the political process. Dozens of high-level politicians went into exile (e.g., Prime Minister Faustin Twagiramungu in 1995) or were prosecuted for corruption or "divisionism," some of whom had been leading members of the RPF (e.g., President Bizimungu in 2000). In the same period, Rwanda became involved in the Democratic Republic of Congo's civil war, aiming to destroy Rwandan Hutu army and militia, gain control over east Congo and plunder Congolese natural resources.

At the turn of the millennium, General Kagame took over the presidency without any further consideration for the Arusha provisions. To strengthen its legitimacy, the government ended the prolonged transitional 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 Kagame and the RPF gained an absolute majority through questionable means and systematically misled donors with a sophisticated democratic façade.

In retrospect, economic transformation following independence was not successful. Subsistence livelihood continued to dominate an economy lacking in diversification and suffering from its landlocked central African position as well as from the loss of its integral position in the larger economic area established by Belgian colonialism in the Congo. Supported by a relatively effective administration, the country saw economic growth in the early 1980s, but the economy broke down some years later with sinking world market prices for coffee and tea. The decline destroyed the regime's legitimacy with respect to economic performance and destabilized the fragile society once again.

The genocide destroyed the country's human resources and economic achievements. The political and economic elites were largely replaced. RPF leaders dominated the process from the beginning, and members from other parties were only accepted if they recognized the RPF's dominance. The RPF imposed a policy of economic liberalization and modernization under the condition that its control of the process not be endangered. The leadership's deep distrust of the former elites prevents them from allowing real liberalization. However, Rwanda cooperates intensively with the donor community (e.g., with Structural Adjustment and Poverty Reduction programs) in economic programs. Privatization in favor of foreign investors is welcomed, higher education is promoted and gender equality pronounced. However, the government's sharp rejection of any form of criticism with regard to politics hinders economic growth and democratization. Voices demanding more progress in both respects have continuously increased in number, but they still avoid the public eye.

Transformation Status

I. Democracy

1 | Stateness

The current leadership holds a complete monopoly on the use of force. Rwanda's small territory facilitates intense state control throughout the entire country. There is no relevant internal competition with the state's monopoly. Common interests with and support for particular rebel groups in the neighboring Democratic Republic of Congo (DRC) serves as an effective protective shield against aggression from Rwandan rebel groups operating in the DRC. However, the use of force is not under the control of democratic institutions in Rwanda.

Monopoly on the use of force

Rwanda has a long national tradition and thus the legitimacy of the nation-state is not questioned in principle. However, the question of who has the right to govern the country is more problematic. Official policy promotes a strategy to overcome the division of the population into two main groups: Hutu (large majority) and Tutsi (minority). A significant percentage of citizens regard the current leadership as a Tutsi government. Indeed, many of today's political elite are ex-refugee Tutsi. In this difficult situation, the incumbents opted to declare the formal abolition of different identities and made reference to them punishable under law.

State identity

The state is largely defined as a secular order. Religions and the state are separated, different denominations are largely respected by the state and in society, and this includes the growing Muslim minority. There is no influence of religious dogmas on politics.

No interference of religious dogmas

Generally, the administration is functioning quite effectively throughout the entire country. Starting from a low level of technology, administrative infrastructure has improved significantly. Its operation benefits from long traditions of a dense, intensely hierarchical bureaucratic network and from the country's relatively small territory. A recent reform of the territorial administration reinforced the central government's control. This gives the Ministry of Local Administration (MINALOC) broad authority throughout the country. However, access to rural jurisdiction is very poor.

Basic administration

2 | Political Participation

In September 2008, the second parliamentary elections held since the genocide again failed to meet international standards, as did the previous elections in 2003. The second largest party, the MDR, mainly supported by the Hutu, was forced to dissolve in 2003. This time, the elections took place in the absence of any serious opposition to the dominant ruling party, the Rwandan Patriotic Front (RPF). Hence, doubts about the results appeared counterintuitive when some observers alleged manipulations in favor of smaller parties in order to avoid having a one-party parliament and to maintain the democratic façade of the process. The final report of the observation mission of the European Union – published after a significant delay, which suggests internal controversies about the report’s content and awakens further suspicion of manipulation – appears in line with the general international avoidance of direct and open criticism. However, the report leaves no doubt that international standards of democratic elections were not met.

Free and fair elections

More importantly, the exiled opposition continued to be excluded from participation although the Rwandan government invited exiled groups to repatriate and participate. However, Kigali emphasized that it hewed to a strict application of Rwandan laws. In a political environment in which any opposition to RPF policies may legally count as divisionism, groups that have been exiled are reluctant to reintegrate. All in all, the most recent elections contributed to the consolidation of authoritarian rule instead of democratization.

In reality, Rwanda’s citizens cannot choose their leaders. No aggregated political competitor to the RPF declared opposition to President Kagame or his party. The RPF leadership widely controls the access to any political and administrative office. The people’s participation is reduced to façade elections. An uncertain number of citizens feel compelled to vote for the RPF in order to avoid negative consequences. President Kagame’s power principally rests on the loyalty of key actors (e.g., some cabinet members, presidential staff, the armed forces, secret service and administration), the cooptation or exclusion of potential competitors and a measure of legitimacy in terms of economic performance, owing to his provision of security and apparent stability.

Effective power to govern

Formally, there are no unreasonable restrictions concerning political organization and communication. The constitution incorporates a commitment to fight “ethnic, regional, racial and divisive tendencies.” However, the accusation of “divisionism” is heavily politicized and also used against NGOs. Human Rights Watch (HRW) and Amnesty International (AI) have repeatedly denounced restrictions placed upon human rights groups. According to the U.S. Department of State, some peaceful religious activists are not safe from repression, especially Jehovah’s Witnesses. It appears that direct government interference is on the decline, which indicates that self-censorship among societal actors has increased. There are only demonstrations that support government positions.

Association / assembly rights

The Global Press Freedom Survey 2008 characterizes Rwanda as being “not free.” Rwanda slightly improved its ranking, gaining one position to 181 out of 195 countries, which is equal to the assessment of China and Somalia. The government controls domestic broadcasts, even though a young private radio station, Contact FM, enjoys enough trust from the government to run live shows on critical issues. A few foreign services – Deutsche Welle, BBC and Voice of America – provide independent news. RFI is suspended due to the interruption of all diplomatic relations with France. The BBC’s and VOA’s Kinyarwanda services were threatened with closure when they broadcast original recordings of Rwandan rebels acting in the Congo. After an initially furious reaction, the government calmed down and the stations were able to continue their work. There is one daily newspaper, the New Times, which rarely criticizes the government. A few independent weeklies such as Umuseso continue to fear harassment, intimidation and prosecution by the state. The U.S. Department of State described 2007 as a year during which press freedom decreased. In 2008, there was little general change. Journalists were accused of incompetence and defamation, and, in at least in two cases, were forced to leave the country; they also seem to have preferred self-censorship. At the same time, virtually all media suffer from a lack of training and professionalism, which further drives the tensions between them and pro-government forces. The vast majority of citizens cannot access a plurality of opinions.

Freedom of expression

3 | Rule of Law

The constitution provides for a formal separation of powers but favors a strong president. The formal and informal domination of the presidency over legislation and jurisdiction is additionally secured with the help of the RPF party machine. The real power of the RPF is institutionally concealed, for instance, by refusing to publish the party affiliations of a large share of members of parliament and by the formal non-partisanship of many cabinet ministers. A “Forum of Political Parties” prepares decisions in the lower chamber behind closed doors, which, officially, facilitates a broad consensus but also reduces and circumvents public debate. Since the only party with oppositional potential, MDR, was dissolved in 2003 (and others have been refused registry), there is no serious opposition and the judiciary is largely politicized. Institutional rules are systematically manipulated. In March 2008, for instance, Kagame reshuffled his government and created the new post of a Minister for Cabinet Affairs, in an obvious attempt to further sideline the non-RPF prime minister. In addition, none of the 26 influential senators are directly elected, and most of them are said to be close to the president and a majority are RPF members. The lower chamber increasingly debates technocratic issues. However, challenges of presidential policies have not been reported; voting is usually done along party lines and accountability to the people is low.

Separation of powers

The judiciary is formally independent but, in reality, is significantly subordinated to the will of the executive. In addition, the judiciary is permanently overloaded, pitifully understaffed and lacks adequate training. The institutional differentiation of the judiciary has improved but is still insufficient. Semi-traditional Gacaca grassroots courts for genocide suspects proved inadequate for fair trials. Due to the lack of human and financial resources, many citizens cannot access counsel. Presumed war crimes of RPF soldiers are rarely tried by Rwandan military courts. Showcases end with rather low sentences. Cooperation with the International Criminal Tribunal for Rwanda (ICTR) is plagued with conflict. The ICTR, which will complete its work soon, has delayed a final decision on the transfer of the remaining cases to the Rwandan judiciary, even though Rwanda dismantled a formal barrier by abolishing the death penalty in March 2007. However, the ICTR appears unconvinced of the measures undertaken by the Rwandan government to ensure fair trials.

Independent
judiciary

The independence of foreign judiciaries is not acknowledged. After French investigations and the issue of several international arrest warrants against RPF officials in late 2006, a Spanish judge extended the number of warrants in the framework of similar investigations in February 2008. Both judges suspect RPF politicians and soldiers of involvement in the death of former President Habyarimana, which unleashed the genocide. Germany arrested one of the suspects in October 2008. All three countries experienced harsh diplomatic reactions from Kigali, which has repeatedly described the warrants as a political abuse of the international judiciary and has called for African solidarity against these measures.

Several political actors have been removed from office during recent years; others went “voluntarily” into exile. Since most key figures were no longer in office during the period under review, the prosecution of high-level politicians declined. However, whoever abuses his office from the president’s point of view must expect prosecution. It is difficult to assess whether the reasons are always apolitical and whether some forms of office abuse are tolerated. Allegations of abusive exploitation of resources were leveled against Rwandan officials in the eastern parts of the DRC. Such allegations have neither been tried by the Rwandan judiciary nor discussed in parliament, but instead have been sharply denied by the government.

Prosecution of
office abuse

The state largely provides security for its citizens. The situation in the country is calm and generally safe. There are reports of vigilante justice and acts of revenge. Violence against women is common despite official attempts to counter it. Poverty restricts access to civil rights. Together with organizational deficits, the state cannot provide effective redress when these liberties are violated, particularly not in rural areas.

Civil rights

4 | Stability of Democratic Institutions

Formal institutions are part of an effective and efficient authoritarian system. “Democratic” institutions only exist as a façade and are under the control of the RPF leadership. Several state bodies also serve for cooptation of potential opposition politicians. There is some room for controversial debate when it comes to technocratic issues. Parliament proves to be even more enthusiastic than the government in the over-interpretation of divisionism. For some observers, the small leadership circle of President Kagame resembles the “akazu” (“little house”), a term used to describe the inner circle of power in the Habyarimana regime.

Performance of democratic institutions

There are no relevant actors who contest institutional arrangements. The president is legally and de facto the most powerful actor and ensures the weakness of potential opposition actors. The latter were successfully co-opted into the system, marginalized (e.g., former President Bizimungu) or excluded (exiled opposition). Political culture remains largely authoritarian and – due to the social structure – parochial, since the country and its citizens have never experienced liberal democracy.

Commitment to democratic institutions

5 | Political and Social Integration

The massive domination of the RPF continues and tends to increase. Other parties are largely co-opted into the RPF power system. The last parliamentary election showed their dependence on the goodwill of the RPF. Although the government lifted a ban on local party activities in June 2007, the dominant party remains the only political organization that has access to the necessary financial and human resources in order to be present in the whole country. RPF always uses local structures, relying on its tight relationships with administrative personnel. All parties are obliged to take part in the consultations of a Forum of Political Organizations. Many observers believe that the Forum is an instrument of control for the RPF. Personal co-optation and self-censorship muzzle the Liberal Party (Parti Libéral, PL) and the Social Democratic Party (Parti Social Démocrate, PSD). In early 2009, Bernard Ntaganda formed a splinter group of the PSD, called PSDI, whose power and status is yet to be clarified. None of eight accredited parties claims to oppose President Kagame. Whether radical or moderate, Rwandan officials refuse to recognize or negotiate with external opposition groups if they are not willing to repatriate and accept existing Rwandan legislation against divisionism.

Party system

The work of interest groups is restricted. Certain interests, in particular those of genocide victims and women, are promoted with government support or even interwoven into political institutions. However, the government does not permit outright criticism by civil society organizations. Unlike other African states, trade unions do not play a visible role. Networking is controlled by the state (via an obligation to participate in a state-controlled umbrella organization), leaving no appropriate means to mediate between society and the political system.

Interest groups

Due to a lack of survey data, the population's attitude toward democracy cannot be adequately measured. It is disputable whether the population, if asked about democracy in a survey, would understand the concept in liberal terms due to the lack of democratic experience. Meanwhile, the very high official voter turnout could be interpreted as a commitment to democratic norms, but one must bear in mind that many citizens believe abstention would lead to personal disadvantages. Furthermore, electoral observers disputed the extraordinarily high official turnout of 98.8 % in the September 2008 parliamentary elections.

Consent to democratic norms

The government has little confidence in the self-organization capabilities of its society. Due to a lack of a balanced process of reconciliation, there is still very little trust among the population. Some elements of society feel uncomfortable with a ruling class dominated by ex-refugees from Uganda. Due to imminent allegations of "divisionism," there is no open debate in which these feelings are expressed. This, in turn, has generated a latent danger and hinders substantial reconciliation on an individual and societal level.

Associational activities

II. Market Economy

6 | Level of Socioeconomic Development

Rwanda is still a very poor and extremely populous country. The country's Human Development Index improved, during the period under review, less quickly than in other states at the bottom end of world development. Thus, Rwanda fell slightly back to rank 161 out of 177 nations. This does not provide sufficient social inclusion in a fast-growing society of about 10 million. Half of the population is under the age of 15. More than 80% of the population lives on the basis of a subsistence economy. A similar share of the population lives in rural areas with a daily income below \$2. The disparity of incomes is already high, and is increasing and deepening the social gap between urban and rural citizens. Formal employment is growing, but still rare. Poverty afflicts men and women to the same high extent. As such, Rwanda lacks the socioeconomic prerequisites for adequate freedom of choice. The authorities restrict domestic migration for those seeking to find employment in another place, particularly the capital city of Kigali.

Socioeconomic barriers

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	1970.6	2379.1	2834.5	3411.8
Growth of GDP	%	5.3	7.1	7.3	7.9
Inflation (CPI)	%	12.3	9.0	8.9	9.1
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	0.4	0.3	0.4	2.0
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-35.2	-52.1	-180.0	-146.6
Public debt	\$ mn.	1543.4	1419.6	389.3	455.5
External debt	\$ mn.	1660.9	1518.2	418.6	495.8
Total debt service	% of GNI	1.3	1.0	1.1	0.4
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	12.0	12.0	11.9	10.7
Public expnd. on edu.	% of GDP	-	3.4	-	4.9
Public expnd. on health	% of GDP	4.0	4.5	4.6	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.1	1.9	1.9	1.6

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

The market economy operates under a weak institutional framework, though the government makes efforts that are recognized by international donors like the IMF. Investors are generally free to operate as long as they meet government requirements. If conflicts with foreign investors emerge, the government acts in an authoritarian style. Important structural obstacles to market-based reforms include a significant informal sector, corruption and a lack of infrastructure as well as of human and natural resources.

Market-based competition

The formation of monopolies and oligopolies is regulated inconsistently. Effective regulation is difficult due to structural obstacles, but the government is working on better formal regulation. Liberal enforcement of regulations, beyond government intervention, is still weak although a commercial court established for employing foreign judges from Mauritius suggests the will to act professionally. Close (informal) ties between government officials and businessmen, for instance through RPF-owned investment companies such as TriStar, influence the market. However, significant steps toward pluralization were undertaken in important sectors such as banking and telecommunications.

Anti-monopoly policy

The liberalization of foreign trade is a declared governmental objective. The integration into COMESA and, particularly, full membership in the East African Community (EAC) as well as privatizations and sales to foreign investors of key sectors of the economy (e.g., coffee, tea, banking, and telecommunication), are some of the important efforts that have been realized. Bureaucratic procedures were significantly simplified during the period under review. However, a number of investors still object to the poor performance of economically relevant agencies. Moreover, foreign trade partners are politically selected, anchoring Rwanda in the East and benefiting from insecurity in the West (Congo). At the same time, the country depends to a large degree on foreign trade over which it cannot exercise much influence due to its poor natural resources, landlocked situation and aid dependency.

Liberalization of foreign trade

The banking system is free and continues to improve, although it remains small and poorly developed. Most commercial banks do not have more than a dozen branch offices, leaving the countryside poorly equipped with banking facilities other than microfinance institutions. Payment and money transfer systems are outdated. At first, in 2006, the government sold 80% of the shares of two commercial banks to foreign investors. In the following years, most banks, including the Banque Populaire du Rwanda, were privatized and partially sold to foreign shareholders. Legislation in the banking sector was enacted in 1999. The government responded to external counsel by improving the independence of the central bank. However, the regime maintains its influence in the banking sector.

Banking system

8 | Currency and Price Stability

The government is committed to the stability of currency and prices. The Rwandan franc floats freely and upholds relatively stable exchange rates with the U.S. dollar, while inflation continues to be high mainly due to external factors like costs for energy and transport and the massive influx of development aid. The independence of the central bank is currently undergoing further improvement.

Anti-inflation /
forex policy

The strong commitment to economic growth is constrained by the country's unfavorable structural starting point and certain prestige-motivated projects. The economy recovered from its total breakdown in 1994 and has since exceeded pre-war levels by growing at an average rate of 5%, close to overall sub-Saharan performance. The country also benefitted from international debt forgiveness, which reduced its foreign obligations from 60% of GDP in 1997 to 15% in 2006. However, Rwanda suffers from a continuously negative current account balance (about -5% in 2007), from a population growth above the African average (close to 3%) and double-digit consumer price inflation. Due to institutional deficiencies and the autocratic character of the regime, there is no guarantee of future policy change.

Macrostability

9 | Private Property

Property rights and the right to acquire property are formally defined in law, but suffer due to shortcomings in the country's rule of law. However, the sole significant property of the mass of the population is often land. The implementation of the new Land Act, which aims at a redistribution of large sections of land, is proceeding slowly due to difficult structural and technical conditions. Previously, rural land occupants were subjected to the often arbitrary decisions of the local authorities since all land previously belonged to the state. Peasants lack the capacity to contest land decisions in front of the judiciary.

Property rights

Privatization policy further improved during recent years, consisting of the sale of former state companies to foreign investors, including strategic sectors such as telecommunications, banks, coffee, tea, tourism and energy. There are negotiations in process on the national airline as well. However, there is no domestic economic "middle class" that privately owns a significant share of companies and is independent from the political leadership. Some reports suggest that foreign investment would become easier if RPF companies held stakes in the enterprise. Due to the economic engagement of the RPF, doubts exist about the strict separation between private and state interests. Thus, the Economist's Intelligence Unit concludes: "Privatizations in Rwanda are dominated by a firm pragmatism on behalf of the government, which will do business only on its own terms."

Private enterprise

10 | Welfare Regime

There is no adequate social safety against the most prevalent risks for the large majority of the population. However, the introduction of minimal health insurance (mutuelles de santé) was a step forward, although funding is inadequate. Also, the government has remained committed to poverty reduction even though most parts of the particularly vulnerable population do not yet benefit sufficiently. Private insurance companies are inaccessible to ordinary people due to the costs. The national pension system is weak and only serves former employees of the small formal sector.

Social safety nets

Some instruments are said to compensate for gross social differences with varying success. While the level of equal treatment of women in the public space is advanced – at least on the elite level – there are allegations concerning covert discrimination against Hutu and French-speaking Tutsi. Such allegations are usually not uttered publicly due to the threat of severe prosecution under the official Banyarwanda policy (“We are all Rwandans!”), and they are difficult to prove. However, English-speaking ex-refugees assumed to be very close to the state’s leadership are strongly overrepresented in important public offices and among the economic elite.

Equal opportunity

11 | Economic Performance

The Rwandan economy is still suffering from the aftermath of genocide and its endemic structural constraints. A comparatively flourishing recovery phase immediately after the 1994 breakdown, which produced double-digit growth rates, has ended. Average growth between 2002 and 2007 declined to 4.8%. It recently recovered from an economic low but faces serious risks due to the world financial crises (two year average 2006/07 at 5.7% and similar IMF projections for 2008/09). Due to high inflation and fast population growth, much more economic growth would be necessary to have a substantial impact on the country’s development, particularly as relates to closing the economic gap between urban and rural populations. There is hope that debt relief, extensive privatization and the successful work of the Rwanda Revenue Authority will lead to better performance in the future. The government conceived the program “Vision 2020” as a long-term economic plan. Major efforts in higher education should provide highly qualified manpower for an international financial and technical service center for East Africa and thus give the country an urgently needed additional economic stimulus.

Output strength

12 | Sustainability

Massive funding from donors meets a general political will to integrate environmental protection into the country's development strategy. For instance, Rwanda is one of eight pilot countries of the United Nations' Poverty and Environment Initiative (PEI). While earlier actions, such as a total ban on plastic bags, appeared to be political maneuvering, more serious topics are now thoughtfully addressed. REMA, a government agency for environmental management, will supervise related programs. However, if environmental protection conflicts with economic development, it is likely that political decisions will favor economic growth.

Environmental
policy

Compared to other African countries, Rwanda performs quite well in basic education. Spending on education now stands at 5.5% of GDP, which is a large increase over the last few years. Schooling fees were formally abolished, but problems persist with the application of free education since some families cannot afford uniforms, pens and notebooks. The government recognizes the relatively poor natural resources available in the country and therefore fosters higher education, and is committed to offering technological services on the world market. However, important structural deficiencies persist and the number of university students is still very low.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

The structural constraints on governance are massive. There are large obstacles regarding the lack of natural and human resources as well as infrastructure. The country reached its pre-genocide economic level in no more than a decade, but the social burden persists. Extreme poverty, low human development and continuously growing overpopulation undermine all government efforts. Rwanda is landlocked and without access to water or railways leading to the coast. The energy supply is insufficient, which leads to regular blackouts wherever electricity is available at all. Energy production is highly dependent on expensive petroleum generators. There are various efforts to increase domestic power generation (hydro power plants, methane gas exploitation, solar energy), but all these projects are still in early stages. Rwanda is thus highly vulnerable to externally determined energy prices. The government's investment in education will only have medium-term benefits. Direct and indirect consequences of the genocide have led to an acute lack of competence due to the genocide and numerous exiled elites. Staff must qualify politically as well as functionally. Potential government critics are excluded from professional careers. HIV/AIDS prevalence is lower than estimated earlier. UNAIDS reports a prevalence rate of an estimated 2.8% among adults aged 15 to 49. Donor-driven government programs effectively fight the disease.

Structural
constraints

Civil society organizations exist, but have a poor impact due to repression, self-censorship or direct dependence on the government. The country's authoritarian tradition has never left space for the potentially substantial contributions of a free and independent civil society. Some positive development in the early 1990s was brought to an end by the genocide. The government continues to constrict the few independent NGOs, particularly human rights groups that appear to be the most critical in political terms, while it supports organizations that promote regime policies. Some resistance to excessive government intervention is visible but remains modest. In general, there is only a low level of participation in public life. Renewed community work (Umuganda) is imposed by the state and, therefore, widely disliked among the population. Self-organized community projects in rural areas are virtually nonexistent. More and more, the government tries to dominate donor-funded projects and initiatives.

Civil society
traditions

The polarization of Rwandan society is an acknowledged and very serious problem. The potential for future escalation remains high. The government undertook reconciliation measures that sanction “divisionism” rigorously. In general, the government pursues an authoritarian approach that risks sharpening identity conflicts due to a combination of a total de jure neglect of ethnic categories and a de facto overrepresentation of (Tutsi) ex-refugees in all key positions of society. Group mobilization or protest movements are smothered at an early stage. Many potential protest leaders have gone into exile or disappeared. The distrust among different groups, who are not exclusively ethnically defined, is suppressed instead of openly debated.

Conflict intensity

II. Management Performance

14 | Steering Capability

The current leadership’s evident priority is to maintain its power. Within this framework, it is able to set political aims that cover security and economic development. In general, the government favors a market economy. In economic questions, the government is able to identify key problems and formulate the adequate means to tackle them. It defines and implements corresponding policy programs with different levels of progress and success. An efficient top-down bureaucracy, reinforced by the recent reform of the territorial administration, ensures policy implementation. However, the government’s concept of democracy fails to meet the normative points of reference guiding the BTI. When push comes to shove, security and the maintenance of power trump the implementation of all other policies.

Prioritization

In economic affairs, great progress has been made since the total breakdown of economy and society. The government is determined to carry out reforms in cooperation with the donor community, and donors such as the IMF have articulated their growing satisfaction with Rwanda’s economic cooperation in technocratic terms. However, concerns persist regarding major prestige projects in the capital (e.g., Kigali shopping malls), while progress in rural areas is limited. The 2008 parliamentary elections failed to restart political liberalization, which came to a halt with the previous elections in 2003. Authoritarianism continues to persist in Rwanda. A population that has never experienced democracy attempts to come to terms with the RPF government and tries to behave in the manner of (presumed) expectations. The implementation of a decentralization policy has led to more

Implementation

efficient, but not democratic, governance. Districts are now an important administrative unit charged with key roles in health, education and infrastructure. However, district councillors are not elected by universal suffrage and mayors are exchanged at the will of the government.

Polarization of the society due to ethnicity has been the most significant and instructive political error of the past. The government has carefully crafted formal institutions which allow for authoritarian control, the suppression of open debate, effective cooptation and, thereby, containment of potential competitors and the maintenance of a democratic façade at the same time. However, this does not reflect the normative idea of the BTI as to innovation and flexibility, which must result in real democratic progress. Simultaneously, the government further increased its commitment to carry out effective economic and structural reform. It has privatized significant parts of main economic sectors. It has given priority to technological innovation, such as methane gas exploitation at Lake Kivu, and the strengthening of tertiary education particularly in technologies. However, there is a massive gap between economic and political liberalization as well as between the levels of flexibility and innovation in the respective realms.

Policy learning

15 | Resource Efficiency

The government uses most of its available resources efficiently. However, domestic financial resources are scarce and human resources are politically selected. After a cleansing of cabinet positions via corruption allegations in the previous period of assessment, further cabinet members have been replaced or sidelined for political reasons. Meanwhile, the finance ministry strives for a balanced state budget and builds on the benefits from large-scale debt relief. Oft-criticized military expenditures have stagnated, but are still rather high. However, the United States largely subsidizes them outside of the budget (military training, equipment supply, airport construction plan). The Rwandan bureaucracy performs relatively well in terms of efficient administration,. However, instruments for effective control of the administration are reserved for the government (“imihigo” performance contracts), although the ombudsman (a senior RPF member) and the parliament (with its large RPF majority) made some efforts to include selected points of view. Concurrently, reviews of the African Peer Review Mechanism (APRM) revealed that inadequate self-criticism partly worsens inefficient resource allocation. Mistakes are rarely recognized. Once the government has made a decision, corrections become difficult.

Efficient use of assets

The inner circle of the government guarantees coherent action and effective implementation of its policies but suffers from distrust vis-à-vis parts of its own subordinate staff and a real lack of professional training. An inner circle of power headed by President Kagame coordinates politics hierarchically and without

Policy coordination

significant internal deviation. Public statements by government representatives are always aligned with the official policy of the presidency. The political leadership replaces interfering individuals immediately or establishes double structures in order to sideline and tightly control others. The introduction of a Ministry of Cabinet Affairs, headed by former RPF secretary general Charles Murigande, for instance, must be interpreted as the final disempowerment of the prime minister. The cabinet reorganization reduces the semi-presidential appearance of the constitution to a pure façade of a system of power sharing and, thus, calls into question the efficiency of government organization.

The fight against corruption is one of the government's official priorities. It serves at least three functions: fighting negative economic impacts and strengthening development, removing personnel who are not in line with government priorities, and improving the country's international reputation. Consequently, members of both the political and economic elite as well as simple civil servants are prosecuted if allegations are brought against them. The flawed judiciary makes it impossible to distinguish between legitimate and politically motivated allegations. In general, petty and political corruption continues to be an important problem. The latest Transparency International record ranks Rwanda 102nd out of 180 countries. The World Bank Institute sees the country at a middle level, too. All in all, Rwanda appears to be strengthening impartial anti-corruption measures.

Anti-corruption
policy

16 | Consensus-Building

Although the government presents power sharing and broad-based consensus as main features of the Rwandan polity, it employs a strategy in which dissident opinions are eliminated in advance, that is, before negotiating real consensus. The inner circle of leadership is virtually the sole domestic political actor of real importance. Political parties aside from the RPF are very weak and more credible opposition parties have been banned, prevented from registering or prefer to organize in exile. International actors hesitate to criticize the power sharing façade, while academic experts generally underline the political deficiencies. Liberal democracy is not a priority, while economic liberalization towards a full market economy is a credible medium-term aim of the current leadership.

Consensus on goals

Relevant political actors – that is, mainly the RPF leadership, which is virtually unchallenged within the country – have no interest in excluding anti-democratic veto actors as they themselves are not committed to substantial democratization. The influence of the military is very high. President Kagame himself was the leader of the RPF's military branch and still counts on old loyalties. Security and economic modernization are the two top priorities and are maintained at all costs. Consequently, a mixed style of military and entrepreneurial leadership creates politics in an authoritarian tone. Political liberalization and human rights are subordinated.

Anti-democratic
veto actors

During the period under consideration, the political leadership has been effective in preventing cleavage-based conflicts from escalating on Rwandan territory. However, the government has not been able to produce sufficient trust among potential conflict groups in order to ensure sustainable stability. Due to the geographical conditions and the current leadership's great military power, which allowed very effective interventions in neighboring Congo in the past, Rwanda has been able to keep its territory very secure. Hutu militias in the Congo – particularly the FDLR – are no longer a serious threat for Kigali but they provide evidence of an unsolved social conflict. In early 2009, the Congolese and the Rwandan armies launched a joint attack against the FDLR in the North Kivu. It remains to be seen if this operation finally eliminated this militia. Domestically, the government uses its Banyarwanda policy to propagate a national identity beyond Hutu or Tutsi in order to prevent future escalations. From a critical perspective, these measures are mostly state-driven and based on the threat of severe punishment for “divisionism.” At the same time, Tutsi repatriates are de facto overrepresented in all privileged realms of society. There are serious doubts that the government's strategy of neglect can prevent an escalation of conflict in the country over the medium or long term.

Cleavage /
conflict
management

It is difficult to detect true civil society actors in Rwanda. Some observers deny the existence of any independent association, while others would agree that acting NGO member are forced to be extremely careful about what they do and how they do it (self-censorship), yet continue to test the limits. The Rwandan League for the Promotion and Defense of Human Rights (LIPRODHOR), for instance, recovered from government-steered renewal. It regained its position as one of the few critical organizations, despite the fact that its new president, Augustin Gahutu, was initially said to be close to government. However, the latest attempt to circumvent coercive coordination under a national umbrella organization failed. One domestic NGO planned to conduct an independent electoral observation mission in September 2008 but its request was denied. Other actors, such as genocide victims' or women's organizations, profit from closeness to official government policies. Also, the representation of several segments of civil society, such as women, youth or disabled people, is incorporated into the polity with the help of reserved seats in parliament. However, many NGOs appear to be more parastatal than civil society organizations. The government strictly controls any support of external NGOs to civil society organizations.

Civil society
participation

The eradication of ethnic thinking and the prosecution of all who contributed to the genocide or to so-called “divisionism” are important constitutional and policy aims. The government has introduced numerous institutional arrangements for reconciliation, such as the National Unity and Reconciliation Commission, which is responsible for community projects, and the Gacaca court system, which passes judgments on genocide suspects much more rapidly than professional tribunals could. However, observers doubt the fairness and objectivity of Gacaca procedures.

Reconciliation

Some suggest that Gacaca deepens the feeling of collective guilt by manifesting the magnitude of participation among the Hutu population, often on the basis of very thin evidence. Nevertheless, the government has transferred some category I suspects (with the exception of some key personalities) to Gacaca. Many suspects quickly received life sentences.

However, reconciliation is narrowly and one-sidedly conceptualized as a treatment of perpetrators and sympathizers of the genocide in order to eradicate the dangers of future atrocities against Tutsi by Hutu. Although RPA war crimes might bear no proportion to the genocide, the government's negligent attitude towards prosecuting them undermines true reconciliation. Military courts examined several cases against some soldiers and officers. Compared to genocide trials resulting in less severe charges, the sentences are mild and quickly pronounced. In 2008, a court sentenced two army officers suspected of unlawful killings to eight years in jail while it acquitted a third officer. The trial took less than half a year. The government aggressively rejects all foreign criticism of this program as an intervention in internal affairs and routinely assigns blame concerning the failure of the international community to stop the genocide. Kigali immediately interrupts any dialogue if foreign authorities intend to investigate allegations against RPF officials.

Meanwhile, it is difficult to imagine a successful reconciliation policy that is based on the neglect of ethnic identities as long as two conditions prevail: first, in order to protect Rwandophone Tutsi, militias in the eastern Congo were supported by the Rwandan army and, second, the Burundian polity institutionalizes ethnic differences by using quota systems. Additionally, in August 2008, a constitutional amendment changed the legal definition of the Rwandan tragedy in 1994. The atrocities are now explicitly termed "genocide of the Tutsi" even though the same constitution demands the total abolition of all ethnic references. Under these conditions, it is also difficult to highlight the positive acts of Hutu who protected their Tutsi neighbors at the risk of their own lives. A fair recognition of such merits would certainly contribute to reconciliation. All in all, the government's rhetoric, its institutional façade, its relatively good performance in economic development and its current record on safety cannot conceal the overall lack of inclusive reconciliation.

17 | International Cooperation

The government is willing to cooperate with external forces to some extent since it acknowledges its high dependence on foreign assistance. Half of the national budget is financed by international donors. Simultaneously, the political leadership seeks to strengthen its authoritative grip on society and defends its security policies inside the country and toward its neighbors. International donor agencies are

Effective use of
support

officially satisfied with Rwanda's economic cooperation. They hesitate to criticize the current leadership for democratic deficiencies; instead, foreign partners praise the current government for its clear commitments (the second Poverty Reduction Strategy Paper), its economic trajectory, development achievements and the high level of interior calm and order. However, the government's promotion of growth among the poor must increase in order to let broader parts of the society participate in human development.

Rwanda has mixed credibility and reliability in relations with the international community. Kagame's straightforward style and ability to define preferences wins him some credit in international economic cooperation. However, in February 2008, Fitch Ratings renewed its credit assessment and confirmed the B- mark with a positive trend, which is still a bad rating but recognizes efforts and obstacles. Concerning politics and democracy, international partners either bypass the subject diplomatically or risk shaky relations. Most Western actors hope for democratic improvement through economic development. Due to their responsibility for the failures of 1994 and a lack of reliable alternatives, international partners widely ignored even the government's harshest polemics against regime opponents, the United Nations and particular agencies of Western donor states. Most recently, a U.N. report on Rwandan involvement in Congo rebel activities prompted symbolic changes; for instance, the Netherlands and Sweden suspended their budget aid. Further, the most visible frictions exist with France and the International Criminal Tribunal for Rwanda (ICTR). Diplomatic relations with France remain interrupted because of the French prosecution of RPF officials for alleged war crimes. In the same context, Germany's ambassador was sent home and the RPF organized a mass demonstration in front of the German embassy in Kigali after the German border police executed a French arrest warrant at Frankfurt Airport against President Kagame's chief of protocol, Rose Kabuye, who was accused of involvement in the shooting of President Habyarimana's aircraft and his French crew. In the meantime, diplomatic relations with Berlin have been normalized, whereas the Rwandan government is expecting that the process against Kabuye will not produce enough evidence to sentence the accused and thus bring an end to the allegations against the Rwandan leadership of being responsible for the event that launched the genocide.

Credibility

Meanwhile, the ICTR still hesitates to transfer its remaining cases to the Rwandan justice due to a lack of trust in the fairness of Rwandan trials. The abolition of the death penalty and the construction of special detention centers, two necessary preconditions, have not yet convinced the Arusha tribunal.

To improve its image and gain prestige, Kigali is attempting to become a regular venue for international conferences and to participate in AU military missions. Rwanda implemented NEPAD's African Peer Review Mechanism (APRM), but it failed to recognize cautious criticism. Rwanda is a member of COMESA and, since July 2007, a full member of the East African Community (EAC). The integration

Regional
cooperation

into the EAC is economically reasonable as most of Rwanda's external trade runs through Kenyan and Tanzania. It underlines Rwanda's general orientation toward the Anglophone East and away from Francophone Congo, despite the fact that the country benefits enormously from the exportation of Congolese mineral resources.

Relations with Kinshasa for the past 10 years have been very difficult due to Rwanda's interference in the civil war in the DRC. But recently President Kagame and President Kabila agreed on a joint security operation against the Hutu militia FDLR and the integration of the Congolese Tutsi militia CNDP in the Congolese army. It remains to be seen whether the new alliance will last. Still, Rwanda tends to cooperate selectively and only on its own terms.

Strategic Outlook

Since the 2008 parliamentary elections did not serve as a step toward political liberalization, the RPF will be able to further strengthen its dominance and sideline other political actors. All of the parties that were registered in early 2009 continue to support the RPF-controlled government. For the past one and a half decades, domestic conditions have resulted in a lack of promising pro-democratic alternatives to the incumbents. The real center of political gravity is the presidency and there is no doubt that Kagame will be re-elected for a second seven-year term in 2010.

The government's strategy is to strengthen its legitimacy through economic development and security while negating social obstacles and dangers. Although the democratic façade cannot conceal the authoritarian character of the regime, domestic and international actors support the government. They hope that economic modernization will succeed, that the level of education will increase and that poverty will decrease. On this basis, they expect political liberalization to progressively replace repression. However, this arrangement is highly vulnerable to external economic shocks and could trigger social unrest. It neglects the exclusion of exiled elites and refugees who are either deeply upset about Kigali's politics or even willing to resort to violence. This violence currently affects the population of the Congo.

Also, the Rwandan government should begin to more seriously investigate allegations of war crimes committed by RPA soldiers and stand behind the unequivocal condemnation of human rights violations. Suspected perpetrators of the genocide must stand trial and trials should be carried out in accordance with the rule of law. Unabated support for national reconciliation is crucial and donors in particular should press for more effective and less one-sided programs. This is a precondition for the successful reintegration of groups in exile and, therefore, indispensable for sustainable peace and development.

Currently, the danger of conflict escalation is latent but should not be underestimated due to omnipresent repression, the lack of serious reconciliation, a growing distance between the political leadership's inner circle and the rest of the society (including parts of the elite), and a possible decline in economic performance. The recent prognosis for the growth rate is sufficient for economic improvement but the government must do more in order to promote growth among the poor and combat increasing income inequalities which leave many extremely poor people (mainly rural Hutu) behind. Currently, the country may be calm, safe and orderly, but the latent potential for conflict must not be underestimated. If conflict escalates again, the gradual economic success gained from market liberalization may be destroyed very quickly.

The incoherence of Western donors facilitates the Rwandan government's rejection of political critique. The relationship between Washington and Kigali is particularly favorable, due to U.S. military interests in the region. If the Obama administration places more emphasis on human

rights protections and civil liberties, diplomatic relations could deteriorate. The country currently provides apparently stable conditions in a fragile neighborhood. However, reports from the Congo suggest that Rwanda contributes to the perpetuation of conflict in the Kivus by boycotting any dialogue with the Hutu rebels of the FDLR. Kigali regards the latter as criminals and perpetrators of the genocide, a position which is a major obstacle to true reconciliation. Instead, Kigali seeks a military solution. The success of a joint military operation with the Congo is still to be evaluated. The surprising cooperation was negotiated in secret talks within an exclusive circle of decision makers and launched in January 2009. It re-strengthened Rwanda's military influence in the eastern Congo, which it is obviously interested in keeping.

More critical and consequential approaches of Western countries towards Kigali's attitudes on certain political issues (free and fair electoral competition, press freedom, respect of an independent judiciary, the Congo crisis) would complicate mutual relations as France, Spain, Germany, the Netherlands, Sweden, and even Britain as well as the United States (BBC and VOA cases) have already experienced. However, the alternative of neglect risks the escalation of repression or the eruption of violence if social discontent reaches a critical level due to a decline in the regime's legitimacy. Similar miscalculations contributed to the collapse of the Habyarimana regime, which also relied on policy outcomes, suppression of political liberties and the exclusion of exiled parts of the Rwandan people from domestic life. The 2010 presidential election provides the next opportunity for all actors to demonstrate their commitment to democracy.

Concerning the market economy, more confidence is appropriate as long as the political environment allows for further reforms. The world financial crisis did not directly affect Rwanda due to its remoteness and its feeble connection to the world financial system. Decisions on lowering ODA have not yet been made in the period under review but are likely to occur in some cases. Also, a decrease in international travel (conferences and tourism) could affect the country in the medium term.