

BTI 2014 | Rwanda Country Report

	scale	score	rank	trend
Status Index	1-10	4.87	# 86 of 129	
Political Transformation	1-10	3.95	# 97 of 129	➔
Economic Transformation	1-10	5.79	# 59 of 129	↗
Management Index	1-10	4.91	# 67 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	11.5	HDI	0.434	GDP p.c.	\$	1354.3
Pop. growth ¹	% p.a.	2.8	HDI rank of 187	167	Gini Index		50.8
Life expectancy	years	62.9	UN Education Index	0.403	Poverty ³	%	82.4
Urban population	%	19.4	Gender inequality ²	0.414	Aid per capita	\$	61.3

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The current government and the ruling elite stand for an authoritarian developmental state, firmly believing that the reconstruction of state and society requires strong leadership. The developmental state approach leaves no room for opposition and a viable multiparty system. The opportunities for the development of a vibrant civil society are limited.

According to the national long-term strategy elaborated in 1999, the “Vision 2020,” Rwanda should become a middle-income country by 2020, with modern agriculture, industry and services, and high levels of savings and private investment, giving all Rwandans the chance to gain from new economic opportunities. The modernization process is expected to bring about a profound transformation of the country, from a predominantly agricultural society to one oriented toward knowledge industries and services, with a business-oriented middle class, an expansion of non-agrarian employment, and more productive farming.

So far, the country has achieved considerable and constant economic growth; it has pursued sound fiscal and market policies. The government strengthened the territorial administration. It has developed the capital to support an international service center and to further improve roads and communications networks. The country is exploiting its natural resources, including hydroelectric power, natural gas and scarce minerals. The modernization of agriculture began in 2007 with the country’s Crop Intensification Program and the consolidation of land tenure.

The healthcare system is better organized and the spread of infectious disease has been checked. The most important step forward has been the substantial increase in secondary and tertiary education and the almost 100% primary school attendance. This could be the basis for producing the higher qualified manpower needed for the planned modernization of the economy. Another important step is the reduction of population growth through improved reproductive healthcare and family planning education.

Despite progress, it remains to be seen whether reforms imposed from above will be sufficient to overcome the serious structural deficits of the social and economic fabric. Even though population growth has slowed, it remains high. Job creation in the nonagricultural sector is grossly insufficient to absorb the incoming labor force. The development of industry and the non-state service sector have remained below expectations; the long-term prospects for the agriculture sector are disputed. Social inequality remains high, because achievements so far primarily have served the urban middle and upper classes.

There are no outside security threats. Integration into the East African Community (EAC) and the Commonwealth of Nations are actively pursued. But the country will remain heavily dependent on foreign development aid for the foreseeable future. Good relations with major donors and international finance organizations are therefore essential. Donors may accept the authoritarian leadership behind the sophisticated constitutional façade and hope that democratic enhancement will follow economic and social improvements. But they are less willing to tolerate Rwanda's political meddling, military involvement and illicit exploitation of mineral resources in the Kivu region of the Democratic Republic of Congo (DRC). After the Rwanda Army was reproached for interference in eastern DRC, in 2012, foreign donors reduced aid and the Rwandan leadership lost considerably credibility. Relations with the DRC will therefore determine not only Rwanda's international reputation but also its future economic development.

History and Characteristics of Transformation

At the time of independence in 1962, Rwanda was part of the Belgian Congo, but fell, as a former German colony, under the trusteeship of the United Nations. The Belgians governed the territory in a distorted form of indirect rule. They recognized the king (mwami) as formal head of the territory, but increasingly administered it by employing and thereby privileging the Tutsi aristocracy. After independence, the Tutsi aristocracy struggled for political control with a new intellectual Hutu elite educated by Christian missionaries and rooted in the peasantry. Both sides appealed to ethnicity, although it constituted only one facet of the complex societal structure. With the support of the departing Belgian administrators, the Hutu elite won the battle and perpetrated widespread pogroms against the Tutsi. About half the Tutsi community, at that time approximately 150,000 persons, including the aristocrats, fled and settled in adjacent countries. The country was then ruled first by a civilian and from 1973 onwards by a military dictator. Both had difficulties managing rivalries between the regional elites.

At independence, the country was poorly developed. It lacked major mineral resources, but had some agricultural potential due to its moderate climate, rich volcanic soil and the successful introduction of the cash crops tea, coffee and pyrethrum. However, despite substantial foreign development aid, further economic transformation was not successful. Subsistence livelihoods continued to predominate but were endangered by a rapidly growing population, soil degradation and increasing scarcity of land. The cash crops brought only small export earnings that were

insufficient to finance the increased demand for modern import products. The economy lacked diversification; it suffered under the country's landlocked position and conflicts in neighboring countries. With the support of a relatively effective administration, the country saw modest economic growth until the early 1980s, but later the economy began to decline due to sinking world market prices and rising public expenditures and debt service. The regime's legitimacy suffered amid its poor economic performance. When French President François Mitterrand announced, in July 1990, that future development aid would be conditional on democratic reforms, President Habyarimana, until then strongly supported by France, had no other choice, and conceded to internal demands for political liberalization.

Meanwhile, Tutsi refugees in Uganda, who had originally fought in the rebel force of President Museveni, managed to form a rebel force of their own, the Rwandan Patriotic Army (RPA). They joined with Rwandan renegades to form a political liberation movement, the Rwandan Patriotic Front (RPF). The rebels invaded Rwanda in October 1990 and occupied significant parts of the north until 1993. The Rwandan government's defense was weakened by state bankruptcy and the collaboration by parts of the internal opposition with the RPF. President Habyarimana finally had to concede to an internationally mediated peace treaty (the Arusha Agreement), which prescribed multiparty government, the integration of RPF politicians into state structures, and the integration of RPA forces into the national army. The latter concession was especially resented by radical Hutu forces. Growing internal violence and opposition stalled the implementation of the Arusha Agreement. The event that triggered the final phase of the civil war was the shooting down of Habyarimana's airplane on 6 April 1994. This was followed by the genocide of 500,000 to 800,000 Tutsi and the murder of political opponents by the presidential guard and radical Hutu militias. Eventually, the RPA conquered the rest of the country. The perpetrators of genocide, many officials, the army and approximately 2 million peasants fled to neighboring countries.

In order to obtain international recognition, the RPF utilized the Arusha Agreement as a legal basis for a transitional government. This meant including parties that were formerly opposed to the Habyarimana regime in a coalition government, although some of their leaders had been involved in the genocide. Throughout the rest of the 1990s, the RPF consolidated its political dominance. Leaders of the coalition parties and Hutu politicians who had joined the RPF were forced into exile, assassinated or prosecuted for corruption and sowing ethnic hatred. From November 1996 onwards, the RPA supported the liberation movement in the DRC with the aim of forcing Rwandan refugees to return, destroying the remainder of the former Rwanda Army and militia, and gaining control over the rich natural resources of the eastern Congo.

Having ousted President Bizimungu, a Hutu, in 2002, Vice President Kagame took over the presidency in contravention of the transitional constitution. Subsequently, in order to gain legitimacy, an extensive consultation process was launched to draft a new constitution. It was approved by referendum, although it failed to meet international standards for democracy as it introduced a legal framework for the repression of any opposition under the guise of protecting national unity and abolishing ethnic thinking. In the elections that followed, President Kagame and the RPF won by questionable means.

The genocide destroyed the country's social and economic fabric. The elites of the former regime were largely replaced. RPF leaders dominated the process and other parties were only accepted if they recognized the RPF's dominance. The RPF imposed a policy of economic modernization on the condition that its control of the process would not be endangered. The leadership's deep distrust of the former elites and its will to radically transform Rwandan society justifies, in its eyes, authoritarian rule and repression – up to the point that it jeopardizes cooperation with the international donor community. Privatization is pursued to benefit foreign investors and those close to the government. Higher and technical education is promoted and gender equality endorsed. However, the government's intolerance of any form of criticism precludes any meaningful step toward full civil liberties.

The high cost of this strategy includes restrictions on personal freedom, an absence of political competition, and the state's heavy intervention in society. Despite the government's official claims, Rwanda is far from being a "power-sharing consensus democracy." The country lacks any serious democratic experience. The decision to bar any reference to ethnic differences – which is severely punished as an offence called "divisionism" – has taken precedence over a process of social inclusion and reconciliation. The campaign for national unity and the fight against "tribalism" is compromised by exclusiveness, privilege, nepotism, enrichment and corruption within the politically dominant circles. There are recent indications of power struggles within the president's inner circle.

Donors continue to be satisfied with Rwanda's economic cooperation. In the absence of any promising alternative to the current political leadership, they accept authoritarian rule, but insist with increasing firmness on a peaceful foreign policy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The president and his top aides hold the monopoly on the use of force. Rwanda's small and densely populated territory, together with relatively strong police and armed forces, facilitates tight security control. Therefore, public safety is high, even though there have been some incidents of violence in the capital. The rebel group Democratic Forces for the Liberation of Rwanda (Forces Démocratiques de Libération du Rwanda, FDLR), operating in the east of the neighboring DRC, does not represent a significant security threat to the Rwandan state.

Rwanda had a long tradition as a centralized monarchy under colonial domination. The legitimacy of the post-independence nation-state never has been questioned. Nevertheless, Rwanda's monolingual society has been deeply divided between ethnically perceived status and socioeconomic groups. Power struggles between elite groups led to large and repeated emigration in the 1960s and 1970s, with more following the civil war in 1994. The genocide and mass killings of both groups further sharpened societal antagonism. But identification with the unity of the Rwandan people and state seems to be growing among young people, who increasingly consider the division between rich and poor to be more important than ethnic difference.

The state is defined as secular. Religion and state are separated and various religious groups are largely tolerated as long as they do not question the authority of the state. About 50% of the population is Roman Catholic, but the church hierarchy, influential under the former regime, no longer has any political weight.

The administration functions effectively throughout the country. The reform of territorial administration has created a strong state presence from the central government through the provincial, district and sector administrations down to the village level. In principle, the government uses commissions and committees at all levels of the administration to communicate with citizens and community-based

Question
Score

Monopoly on the
use of force

9

State identity

7

No interference of
religious dogmas

10

Basic
administration

7

organizations. In practice, functionaries stick to a bureaucratic and authoritarian top-down approach. Coordination between ministries and different levels of government is still weak in some areas, leaving much room for improvement.

Only 65% of the population has access to water sources, far below the global average of 83%.

2 | Political Participation

The Chamber of Deputies was elected in 2008 for a five-year term. The president's party, the RPF, won 42 out of 80 seats, the two other coalition parties 11 seats. Out of the 53-seat coalition, 27 were indirectly attributed to organizations of women, youth and the disabled, most of them probably supporters of the RPF. Voters went to the polls without significant alternatives to the RPF; the most viable opposition party with strong popular roots, the Democratic Republican Movement (Mouvement Démocratique Républicain, MDR) – whose leaders played a significant role in the 1993 Arusha Agreement and in the first transitional government – was forced to dissolve in 2003. New parties without links to the Habyarimana era were blocked by administrative means from organizing and participating in the election.

Free and fair elections

2

Similar restrictions were applied in the 9 August 2010 presidential elections. The only rival candidate, Victoire Ingabire, who had previously lived in the Netherlands, was arrested after her return to Rwanda for allegedly denying the genocide and therefore not permitted to run for office. Candidates of smaller parties were harassed and finally excluded from the electoral contest. President Kagame was therefore reelected for a seven-year term with 93.08% of the vote. The tight control of the local administration secured a high turnout of 95.1%.

Though both elections were formally free, Rwandans cast their vote in a climate of intimidation and in the absence of true alternatives and relevant information. Many citizens probably feared reprisals if they did not vote. The elections contributed more to the consolidation of the authoritarian personal rule of President Kagame than to democratization and the inclusion of segments of the population unaffiliated with the dominant party. Local elections took place in February 2011. On the village level, ballots were not secret, as public queuing, the practice of lining up behind a candidate or poster, was used. Members of sector and district councils were elected indirectly. In the Senate, 12 of 26 senators, also indirectly elected, represent the territorial entities. All in all, the elections reinforced the grip of the RPF on the local level and cannot be regarded as a contribution to local or regional democratic participation.

The Rwandan political system is defined by its ruling circles as a “consociational democracy” or “power-sharing consensus democracy.” RPF leaders justify the avoidance of a competitive democratic system citing the ethnic division of the society

Effective power to govern

2

that lead to the 1994 genocide, and the need to strive for national unity. Despite the multiparty composition of the cabinet, the 2003 constitution gives the president unlimited authority in security and foreign policy. He appoints the prime minister and the members of the cabinet, and, although he is obliged to give a share to all registered parties, he can select the people he prefers. Furthermore, he appoints his personal advisers, the senior army officers, the top administrators, the chief judges, and a quarter of the Senate.

The system is in fact a skillfully designed institutional façade that conceals the real distribution of power. All major political and power-related matters are decided by the president, together with his key advisers.

The RPF and the army control access to political and administrative office. Via investment funds, they own a number of important firms and exercise influence on business opportunities.

The power of the president rests on the loyalty of key actors (e.g. high-ranking officers in the army and secret service, presidential aides, some cabinet members and provincial governors). Many of them began their career in the rebel forces that came to power under Kagame's command in 1994.

The Senate and the Chamber of Deputies, with their large RPF majorities, rarely use their constitutional authority to develop initiatives of their own. Generally they vote unanimously for the government's proposals. In spite of the fact that foreign aid is conditional, there are no substantial discussions between Parliament and foreign donors on issues of development and public finances, as there are in other African countries.

No open opposition exists. The regime has sufficient legal and armed means to put it down. Opponents deemed dangerous live under constant threat of being accused of "divisionism" and condemned to long prison sentences. Many have been forced to seek refuge abroad. Even overseas, refugees may be further harassed by requests for extradition or by the Rwandan secret service, which, as some recent examples show, have ordered assassinations of people they considered particularly harmful to the regime.

The constitution of Rwanda guarantees freedoms of association and assembly. There are no unreasonable legal restrictions on civil and social organizations as long as they respect the government's interpretation of "national unity." The government controls national and international NGOs both by overt and covert methods. All NGOs and human rights organizations have to become members of the National Civil Society Platform. All in all, NGOs and CSOs are politically and socially sidelined by the government, which accepts them primarily to shore up its international reputation.

Association /
assembly rights

3

The Freedom House ranking of Global Press Freedom continues to classify Rwanda as “not free.” Freedoms of press and information, although stipulated by the constitution, are in fact limited by the interpretation of “national unity,” which considers any criticism of the president and high-ranking officials to be a violation of this principle. Both state-owned and private media outlets therefore practice self-censorship to avoid government interventions. Investigative journalism is impossible and can endanger the lives of journalists. Information explaining internal government discussions is rudimentary.

Freedom of
expression
3

The government does not filter Internet content or foreign radio transmissions, and the government media services comment on international criticism of Rwandan politics, so people with access to the Internet and radio sets can keep themselves informed about the international response to Rwandan politics. But, due to the language barrier, the rural and the poor urban populations are almost entirely restricted to government-controlled media.

Non-RPF politicians and functionaries arouse suspicion if they communicate too frequently with the countryside. Telephone calls are bugged. A survey commissioned by the Senate in 2009 concluded that most people fear those in power and public institutions and therefore renounce free expression of their views.

3 | Rule of Law

The constitution provides for the separation of powers, but Parliament’s counterbalancing power is weak due to its limited authority and one-sided composition. The central administration reaches all the way down to the local level. The president has decisive power as chief of the armed forces and the central administration. After having been the de facto ruler of the country as vice president and commander-in-chief of the army since 1994, President Paul Kagame took over the presidency unconstitutionally in 2000. He was elected in 2003 and reelected 2010 for a second and, according to the constitution, final term of seven years.

Separation of
powers
3

The judiciary is formally independent, but in reality is subordinated to the will of the executive in all politically sensitive matters. The operation of the ordinary legal system has further improved, but it is still permanently overloaded, understaffed and only partially qualified. It is mainly charged with grave cases and in practice accessible only to the elite and middle class.

Independent
judiciary
4

In order to improve access to justice for the poor and rural population, popular courts based on traditional practices called Abunzi have been established. This system takes care of cases that would have otherwise gone to courts of law. The Abunzi courts have jurisdiction over civil disputes of low value and over minor criminal cases. They work with voluntary and elected local community mediators. The mediation

committees are assisted by centers of justice established in every district to provide legal advice.

The Gacaca courts, established in 2001 to prosecute the hundreds of thousands of suspects in the 1994 genocide, were closed in May 2012. Over 12,000 special community-based Gacaca courts had been established. About 170,000 local judges handled more than a million cases and convicted some 800,000 perpetrators nationwide. This meant that every fourth person who was over the age of 16 in 1994 was convicted. Serious doubts exist regarding the fairness of many trials. They are said to be marred by false accusations, corruption and difficulties in calling defense witnesses; they may also have been abused to settle other disputes.

Genocide ideology, sectarianism and “divisionism” are prosecuted under respective laws of 2001 and 2008. Since their legal definitions are exceedingly vague, they enable a biased justice system to carry out political indictments and verdicts, particularly against opposition leaders, among them 2010 presidential candidate Victoire Ingabire and critical journalists. Dissident top officials have been sentenced in absentia to long prison terms. International human rights organizations aver that the laws are used to silence dissent and any form of opposition to the government’s policies. In violation of international standards, Rwandan law permits prosecution of offenders under the age of 12, with sentences of up to 12 months at a rehabilitation center. Those aged between 12 and 18 years can receive prison sentences of between five and 12 years.

Officially, corruption and abuse of office are strictly prosecuted. International and national donors acknowledge the efforts of the government. However, the involvement of top officers in the illegal exploitation of mineral resources in provinces adjacent to the DRC was obviously tolerated by the government. Recent legal proceedings against renegade top officers also revealed that their illegal business activities were known by the authorities and prosecuted only when the officers fled from Rwanda for political reasons.

Prosecution of
office abuse

5

The constitution guarantees civil rights. However, the “divisionism” clause in the constitution gives the administration a powerful tool with which to undermine them. A large majority of citizens do not feel equal before the law.

Civil rights

4

Violations of civil rights by security forces have been prosecuted in some cases, but in a very selective way. A UNHCR report that recently mapped the mass executions of Rwandan refugees and Congolese civilians during the Congolese civil wars clearly identified the involvement of the Rwanda Army in these criminal acts. During the occupation of the eastern provinces of the DRC, the Rwanda Army used, in mines under their control, the forced labor of prisoners convicted of genocide crimes. Rwandan courts have until now neglected these accusations.

4 | Stability of Democratic Institutions

The authoritarian inner circle controls and efficiently disciplines the administration from top to bottom by means of a ubiquitous secret service. Additional control is exercised by the RPF at the local level.

Performance of democratic institutions

2

Deputies and senators – particularly those of the coalition parties – are under specific supervision. This means that political and parliamentary discussions on controversial issues are generally limited to technical questions. The political discourse tends to confine itself to the question of who most praises the president and the government.

There are no relevant actors to contest the current authoritarian rule. The president is constitutionally and actually the most powerful actor. Possible opponents are co-opted or coerced into the system so that they have no actual influence on decision-making. If they become too independent or too outspoken or are simply no longer useful, they are removed. This was the case with MDR politicians, who were needed to legitimize the transitional government, and with Hutu politicians, who emigrated under the Habyarimana regime and were needed to demonstrate the multiethnic character of the RPF in its early stages.

Commitment to democratic institutions

2

5 | Political and Social Integration

The RPF dominates the political scene. Because other parties' political activities had been restricted to the national level until 2007, the RPF remains the only party organized throughout the country and particularly on the local level. Its organization and financial resources are incontestably superior to those of all other parties.

Party system

3

At the national level, all registered parties are obliged to take part in the consultations of the Forum of Political Organizations. The forum is an instrument of control to avoid open confrontation in the parliament. None of the eight accredited parties openly opposes President Kagame.

The activities of interest groups are restricted and the government does not accept their outright criticism. Trade unions have no role. Interest groups and NGOs are obliged to participate in state-controlled umbrella organizations. They have scant room for independent initiatives and actions.

Interest groups

3

A 2009 survey – although not representative – commissioned by the Senate of Rwanda corresponds interestingly with a 1993 – 1994 survey conducted shortly before the genocide: A large majority of respondents in both surveys preferred a democratic system based on power-sharing between the major political forces. Even if the sample of 2009 were limited to regime sympathizers or the respondents did not dare to reveal their true opinion, it is significant to learn that a vast majority favored

Approval of democracy

n/a

the participation of all political, social and ethnic groupings in the government. Almost half of the respondents had doubts as to whether freedom of expression existed. A large percentage of people believed that their vote had no weight in view of the imbalance between political parties.

In the eyes of the president and the ruling circles, however, economic growth has priority and political stability can be better achieved by tight control from above than by democratic checks and balances.

In view of the international expectation that it provide antipoverty programs, the government has included in its general economic vision a social protection program for the large number of the very poor, consisting of healthcare, involvement (or employment) in public works projects, microfinance and direct relief. Since the regime has little confidence in the organizational capacity of Rwandan society, all these programs are government-run. They are heavily subsidized by the central budget and international donors. So far, the core element of income generation for the poor through self-help, cooperatives and micro-credits has seen limited impact and outreach. Credit is mainly used by the poor in the capital, and repayment of loans is deficient. There is little space for independent initiatives since, for instance, farmers have to follow detailed technical instructions and are forced into cooperative farming. For housing, there are strict guidelines to reduce the number of traditional scattered settlements and the use of old building materials, such as adobe walls and straw thatched roofs.

Because of the genocide, the Gacaca trials and land conflicts, there is very little trust among and between most Hutu peasants, the educated Hutu, the mostly Anglophone ex-refugee Tutsi and the Tutsi who survived the genocide. There is a considerable distance between administration and population and a feeling of powerlessness and passiveness among the majority of the rural and urban poor, who feel increasingly dominated by rigid government regulations not adapted to their needs. The government may prefer centralized programs because of its bureaucratic mentality, but it might also considering community-based initiatives a potential long-term threat to its power.

Social capital
3

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Rwanda has one of the smallest and most densely populated territories in Africa. The population grew by 29.6%, from 8.13 million in 2002 to 10.54 million in 2012, and population density reached 405 inhabitants per square kilometer.

Socioeconomic
barriers
3

The landlocked country has few mining resources but large potential for hydroelectric and natural gas production. The main economic activity, however, is still subsistence agriculture on tiny smallholdings. The destruction and losses caused by the civil war, culminating in the genocide of 1994, are by and large compensated. But in spite of remarkable economic progress, the country is still one of the poorest in the world; its HDI rank for 2011 is 166 out of 187 countries. Poverty afflicts men and women to the same high extent.

The small upper and the middle classes gained most by the country's economic progress and inequality remains high: Rwanda's 2011 GINI coefficient stood at 50.8. Of working people, 80% earn less than \$2 per day. In spite of improvements in the education system and health services, the mass of the rural population (80%) faces a scarcity of land and work; their prospects are limited. The urban poor (20%) have better chances for jobs, small-scale trade and handicrafts and better access to health services and education facilities. But the growing number of landless and workless peasants can hardly migrate to the cities because the government strictly controls migration in order to avoid lawless settlements and slums. The economy does not provide enough jobs for a growing population, and 20% of the people able to work and 42% of young people are unemployed or underemployed.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	5252.7	5624.5	6354.1	7103.0
GDP growth	%	6.2	7.2	8.2	8.0
Inflation (CPI)	%	10.4	2.3	5.7	6.3
Unemployment	%	-	0.9	2.4	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	2.3	0.8	1.7	-
Export growth	%	-25.1	5.6	47.7	34.3
Import growth	%	10.1	11.2	14.4	20.0
Current account balance	\$ M	-378.6	-413.7	-477.5	-820.8
Public debt	% of GDP	22.9	23.1	23.9	28.0
External debt	\$ M	869.4	912.8	1103.4	-
Total debt service	\$ M	11.6	14.9	19.6	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	8.8	9.4	9.1	8.2
Public expnd. on edu.	% of GDP	-	5.0	4.8	-
Public expnd. on health	% of GDP	5.4	5.7	6.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.3	1.2	1.1

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

The government of Rwanda made great efforts to improve the conditions for the development of a diversified, market-based and competitive economy. This included respect for property rights, currency convertibility, anticorruption measures, the removal of bureaucratic barriers for business, anti-monopolistic regulation, regional integration, liberalization of trade and the attraction of private foreign investment. Despite strong growth rates, the crucial issue remains the transformation of agriculture into a productive, high-value, market-oriented sector. In the mostly informal sector, there is no real competition. Modernization is pursued by placing authoritarian administrative pressure on the peasants to form cooperatives, to accept land-sharing and terracing, to specialize in certain crops and to change production methods, for instance by using chemical fertilizer. So far the results are limited and production for the internal market continues to be insufficient. Two-thirds of food production is for subsistence use and only one-third reaches markets.

Market-based
competition

5

For its marked improvements in the regulatory environment for private business, Rwanda has been internationally commended as a lead reformer in East Africa. However, there are indications that access to investment and credit, both from within the country and from abroad, are influenced by networks close to the government or by certain privileged circles of Rwandans abroad.

Anti-monopoly
policy
6

As a member of the EAC and of the Common Market for Eastern and Southern Africa (COMESA), Rwanda has amended its legislation for free movement of goods, services, capital and labor. However, free movement of individuals is being limited to professionals and academics, since the other member states of the EAC fear uncontrolled immigration of unskilled workers from Rwanda.

Liberalization of
foreign trade
7

Privatizations and sales to foreign investors of key sectors of the economy continue. But foreign investors are somewhat reserved, although the government undertakes considerable efforts to attract them. This may be due to cases in which foreign investors have been encouraged to take over failing business, but after reviving the business were squeezed out in order to make room for Rwandan interests.

The banking system is a free and highly dynamic sector. The branch network has expanded rapidly so that 72% of Rwandans have access to banking. It is largely privatized, with 49% of assets owned by foreign investors and 30% by the government. Legislation establishing the Capital Markets Authority has improved the regulation of capital markets. Larger and longer-term financing, however, is still limited to a very small section of the population.

Banking system
8

With 10.8%, the share of nonperforming loans is higher than the global average of 7.2%.

8 | Currency and Price Stability

The government is committed to the stability of currency and prices. The Rwandan franc floats freely against the dollar. The exchange rate has remained relatively stable due to the country's balanced monetary policy. The government and the central bank – which is formally independent – are trying to observe budgetary discipline, to reduce the foreign trade deficit and to balance the current payments account. Inflation increased to 8.3%, caused by the phenomenon internationally known as “Dutch Disease,” the consequence of the expansion of credit to the private sector and large foreign aid. The international financial crisis had only a slight impact on Rwanda due to its still modest integration into the global markets.

Anti-inflation /
forex policy
8

The trade deficit of over 19% of GDP in 2012 is the main obstacle to macroeconomic stability. It can only be reduced very slowly, if at all. It will be difficult to substantially increase the traditional exports (coffee, tea, pyrethrum, tin). Re-export of minerals illicitly imported from the eastern DRC, which in the past boosted export

Macrostability
6

takings, is now limited by stricter international controls. Much time and effort will be needed before new products like flowers or business-process outsourcing can be exported in substantial quantities. On the other hand, imports probably will increase, since the country's food production no longer suffices for the growing population.

Since private FDI remains below expectations, and remittances of expatriate Rwandans, mainly invested in the housing sector, are diminishing, Rwanda will remain dependent on foreign aid with respect to its trade and payments balance.

International debt cancellation was obtained in 2006 and the debt stock of Rwanda was reduced to a low level. But new debt has accumulated. Further investment in infrastructure will be necessary in order to allow economic growth. Debt service could again become a heavy burden. Total external and internal debt amounted to 23.4% of GDP at the end of 2010, of which 62% was external debt, with over 80% owed to multilateral financial institutions.

In view of all these obstacles, it is very doubtful whether macroeconomic stability can be secured in the medium term. This goal would be further complicated if international development aid were reduced in response to Rwanda's alleged involvement in the internal conflicts of neighboring states.

9 | Private Property

Property rights and the right to acquire property are guaranteed by law, but suffer due to the deficiencies of the rule of law in the country. In practice, the guarantee of real estate ownership is limited to the titled property in the hands of the small, elite and urban middle class.

The most crucial question is the distribution of farmland, which had been traditionally regulated by customary systems. The complex issue of land tenure has been complicated by the massive refugee movements of the 1960s and 1990s, in which hundreds of thousands of people lost or left their land while others took illegal possession of it. A land act passed in 2005 stipulates procedures for the settlement of land disputes and property registration. In 2008, the compulsory land titling campaign was launched. It is scheduled for completion in 2014. The fertile marshlands remain state property, the hillsides are assigned to the farmers by leases for 99 years. The minimum size of a leased unit is one hectare and it can be recalled if the land is not cultivated according to the standards set by the administration. It also cannot be further divided between the children of the farmer.

Through these regulations, the government aims not only to settle conflicts over ownership but also to foster agricultural modernization through creating creditworthy units that permit modern cultivation methods. To this end, the government is

Property rights
4

imposing land-sharing and cooperatives. The land act gives the administration a strong say in land use by peasants.

The government's reform will stop the further fragmentation of the land. It is aimed to allow higher productivity through irrigation, terracing, mechanization, improved seeds, diversification of crops, and the increased use of fertilizers, pesticides and insecticides. It remains to be seen whether these programs will achieve higher and sustainable productivity. In any case, the reform has split the peasantry into a new class of farmers with limited rights to choose how they may use their land, on the one hand, and, on the other, into a class of landless laborers, which will grow considerably and which, as long as there are not sufficient new jobs created, must be occupied in community-organized labor and other public works. The project undoubtedly runs counter to a policy promoting private property for the large majority of people and stimulating individual responsibility and initiatives.

Efforts to privatize state-owned companies have been successful and they continue. The small Rwandese "middle class" owns at best only a small share of larger companies. Investment groups, such as Crystal Ventures, Horizon and RIG, which are close to the ruling political circles and to the army, are combining investments by Rwandan funds and foreign private stakeholders with development funding. Generally speaking, Rwandan and foreign investors who want to establish businesses and access credit have to make deals with the ruling circle.

According to World Bank's Doing Business 2013, it takes only three days to open a business in Rwanda. This is another indication of the government's will to attract foreign direct investment.

10 | Welfare Regime

Only 15% of the Rwandan labor force is formally employed – at most. In May 2009, a new labor law came into effect. It both ensured protection of basic labor standards and facilitated the flexibility of labor contracts, with the aim of increasing the international competitiveness of Rwandan labor.

For the remaining 85% of the labor force, no regulations or safety nets protect against risks of accident, illness and old age, even as social protection has become more important while traditional family solidarity weakens in the face of extreme poverty and disrupted neighborhoods. The government's National Social Protection Strategy offered, in 2011, a roadmap for establishing a baseline of social protection for the nation's poor.

Progress has been achieved already in the provision of basic health services, in the prevention of malaria and HIV/AIDS as well as in the treatment of other fatal illnesses. Since the government has insisted that childbirth take place in healthcare

Private enterprise

7

Social safety nets

6

centers, life expectancy at birth has improved, from 32.7 to 50.1 years in the last decade.

The government has introduced a compulsory health insurance scheme covering over 90% of the population. The system has improved the access to quality healthcare. Despite amendments in the premium schedule to ensure the financial sustainability of the insurance scheme, it still requires heavy budgetary subsidies from the government, foreign donors and NGOs.

Food aid, supported by donors to reduce malnutrition, particularly that of children, is provided for the poorest families. The government has also launched programs of public works, credit packages, social services and assistance for the poorest and most vulnerable Rwandans. Although these programs are selective and do not attack the roots of mass poverty, they led to a decrease of the proportion of the population below the poverty line, from 56.7% in 2006 to 44.9% in 2011.

The free basic education program will be expanded from nine to 12 years. The government offers scholarships to 25% of students eligible for tertiary education. Despite pupils and students of rural areas still having considerable difficulties accessing higher education, conditions have improved. Quality differences persist between public and private schools, which are attended by 40% of pupils, but altogether the discriminatory features of the educational system are gradually being reduced.

Women enjoy a significant degree of equality in politics and in higher education. Hidden discrimination continues along political and ethnic lines in the armed forces and in public administration.

Equal opportunity
7

11 | Economic Performance

Together with large foreign aid, Rwanda's economic liberalization measures and promotion of FDI led to notable economic growth of 8.6% in 2011 and 7.6% in 2012. The tertiary sector performed best (49% of GDP) followed by the agriculture sector (34%) and manufacturing, construction and mining (17%). In recent years, Rwanda has experienced a rise in the production of cash crops enabled by favorable weather conditions, increased use of chemical fertilizer and improved seeds. Industry and services performed only moderately in comparison with earlier years. Natural resources are scarce and only marginally exploited.

Although exports have increased, the trade deficit remains heavy and its consequences for the monetary policy, international debt and investment in infrastructure continue to be precarious. Private foreign investment remained below expectations, in spite of the government's efforts to facilitate it by any means.

Output strength
6

For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as the necessary investments in infrastructure, will depend on a continued inflow of foreign resources.

12 | Sustainability

The major problem in the field of environmental protection is the imbalance between population density and natural resources. This has led to soil degradation, deforestation, depletion of biodiversity, erosion and pollution. The government has sought agricultural improvement through better seeds and more chemical fertilizer. It is disputed, however, whether this will have the expected results, given the actual degree of soil degradation.

Unlike many other African governments, the Rwandan government understands environmental policy as a serious issue that needs to be included in its agenda. For instance, Rwanda set up an agency for environmental protection and passed the Organic Law, bolstering support for the conservation of the environment. Rwanda is a pilot country of the U.N. Poverty and Environment Initiative (UNPEI) and receives massive funding from donors for environmental projects.

The government of Rwanda is committed to education and training. Expenditures for education and training have been continually increased and now amount to 4 – 5% of GDP.

The improvement of education has priority in the modernization program. Primary school enrollment is close to 100%, the teacher-pupil ratio in public primary schools has improved to 1:58, and completion rates for boys reached 79%, and for girls 82%. Secondary school enrollment has grown from a very low rate to 31.5%. The free basic-education program will be expanded from nine to 12 years starting in 2012 – 2013. This will allow schools to accommodate the increasing number of students from lower secondary levels and to reach an enrollment of 40% in secondary education. The government will give 25% of students eligible for tertiary education a scholarship, and others will be eligible for loans.

A further priority is the increased number of vocational training schools, which now have more than 74,000 students.

Improvements of education and research are seen by the government as indispensable prerequisites for a knowledge-based economy. The quality of university education is being improved by branches set up by international universities such as Carnegie Mellon.

Environmental
policy
6

Education policy /
R&D
6

Transformation Management

I. Level of Difficulty

The structural constraints on the development of the country are considerably high.

Due to the accelerated post-independence growth of the population, from 2 million to over 10 million, there is high pressure on agricultural land. The already precarious situation of the predominantly rural population was further aggravated by the civil war and HIV/AIDS. But the fight against HIV/AIDS (and malaria) has been so far rather successful.

Population growth has shown the first positive indications of a slowdown, due to a combined nationwide family planning campaign. Rwanda's total fertility rate fell from 6.1 births per woman in 2005 to 4.6 in 2010. The proportion of 15 – 49 year old married women using modern contraceptive methods rose from 10% in 2005 to 45% in 2010. Fertility preferences were also affected: The proportion of women wanting no more children rose from 42% to 52%. Population growth therefore decreased from 2.9% in 2002 to 2.6% in 2011. This means that one of the major obstacles to further development is being addressed.

The major economic and social challenge remains to increase employment and the productivity of the workforce. This must be reached by modernization of agriculture and by creating more employment outside agriculture. Although the population growth rate has slowed, the real per capita GDP growth rate in 2012 was only 4.6%. Of the 200,000 young job seekers entering the labor force annually, only one-third find paid work, which is often underpaid. Most of them lack required skills. The government deploys considerable efforts to correct this situation through a network of business centers, the reorientation of secondary and tertiary education toward technical skills, and the promotion of vocational schools. But these programs are quite recent and until recently had no structural impact.

During the genocide and its violent aftermath, a large number of qualified and better-educated people lost their lives. This loss, however, was compensated for by the repatriation of former refugees. Nevertheless, the development of industry and services is constrained by the shortage of technically qualified workers. Thus skilled workers had to be recruited from neighboring EAC countries.

Structural
constraints
9

A further obstacle to development is the country's landlocked location. Major projects such as the improvement of thoroughfares to the east African coast, a rail link to Tanzania and the new international airport are still in the planning stage.

There is also a shortage of energy, since the great potential for hydroelectric, thermal and methane gas energy has so far not been developed.

Extreme poverty is still very high. There are signs of improvement in all these fields, but it remains to be seen whether the quality, quantity and speed of these programs are sufficient to overcome constraints, and to what extent they will help to reduce poverty.

Prior to 1994, a relatively dense net of religious and community-based development organizations existed, encouraged by authorities who followed a bottom-up approach to development. In the early 1990s, many CSOs became active at the national level. The civil war, genocide and resulting repression destroyed these hopeful beginnings.

Civil society
traditions

8

In the last decade, the current government pretended to mobilize the local population for development efforts in the context of its decentralization policy, but popular "participation" is guided and controlled by local administration and the RPF. Self-planned and self-governed community projects are virtually nonexistent.

Independent CSOs and NGOs exist only at the national level, but they react to the government's distrust with self-censorship and therefore have little impact.

The civil war, the genocide and their aftermath still divide the Rwandan society. Distrust, envy and hatred between the different social groups has been sharpened by the practice of vigorously prosecuting genocide suspects, the criminalization of "divisionism," the interdiction of the largest opposition party, and the material and status-related privileges claimed by refugees returned from Uganda. Migration and civil war led to many quarrels over property.

Conflict intensity

6

Rwandan society remains conflict-ridden, a heavy burden for the reforms pursued by the government. In the long run, the authoritarian rule will complicate conflict management rather than ease it. In the short run, the strict control of the population and the threat of accusations of "divisionism" will minimize any threat to the ruling circles and contribute to the general security and stability of the country.

II. Management Performance

14 | Steering Capability

Question
Score

Prioritization
5

In 2000, the government adopted an ambitious development strategy called “Vision 2020” with the aim of transforming Rwanda into a middle-income country with a knowledge-based economy. The pillars of this strategy are efficient government and administration; the transformation of Rwandan agriculture into a productive, high-value, market-oriented sector; the development of an efficient and competitive private service sector, particularly in IT, tourism and appropriate industries such as agriculture and services; comprehensive human resources development; modern infrastructure; and regional integration and cooperation.

The government has geared the administrative structures to these aims and launched the reforms. For this effort, it has gained the international image of a model reformer. But there are shortcomings. The strategy is pursued by a top-down approach. The leading circle keeps a tight control on the economy.

The challenge of matching tight political control with free-market-oriented economic growth is obvious. The president needs opportunities for growth in order to strengthen his authority over those groups whose support he needs in order to stay in power (e.g. big business, officials of the national and decentralized administration, army officers, cadres of the RPF, etc.), but as far as the exercise and control of power is concerned, the government is not prepared to make any concession. Democratic liberalization is not on the agenda.

The government’s strategy requires the realization of important infrastructure projects. To fund them and to make up the trade deficit, the country depends on foreign aid, particularly from the United States, the United Kingdom and Canada, the international financial institutions and European donors. The necessary volume of foreign aid can be acquired only so long as human rights violations are not too obvious and elections appear to be democratic.

Interference by the Rwanda Army in the east DRC poses a critical issue with respect to international law and human rights. In 2009, the governments of Rwanda and the DRC agreed to cooperate closely in order to restore peace and security. Through the recent mutiny of Rwandophone soldiers of the DRC Army, a new rebel group formed with the support, according to a U.N. report, of the Rwandan armed forces, which supplied the rebels with weapons, ammunition and other equipment. As a result of these allegations, major donors, such as the European Union, the United States, the United Kingdom, Germany and the Netherlands, suspended or reduced their aid to

Rwanda. The matter is not yet fully clarified. However, if the Rwanda Army has supported the rebels, it would reflect poorly on the government's judgment, since it must have been aware of the political consequences of such interference. If military officers acted on their own, it shows a deepening of the rifts within the army, which recently became apparent in a military trial of former close aides of President Kagame. Both interpretations throw doubt on the capacity of the government to support keystones of its economic development strategy through a consistent foreign policy.

The strategy of the Rwandan government is based on interwoven goals. It aims to secure both authoritarian government and the economic and social status of its power base: the elite, higher functionaries, military and police officers, party officials, and businessmen close to the government. It therefore places high hopes on the modernization of the country's agriculture and the development of services and industries for domestic consumption. It aims to improve health and education according to the manpower needs of the modernizing economy. But constraining modernization is a surplus of unskilled labor, workers for whom the government's employment schemes are only a palliative.

Foreign policy has to be conducted in a way that strengthens the country's image as a model of reform. Otherwise, donors and private investors will not provide the needed capital. The country's internal administration has to be shaped to support these goals.

The government pursues progress in all these fields, with great persistence, in a top-down bureaucratic way. However, after a promising start, difficulties and frictions have surfaced. Some of the programs are based on assumptions that are highly hypothetical or even erroneous. FDI could not be attracted in substantial amounts, job-creation has fallen far short of demand, and recent events in the neighboring DRC have endangered the flow of aid.

The reform of agriculture in the overpopulated country is particularly ambitious. The planned agricultural policy includes the regional specialization of crops, the use of chemical fertilizer and improved seeds, irrigation, better use of marshlands, and the terracing of hillsides. However, experts have serious doubts as to whether these measures are promising. A crucial element of the agricultural reform is the titling of land, which is scheduled for completion in 2014. To compensate for the creation of larger tracts, the government estimates that 1.4 million new nonagricultural jobs must be created by 2020. Midway through the strategy's implementation, it is evident that this goal can be accomplished only partially.

As far as economic strategy is concerned, the government is following a course demanded by the World Bank and the IMF. The sensitivity of the government to the social consequences of its policy is limited. There is the preference for an

Implementation
5

Policy learning
5

authoritarian top-down approach, as already mentioned, and the belief in reports, schemas and diagrams. All this is personalized in the president, who is said not to tolerate any dissent even from among his closest collaborators. He believes he knows what is right for the country and the economy and wants to stay in the driver's seat.

15 | Resource Efficiency

The government uses most of the available financial resources rather efficiently. However, domestic financial resources are scarce and human resources are politically filtered.

Efficient use of assets

6

The state budget is balanced, but so far only due to substantial foreign aid. Expenditures for the large army and other security forces, as disclosed in the budget, are very low. There must be additional funding outside the budget. Part of it may come from the U.S. government, part from the United Nations as reimbursement for the participation by Rwandan contingents in African Union and U.N. peace missions.

The inner circle of power headed by President Kagame coordinates politics hierarchically and without noticeable internal deviation. Public statements by government representatives are always aligned with the official policy. But due to hierarchical structure and mentality, strict political control and the fear of taking on responsibility, coordination between ministries remains cumbersome.

Policy coordination

7

The fight against corruption is an official priority. It serves at least three functions, namely fighting negative economic impacts and strengthening development, removing personnel who are out of line politically, and improving the country's international reputation. Consequently, lower-grade civil servants are prosecuted if allegations are brought against them. Corruption charges against members of the political and military elite are in most cases the result of rivalries and power struggles. A good example is the already mentioned case against the high-ranking military renegades around the former army chief of staff. All accused have been condemned in absentia for corruption (among other charges). The charges were most probably justified but it is likely that the activities were known and tolerated while the defendants held office.

Anti-corruption policy

5

The flawed judiciary makes it impossible to distinguish between legitimate and politically motivated allegations. In spite of all efforts, as everywhere in Africa, petty corruption continues to be an issue.

16 | Consensus-Building

According to the official analysis of the Rwandan authorities, the 2003 constitution has created a favorable environment for civil society and free mass media, instituted

Consensus on goals

5

a forum where political parties can deliberate, and empowered people at the grassroots level. The authorities insist that political pluralism and power-sharing have been entrenched in Rwanda's political culture and are driven by the search for social cohesion, national development and economic prosperity.

Indeed, the current leadership has achieved internal security and economic progress. With the Gacaca courts, bureaucratic decentralization, the new distribution of land ownership, and the education system, the RPF is about to form a new social structure of an estranged peasantry and working class, which can be easily controlled and manipulated, and an adaptable and opportunistic middle class of state and business employees. The regime hopes to gain legitimacy, at least among the middle and upper strata, by providing economic opportunities. However, although the principles of liberal market economy are heralded, a tight control on the economy is employed.

There are no pro-democratic reformers with significant political influence in Rwanda. Potential reformers are mostly in exile. Non-democratic actors dominate all branches of government and public power.

Anti-democratic
actors
2

The influence of the military is very high. Internal and external security and the military's own privileged status remain their top priorities, to be maintained at all costs. Consequently, a mixed style of military and entrepreneurial leadership dominates politics with an authoritarian tone. Defections of high-ranking officers show frictions within the security forces; however, they are motivated by power struggles and are not the result of democratic convictions.

During the period under consideration, there was no danger of cleavage-based conflicts on Rwandan territory. Hutu militias in the Congo are no longer a serious threat. Together with the activities of oppositional Rwandans in exile, however, they provide evidence of how the unsolved conflict is defined by ethnic identity. The hidden continuation of the conflict is exacerbated by the fact that Tutsi repatriates of 1994 are overrepresented in all privileged realms of society.

Cleavage /
conflict
management
5

Segments of civil society, such as women, youth and disabled people, are officially integrated in the polity via reserved seats in Parliament. Other actors, such as "genocide victims" or women's organizations, profit from close relationships with government officials. The respective organizations appear, meanwhile, to be more like parastatals.

Civil society
participation
3

The government openly criticizes the notion of civil society as a counterweight to government and insists that national and international NGOs must be effective partners in service delivery and for development. National and foreign development NGOs are therefore increasingly forced to integrate their activities into the institutionalized development implementation.

The activity of human rights defenders and journalists as well as their support by international donors is strictly controlled by the government and increasingly limited. LIPRODHOR (the Rwandese League for the Promotion and Defense of Human Rights) has labored for some years under the vague and unsubstantiated allegation of “genocide ideology” raised against its leaders by the Rwandan government. One of its leaders had finally to go into exile.

The reelection of President Kagame with more than 90% of the vote is interpreted by the government as confirmation of a successful reconciliation process. It claims that Rwandans, enjoying a climate of national harmony, peace, security and socioeconomic prosperity, expressed full confidence in the president through this result.

Reconciliation

4

There are, however, no objective data on perceptions of the reconciliation process. Neither the election results, the public opinion surveys commissioned by the Senate, the continuing activity of FDLR in the DRC, or the anti-RPF propaganda of Rwandans in exile can be taken as a reliable source to prove success or failure of the restoration of national unity.

The Gacaca courts were meant to make an important contribution to reconciliation. They handled more than a million cases and convicted some 800,000 perpetrators of genocide. This indicates that, nationwide, every fourth person who was over the age of 16 in 1994 has been convicted. However, serious doubts persist regarding the fairness of the trials. They are said to have been marred by false accusations, corruption and difficulties in calling defense witnesses. They may also have been abused to settle unrelated disputes.

Since Gacaca courts did not hear any cases in which Hutu accused Tutsi of crimes during the civil war, and in view of the large number of verdicts, it is doubtful whether the courts have contributed to reducing the polarization of Rwandan society.

In order to prove its legitimacy and sideline leaders outside the “Uganda elite,” the current leadership conceptualizes reconciliation narrowly and one-sidedly as the handling of perpetrators of the genocide and sympathizers of “tribalism” and “divisionism.” But this is contradictory: On the one hand, the RPF’s reconciliation policy is based on the neglect of ethnic identities and the interdiction of all ethnic references. On the other, in an August 2008 constitutional amendment, it dubbed the 1994 tragedy the “genocide of the Tutsi.” This inconsistency explains the RPF’s fervent reaction to a U.N. report published in October 2010 on the atrocities committed by the RPA against the Hutu refugees in the first Congo war (1996 – 1997). Its adamant stand on this report is in line with its refusal to investigate the crimes of the RPA both during and after the civil war of 1994 – 1995.

In retrospect, it appears that the current leadership has never been willing to seek inclusive reconciliation. It pursues its intention to engineer the transformation of

Rwandan society with a skillful combination of measures according to its nationalistic and authoritarian ideology.

17 | International Cooperation

Rwanda depends heavily on foreign assistance. Neither trade nor budget deficits could be addressed without foreign aid. The country's own revenues hardly suffice to cover the salaries of state employees; all other expenses, around 50%, are financed by foreign aid. The creditworthiness of the country, and the influx of foreign investment and credits, depend on the expectation of increasing international aid. The ambitious socioeconomic strategy "Vision 2020" would have no credibility without commitments from the main donors.

Effective use of support

8

In the first few years after the genocide, donors provided aid while accepting their own responsibility for the failures of 1994 and the lack of reliable alternatives. They agreed to finance the rebuilding of the failed state and were ready to overlook its deficiencies. However, since the turn of the century, they have increasingly insisted on good governance and an end to Rwanda's interference in the DRC. The government responded with a poverty-reduction strategy and accepted assistance for the reform of the public finance and banking systems, for agriculture and for infrastructure. Rwanda implemented NEPAD's African Peer Review Mechanism (APRM), and also agreed, though hesitantly and never fully, to cease intervening in the DRC. Rwanda gained a reputation for firmness against corruption and for using aid effectively. Official development assistance (ODA) commitments have increased year after year, as have the number of donors active in the country.

The government grasped the opportunities provided by the Paris Declaration on Aid Efficiency and insisted on the priority of "on-budget" development assistance. The country is considered an excellent example of how country-owned reform can produce tangible results. International donor agencies are highly satisfied with Rwanda's economic cooperation. They praise the current government for its clear commitment to good governance, market policy, and financial transparency, and for its economic trajectory, development achievements and high level of internal calm and order.

In line with their involvement in Rwanda's reconstruction, the IMF, the World Bank, the United States, the United Kingdom and the European Union until recently preferred either to ignore the country's democratic deficiencies and human rights violations or to express their concerns only privately and diplomatically. Academic experts, however, underline the political shortcomings that endanger the country's future. In the absence of any promising alternative, international actors hope that democratic improvements will follow economic development. Kagame's straightforward style and ability to clarify his preferences have earned him some

Credibility

5

capital internationally, although occasionally he does not hesitate to embark on harsh polemics against the United Nations, human rights organizations and the agencies of Western donor states. He insists on sovereignty and demands that Rwanda be considered a peer with international actors.

France, meanwhile, has settled its dispute with Rwanda about the prosecution of RPF officials for alleged war crimes and has resumed diplomatic relations. But the Netherlands, Germany and Sweden were annoyed particularly about the Rwanda's entanglement in the internal conflicts of the DRC. During the last irritations about Rwanda's alleged support for the M23 rebels, these countries were joined by the United Kingdom and the European Union. Rwanda's credibility has suffered considerably because of its repeated interference in the eastern Congo, but also because of its human rights violations and defections of high-ranking officials and officers.

In pursuit of its economic strategy, Rwanda became a full member of the EAC in July 2007. This integration into the EAC is economically reasonable. Rwanda will profit from the customs union since substantial parts of the country's trade are either imports from Kenya or are transited through the ports of Kenya and Tanzania. Whether the efforts to turn the EAC into a common market and monetary union will be successful remains to be seen; such a development would alleviate Rwanda's economic problems. Due to the efforts of the British government, Rwanda has also become a member of the British Commonwealth.

A cornerstone of Rwanda's political and economic strategy is its international image and prestige as an active member of the United Nations and African Union, as well as other international organizations. In addition to providing soldiers for military missions led by the United Nations and the African Union, Rwanda serves as a venue for international conferences. Rwanda's image as a pilot country for Africa's economic future, as well as a haven of political stability and security, is essential for its economic strategy. In this context, Rwanda agreed some years ago to end its interference in the eastern DRC and to improve cooperation with the DRC in general and particularly on security matters. Following the creation in the North Kivu province of the rebel group M23, whose commanders formerly served in or fought with the RPA during the Rwanda and DRC civil wars, Rwanda's alleged support for the rebels brought the two countries to the brink of a new Congo war. Whether or not this conflict is settled, the government of Rwanda will need to come to terms with the DRC; its economic future is at stake, as most Western donors will not be inclined to tolerate the conflict.

Regional
cooperation
5

Strategic Outlook

The government of Rwanda continues to strategically strengthen its legitimacy through economic success bolstered by accelerated modernization. The country's economic growth is above average. But Rwanda started at a low level of development, and profits from high foreign aid, access to the resources of the eastern Congo, and speculative capital inflow.

Beyond a doubt, the development of the capital Kigali is impressive. It may be too much too soon, however, since industry and services performed only moderately in comparison with earlier years. Although exports have slightly increased, the trade deficit remains substantial and the conditions for monetary policy, international debt and investment in infrastructure continue to be precarious. Private foreign investment remained below expectations, in spite the government's efforts to facilitate it. For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as the necessary investments in infrastructure, will depend on a continued strong inflow of foreign resources. Rwanda's image as a pilot country for Africa's economic future, as well as a haven of political stability and security, is essential to its strategy. To safeguard its international reputation and credibility with donors and international investors, the government must continue to develop appropriate policies in all relevant fields, notably in its relations with neighboring countries, in further development of the EAC, in respecting human rights and in providing social security.

Some of its methods and measures, particularly in agriculture, may turn out to be inappropriate, insufficient or even counterproductive. The government should carefully evaluate the consequences of its present agricultural policy and, if necessary, reconsider it. Placing administrative pressure on the peasants to form cooperatives, to accept land-sharing, to specialize in certain crops, to use more chemical fertilizer, to terrace land and to change production methods may, in the long run, lead to unexpected results.

The implementation of social security is in its infancy and funding is not secured. Possible social consequences of the reforms have not so far been taken seriously into consideration. If growth slows and inflation rises, the regime may risk both losing the support of the middle and upper classes and being confronted with popular unrest in the growing urban underclass. Currently, the country is calm, safe and orderly, but the potential for conflict should not be underestimated. The country's efforts must be maintained in pursuit of better healthcare and reproductive health, a better judicial system including the Abunzi courts, and the extension and technical orientation of education, since progress in these fields is a precondition for future comprehensive development.

Relations with the neighboring DRC are critical. Rwanda agreed in principle some years ago to end its interference in the eastern DRC. However, militias led by commanders who formerly served in the RPA during the Rwanda and DRC civil wars continue to spread violence and conflict. The alleged support of the rebel group M23 by the Rwanda Army in 2012 renewed doubt about

Rwanda's commitment. Neither the interests of Rwandan businessmen nor the dissatisfaction and internal fights of the Rwandophone population in the DRC's Kivu provinces can justify Rwanda's continuing interference. Unless it comes to terms with the DRC, Rwanda will put its economic future at risk, as most Western donors will not be inclined to tolerate further infringement.

Despite its interference in the Kivu provinces, Rwanda has a vital interest in securing peace and public order in the Great Lakes region. Rwanda's economic success is dependent on the regional environment. The decline of the Habyarimana regime was accelerated by the civil war in Uganda. The country's neighbors today are by no means more stable politically. Even if turmoil in neighboring countries would not affect the security situation in Rwanda, it could deter the foreign investment indispensable for Rwanda's development strategy.

Rwanda has by no means overcome its structural obstacles. Western donors should be more critical in evaluating the government's plans and policy implementation. While it is very difficult to envision alternative scenarios, the medium- and long-term consequences of a full or partial failure of the current leadership must be considered.