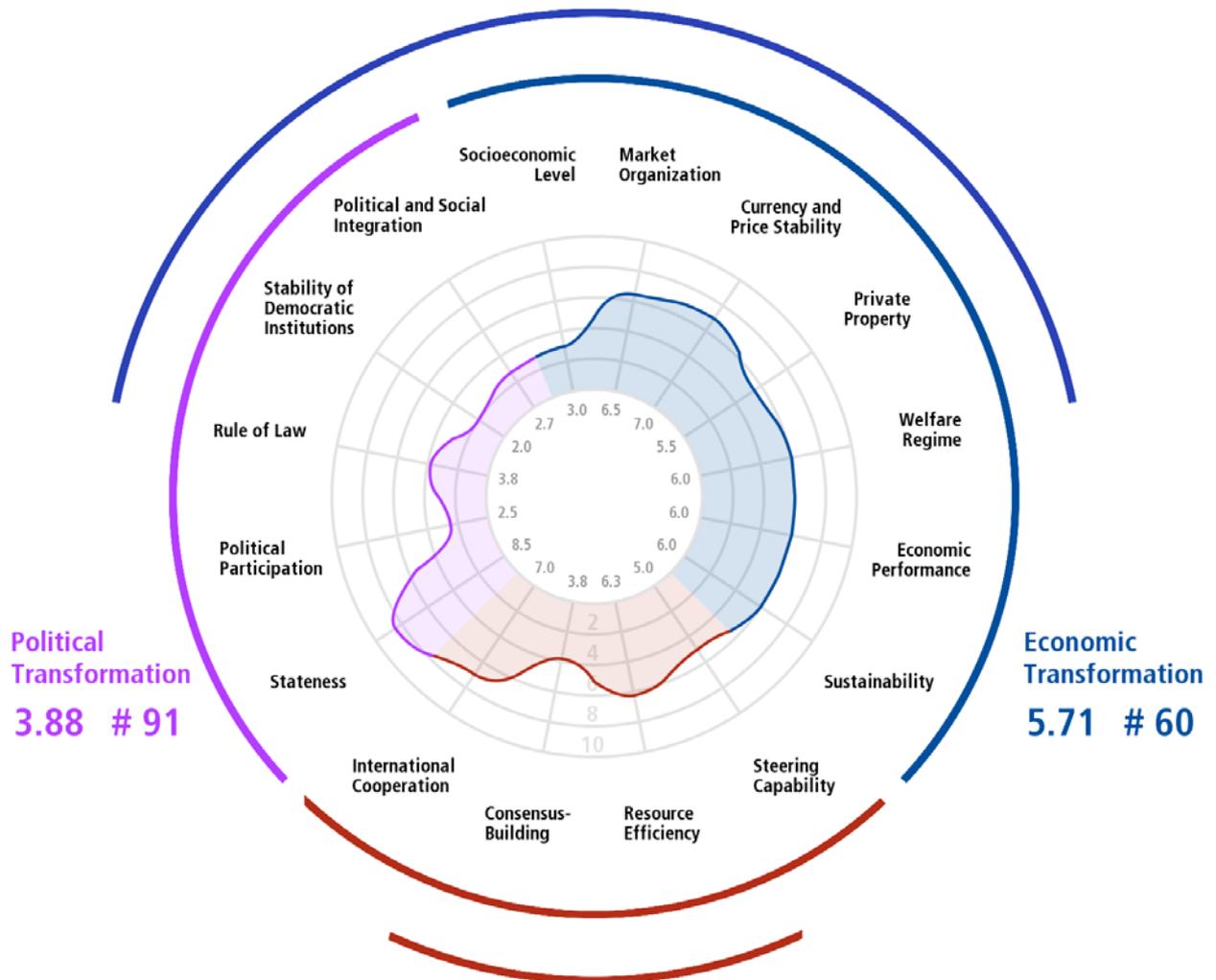


Rwanda

Status Index

4.80 # 85

on 1-10 scale out of 129



Political Transformation
3.88 # 91

Economic Transformation
5.71 # 60

Governance Index

5.20 # 54

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report — Rwanda. Gütersloh: Bertelsmann Stiftung, 2018.

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Key Indicators

Population	M	11.9	HDI	0.498	GDP p.c., PPP \$	1913
Pop. growth ¹	% p.a.	2.4	HDI rank of 188	159	Gini Index	50.4
Life expectancy	years	66.6	UN Education Index	0.464	Poverty ³	% 81.5
Urban population	%	29.8	Gender inequality ²	0.383	Aid per capita \$	93.0

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The president and the circle of his top aides stand for an authoritarian developmental state, firmly believing that the construction of a new state and society requires strong leadership. The ruling team is kept together by unquestioning loyalty and discipline in the tradition of the rebel movement, with which they once gained power. Renegades are not tolerated. All of this leaves little space for power-sharing and opposing points of view, for an independent civil society or freedom of the press.

The government of Rwanda (GoR) has set up an efficient state administration. The territorial administration was strengthened and is exercising strong control over the people. In principle, the GoR pursues liberal fiscal and market politics. However, in recent years, a cluster of privileged enterprises under the control of the army and the dominant party have expanded their influence on the market. The reformed agricultural system is also principally led by the state and not by the market. Consequently, the weight of the state in the economy has increased.

According to the national long-term strategy “Vision 2020,” Rwanda aims to become a middle-income country by 2020 with modern agriculture and knowledge-based industry and services, high levels of savings and private investment giving all Rwandans the chance to gain from new economic opportunities. So far, the country has performed remarkably in education, health care and curbing population growth. Economic growth has been somewhat higher than in the other member states of the East African Community (EAC), but mainly because Rwanda received substantial foreign aid. The development of industry and non-state services has remained below expectations. The mining sector has been reorganized, but proceeds through export are mediocre. The modernization of agriculture started with the consolidation of land tenure and a crop intensification program. The efforts to improving quality and increased production of selected crops by forcing the smallholder farmers into a rather rigid agricultural command economy have had only limited results so far. It remains to be seen whether the reforms imposed from above, in

the long run, will have the expected results. Thus far the achieved economic progress is not sufficient to fulfill the long-term objectives of the GoR.

Rwanda's main structural defects continue: a constant deficit of the external account, increasing foreign debt, modest amount of Foreign Direct Investment (FDI), small formal sector, unemployment or underemployment of at least 40% of the workforce, insufficient progress of labor intensive industry, increasing inequality between the upper 10% and the other 90% of the population, and high dependency on foreign aid.

The country's foreign policy has been subordinated to economic progress. Integration into the East African Community (EAC) and the Commonwealth are actively pursued. At its western border, the GoR has pursued since 1996 the aim to exercise political and economic influence over the eastern parts of the DRC. Due to sufficient pressure by major donors, the GoR stopped the military involvement definitively in 2013. After this failure, there is hope that the GoR will realize that peaceful cooperation with neighboring countries will open better opportunities for long-term economic development.

History and Characteristics of Transformation

Until its independence in 1962, Rwanda was administered as part of the Belgian Congo. The Belgians governed the territories in a distorted form of indirect rule. They recognized the king or "mwami" of the pre-colonial, patrimonial, centralized and militarized state as the traditional ruler of the territory, but increasingly administered the territory themselves making use of its nobility. As decolonization became foreseeable, the noblemen tried to save their privileges and political control but were challenged by a new elite rooted in the peasantry and educated by Christian missionaries. Both sides appealed to ethnic differences between the two segments although it constituted only one facet of the formerly complex societal structure. With the support of the departing Belgian administrators, the new "Hutu"-elite prevailed, followed by widespread programs against the old "Tutsi"-elite. About half of the Tutsi noblemen and their clientele, at that time approximately 150,000 persons or 7% of the population, fled abroad and settled in adjacent countries. From then on the country was ruled, at first by a small Hutu-elite of the southern region, and later by soldiers from the North. Both regimes had difficulties balancing rivalries between the regional elites.

At independence, the already densely populated country lacked almost any modern infrastructure, but it had some agricultural potential because of the successful introduction of the cash crops tea, coffee and pyrethrum, its moderate climate and in some areas rich volcanic soils. There were only modest mineral resources (especially tin and methane) but abundant possibilities of water power. Subsistence livelihoods continued to predominate but were faced with a rapidly growing population, resulting in soil degradation by overuse and smaller and smaller holdings. The export brought only meager earnings not sufficient for financing the increased demand for modern import products and the costs of growing state machinery. The economy lacked diversification, and it

suffered under the landlocked position and conflicts in neighboring countries. Due to substantial foreign development aid and a relatively effective administration, the country saw modest economic growth until the early 1980s. But later the economy began to falter on account of the decreasing world market prices, rising public expenditures and debt service. The regime's legitimacy suffered under the poor economic performance, and the fragile social fabric began to show rifts. When the French President Mitterrand in July 1990 announced that in the future French public development aid would be conditional on democratic reforms, President Habyarimana, so far strongly supported by France, had no choice but to give way to internal demands for political liberalization.

Meanwhile, Tutsi refugees in Uganda, who had joined the rebel force of Uganda's President Museveni, managed to fund a rebel force of their own, the Rwandan Patriotic Army (RPA). They forged together with Rwandan renegades a political liberation movement, the Rwandan Patriotic Front (RPF). The rebels invaded Rwanda in October 1990 and succeeded, little by little, to control parts of the Northeast. The Rwandan defense was weakened by the state bankruptcy and the collaboration of parts of the internal opposition with the RPF. President Habyarimana finally had to consent to an internationally mediated peace treaty (the Arusha Treaty), which foresaw multiparty government, the integration of RPF politicians into state structures and the integration of rebel armed forces into the national army. The latter concession was especially resented by officers of the national army. Growing internal violence and opposition stalled the implementation of the Arusha agreements. The event that triggered the final phase of the civil war was the shooting down of Habyarimana's airplane on April 6, 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 Hutu militias. Eventually, the RPA conquered the rest of the country and took over the government. The perpetrators of genocide, many officials, the army and approximately two million peasants fled to neighboring countries. The genocide not only cost the lives of hundreds of thousands of people but destroyed the country's social and economic structure.

To obtain international recognition, the new government now dominated by RPF and RPA utilized the Arusha Agreement as legal basis for a transitional government. This meant to include parties, formerly opposed to the Habyarimana regime, into a multi-party coalition although some of their leaders had been involved in the genocide. Throughout the rest of the 1990s, the RPF consolidated its political supremacy. Hutu politicians were one after another forced into exile, assassinated or prosecuted for allegations of corruption, complicity in the genocide or of sowing ethnic hatred.

From November 1996 onwards, the RPA supported the liberation movement in the neighboring Zaire which is today the Democratic Republic of Congo (DRC), with the aim of forcing Rwandan refugees to return and destroying the relics of the former Rwandan National Army and militias. Most of the refugees returned, but the RPA stayed on to gain control over the rich natural resources of eastern Congo.

In 2000, Vice-President Kagame ousted President Bizimungu, a Hutu. Kagame took over the presidency disregarding the transitional constitution, this and the involvement in the Eastern DRC caused increasing criticism from major international supporters and donors. To reassure them as well as to gain legitimacy among its citizens the government decided to give the country a new

constitution and at the same time elaborated on a vision of its socioeconomic future. After an extensive consultation process, a new constitution was drafted. Although the draft failed to meet international standards for democracy as it introduced a legal framework for the massive repression of any opposition under the guise of protecting national unity and abolishing ethnic thinking, it was approved by referendum. The following elections were won by President Kagame and the RPF by disabling the opposition. The elites of the former regime were largely replaced. RPF leaders dominated the process, and other parties were only admitted if they recognized the RPF's supremacy.

In the following years, the government began a process of socioeconomic modernization. The leaders' deep distrust of the former elites and the will to radically transform Rwandan society in their eyes justified authoritarian rule and repression, up to the limit where it might jeopardize the cooperation with the international donor community. The high price to be paid for this strategy was the absence of political competition, restrictions on personal freedom and the state's heavy intervention in societal structures.

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 facilitates tight control of the population, which is efficiently executed by a strong police force, security services and armed forces. The possession of weapons is strictly controlled. Therefore, public safety is high. There are rarely incidents of violence in the capital. Rebel groups formed after the mass flight of the Hutu population in 1994 to the neighboring DRC, do not represent a security threat any longer.

Rwanda has a pre-colonial tradition as a state. The legitimacy of the post-independence nation-state has never been questioned. Nevertheless, Rwanda's monolingual society has been deeply divided between socioeconomic groups interpreted to be ethnically different. Fighting between elite groups for the control of the state has led to large and repeated emigration in the 1960s and 1970s and again during and after the civil war of 1990 to 1994. The mass killings of Tutsi in 1994 and revenge attacks committed by the Rwandan Patriotic Front (RPF) further sharpened societal antagonism. But among young people, the identification with the Rwandan nation seems to be growing. Meanwhile, there is some evidence that divisions between rich and poor are becoming more important than the imagined ethnic differences.

The state is defined as secular. Religion and state are separated, and the different 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 political weight.

Question
Score

Monopoly on the
use of force

9



State identity

8



No interference of
religious dogmas

10



The administration functions well throughout the country. The replacement of former municipalities by new territorial entities and the reform of their functions have created a strong presence for the dominant party, RPF, from the central government over the provincial, district and sector administration down to the village level. The functionaries are bound by a detailed personal performance contract with the president of the Republic (imihigo) reflecting the strategic objectives of the central government. The system has demonstrated to be an effective tool of performance management and a top-down approach toward socioeconomic transformation.

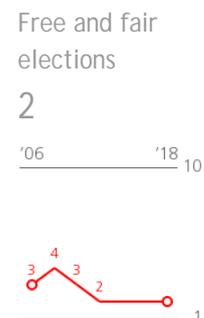
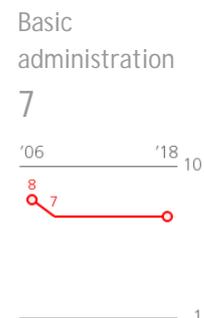
Around 75% of the ambitious targets of the government were met according to the most recent statistics.

2 | Political Participation

The Chamber of Deputies is elected by a system of proportional representation for a five-year term. In the last parliamentary election in September 2013, the parties directly under control of the RPF won 41 out of 80 seats, the two other parties of the coalition won 11 seats, while 27 seats were indirectly attributed to the organizations of women, youth and disabled persons, most of them selected by the RPF. Thus, in the absence of any alternative, elections led to a considerable majority of the RPF. The most viable opposition party, the Democratic Republican Movement (Mouvement Démocratique Républicain, MDR) whose leaders played a significant role in the 1993 Arusha Agreement and the first transitional government, already in 2003 was forced to dissolve. New parties without links to the Habyarimana era were blocked from organization and participation by administrative means.

Similar restrictions were applied to the presidential elections on August 9, 2010. The main rival candidate to the incumbent, President Victoire Ingabire, was arrested for allegedly denying the genocide and therefore not admitted. President Kagame was re-elected for a new seven-year term with 93.08% of the vote. For the next presidential election on August 4, 2017, President Paul Kagame will run for a third term in office from 2017 to 2024, sanctioned by an amendment to the constitution approved by a referendum on December 18, 2015. There is in the absence of any serious contender no doubt that he will be elected. Nevertheless, opposition parties are able to secure seats in parliament, although most of them are quickly co-opted into the forum of parties controlled by the ruling RPF.

Candidates of the opposition also have very limited media access. Though elections are formally free, Rwandans cast their ballots in the absence of true alternatives and a climate of intimidation. They fear reprisals and discrimination if they do not vote. The elections contribute therefore more to the consolidation of the authoritarian personal rule of President Kagame than to democratization.



Local elections scheduled for February 2017 will involve public lineups for the election of cell counselors in villages. Members of sector and district councils are elected indirectly. In the Senate, 12 out of directly elected 26 senators represent the territorial entities. These elections are conducted correctly according to formal procedures. However, in the absence of competitive candidates, through the limitation of party activities, administrative practices and the involvement of security services as well as their limited competence, the local representative structures cannot be regarded as organs of political participation, inclusion and power-sharing.

The Rwandan authoritarian regime is whitewashed by the ruling circle as a “consociational” power-sharing consensus democracy, justified by the surmounting of ethnic division and the requirement of accelerated development. The constitution gives the president unlimited competence in security and foreign policy. He appoints the prime minister and the members of the cabinet, and although he is obliged by the constitution to give a share of posts to all parties represented in the parliament, he can select within the parties the persons of his choice. Furthermore, he appoints his personal advisers, the senior army officers, the top administrators, the chief judges, a quarter of the senators, etc. The system is, in fact, a skillfully designed institutional façade. The RPF and the army control access to the political and administrative office. Via investment funds, they also own a number of important firms and exercise considerable 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).

The senate and the national assembly with their large RPF majorities rarely use their constitutional competencies to develop initiatives of their own. They are allowed to discuss issues and proposals as long as they are not related to state power, state security and the prestige of the president. Generally, they approve unanimously the government’s proposals. In spite of the fact that foreign aid is bound to conditions, there are, unlike other African countries, no substantial discussions between the parliament and foreign donors on issues of development and public finances.

The regime has sufficient legal and forceful means to silence any open critics. They risk being accused of “divisionism” and condemned to long prison sentences. The members of the inner power circle are bound by absolute loyalty. Any detractor or dissenter can be considered a dangerous traitor and may be demoted, jailed or forced to seek refuge abroad. Even overseas, renegades may be further harassed by requests for extradition or by the Rwandan secret services, which, as some cases prove, do not refrain from ordering assassinations of people considered to be a threat to the regime.

In general, the decision-making of the regime has not become more participative as previously from 2006 – 2016.

Effective power to govern

2

'06 _____ '18 10

2

_____ 1

The constitution of Rwanda guarantees freedom of association and assembly. There are no unreasonable restrictions by law on civil and social organizations as long as they follow the government's interpretation of "national unity," which it enforces by overt and covert methods. Demonstrations in the open air are free but need prior authorization of the administration which can be withheld in the interests of public safety.

All non-governmental organizations (NGOs) and human rights organizations must become members of the National Civil Society Platform. Over the past few years, government intimidation, harassment, obstruction and threats have significantly emasculated independent organizations. In 2013, one of the last remaining independent human rights groups, LIPRODHOR, was forced to elect leaders who do not openly criticize the government's poor human-rights record. All in all, NGOs and Community Service Organizations (CSOs) are politically and socially sidelined by the government and are accepted by the government primarily as a necessary concession for its international reputation or as a provider of additional aid.

The Freedom House ranking of Global Press Freedom continues to classify Rwanda as "not free" and considers press freedom in Rwanda stifled. A culture of fear among journalists drives widespread self-censorship. The Rwanda Media Commission (RMC), a fledgling self-regulatory body that made modest progress in advancing media independence, was hobbled in 2015 by the resignation of its chairman, who fled the country amid tensions between the commission and the Rwandan government. Freedom of press and information, although stipulated by the constitution, is 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. Information explaining internal government discussions is rudimentary. Both state-owned and private media outlets, therefore, practice self-censorship to avoid government interference. Investigative journalism is difficult and can endanger even the lives of journalists. Several journalists have fled the country, while others were arrested or intimidated by the police.

The government does not filter internet content or foreign radio transmissions, and the government media services comment on international criticism of Rwandan politics. Approximately more than 10% of the population uses the internet and can inform themselves without difficulties about the international response to Rwandan politics. However, the limits set to criticism against the political system and its masters apply also to foreign media. In 2014, the Regulatory Authority ordered the suspension of the BBC's radio broadcasts in the Kinyarwanda-language for an indefinite period and confirmed the decision in 2016. Kinyarwanda language radio, with their plethora of call-in programs, provide a more open forum for public debate and holding government officials accountable.

Non-RPF politicians and functionaries arouse suspicion if they communicate too frequently with the countryside. Telephone calls are bugged. Most people fear those

Association / assembly rights

3

'06 '18 10



Freedom of expression

3

'06 '18 10



in power and public institutions and therefore avoid the public expression of their views.

3 | Rule of Law

The constitution provides for a separation of powers, but the parliament's counterbalancing power is weak since it has only limited competencies and a one-sided composition. The central administration reaches all the way down to local level. The president has decisive power as chief of the security forces and the central administration. After having been the strongman of the country since 1994, he serves now according to the constitution. Since he will most probably be re-elected until 2024, the shortcomings of the regime are unlikely to be rectified in the coming years.

An independence of the judiciary would require the participation or at least the approval of an independent parliament regarding the personnel of the judiciary. It may be, that the judiciary would be allowed to interpret some legal acts, however only as far as this does not weaken the executive power. Judicial nominations have also been dismissed for political reasons.

In the wake of the country's experience with genocide, the justice system had to be built from the. Since most of the judiciary's personnel had been either killed or fled and many had themselves been involved in the genocide, there was a preference for recruiting from returned refugees. As a result, Tutsi appointees were given preference. Since the mid-1990s, however, all judges and attorneys in Rwanda have the necessary legal qualifications and the quality of the bar exam has improved considerably.

The characteristics of the new Rwandan judiciary must be understood in the context of reconstruction after the genocide and including the Gacaca system. Trying the numerous perpetrators of the genocide asked too much of the newly built up judicial system. In 1998 only 1,300 perpetrators had been tried, some in the absence of solid evidence. The total prison population reached about 130,000 in spite of thousands of deaths due to the extreme overcrowding and life-threatening prison conditions. Thousands waiting for their trial were arbitrarily arrested, to solve this problem the GoR devised a novel judiciary for trying genocide cases named Gacaca. Judges without prior legal training, elected by the population, were to try cases in front of members of the local community, who were expected to speak out about what they knew regarding the defendant's action during the genocide. About 14,000 Gacaca courts with 130,000 judges were set up. Between 2002 and 2012, there were two million cases involving about one million defendants or 27% of the adult Hutu population. Nearly 66% of these cases concerned thefts and property damages, while the remaining involved accusations of planning and organizing genocide, sexual assault, and murder. Some 14% of the defendants were acquitted, a minority were sent to prison. The number of prisoners therefore could be reduced to 40,000. The

Separation of powers

3

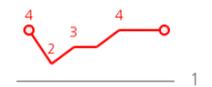
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Independent judiciary

4

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organization of the Gacaca-court system was a great success in processing a huge number of cases with the participation of the communities. It was a step forward in coming to terms with the genocide and ending impunity for genocide and mass killings.

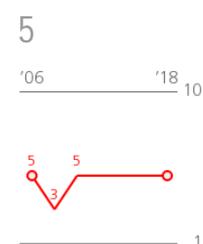
However, some international observers have questioned the extent to which the Gacaca court system has advanced the goals of reconciliation and inclusion in Rwandan society. Some of the legal advice provided to defendants has been faulty and intimidation and corruption have resulted in several unfair trials. The Gacaca system did not eradicate the distrust between many perpetrators and survivors, and it did not deliver the promises of compensation or restitution for the survivors. However, the main objection is that the system embodied elements of a victor's justice since it was directed principally against the Hutu. Only a few Tutsi were charged, but members of the Rwandan Patriotic Army (RPA) were not called to account for ordering or carrying out crimes against humanity during the civil war, after the genocide in Rwanda, at the occasion of the repatriation of Rwandan refugees in 1996 or for the following civil war in the DRC.

Building on the experience with the Gacaca system, efforts were undertaken to better organize access to justice for the poor and rural populations. Local "Abunzi" courts based on traditional practices were introduced in 2006. The Abunzi courts have jurisdiction over minor civil disputes criminal cases. They work with 30,000 voluntary and elected local community mediators. The mediation committees are assisted by centers of justice that are established in every district in order to provide legal advice. The Abunzi system opens a way of making decentralized justice accessible and affordable to citizens at every level. It could be perceived as an opportunity. Critics express concerns that the Abunzi courts could be used as another means of coercion by the government, like the Gacaca system, which possibly had the side effect of intimidating and disciplining the majority population of the Hutu.

But on the other hand, reforms of the ordinary justice system have taken place in order to lead to a deeper commitment to delivering fair and credible justice, at least as long the interests and the reputation of the government and the RPF are not touched.

Officially, abuse of office and corruption are thoroughly investigated and prosecuted. International and national donors acknowledge these efforts. However, the authority and will of top government officials as well as members of the RPF and security forces often goes unquestioned. For example, the involvement of officers in the illegal exploitation of mineral resources in the adjacent provinces of the DRC until 2013 was obviously tolerated, as was revealed in legal proceedings against renegade top officers. The proceedings showed that authorities were aware of defendants' illegal business activities but sought prosecution only when the officers were no longer politically viable.

Prosecution of
office abuse



The president has the power to coerce members of the judiciary to omit or to proceed with judicial decisions in the interest of the government. The judiciary is the tool by which the government perpetuates authoritarian rule by prosecuting opponents and critics. The president appoints and dismisses most senior judges and controls through them the rest of the judiciary. Law enforcement and judicial institutions rarely investigate or prosecute abuses by the security forces, and when they do, proceedings are undertaken to protect rather than punish perpetrators. Critics and opponents are persecuted through trumped up charges of genocide, revisionism, genocide ideology, corruption, terrorism and immoral conduct.

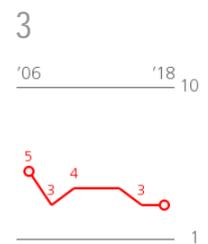
Theoretically, the constitution guarantees all standard civil rights but, in practice, tight restrictions on freedom of speech, press, assembly and association remain in place. The government restricted and harassed local and international NGOs, as well as foreign-funded media and human rights programs that once reported on Kagame's repression or policy failings. Programs run by Transparency International, Lawyers without Borders and the Rwandan League for the Promotion and Defense of Human Rights have shut down or become toothless under government pressure.

Political critics have been imprisoned for speaking out against government programs, the government's targeting of political opponents and human rights advocates, the disregard for the rule of law among security forces and the judiciary and restrictions on civil liberties; One often used argument for convicting them is the accusation of "divisionism."

Other severe human rights problems are the arbitrary or unlawful killings of opponents both inside and outside of the country. According to Human Rights Watch and Amnesty International, in recent years perhaps half a dozen well-known investigators, journalists and opposition politicians have been found dead in mysterious circumstances. Others have disappeared or being tortured. Harsh conditions in prisons and detention centers, arbitrary arrest, prolonged detention and government infringement on citizens' privacy rights are reported.

Generally, the government takes steps to prosecute or punish officials who committed abuses, but impunity involving violations of civil rights by security forces and civilian officials are prosecuted only in a selective way. The Rwandan people know of their limited political space of surviving in such an environment. To benefit from any government, or foreign-funded aid, they must be loyal to their president. Resistance in politically sensitive matters will only aggravate punishment.

Civil rights



4 | Stability of Democratic Institutions

The government is anxious to show the outside world a well-functioning judiciary and parliamentary system and not a monopoly of power. But the inner circle around the president efficiently directs and controls the official administration from top to bottom, with the assistance of a ubiquitous secret service. A second chain of control is exercised by RPF structures down to the local level. Deputies and senators – particularly those of the coalition parties – are under specific supervision. Political debates are filtered in advance within the Forum of Political Parties. Debates are only permitted as far as they do not scratch the image of the president or call the power base into question.

There are no relevant actors to contest the current authoritarian rule. The president is legally and de facto 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 outspoken or are simply no longer useful to the system, they are removed. During the civil war Hutu politicians who had fallen out with the Habyarimana regime were used to demonstrate the multi-ethnic and “democratic” character of the RPF, but after the victory of the RPF, they soon lost their offices. After 1994 MDR politicians were needed to legitimize the transitional government but were systematically removed during the following years. The efforts by Victoire Ingabire Umuhoza to create a truly oppositional party in 2010, the Unified Democratic Forces (UDF) was immediately held up. She was sentenced to 15 years imprisonment for “conspiracy against the country through terrorism and war” and “genocide denial.” The main proof of her genocide denial was her statement that current political policy was not sufficient to bring about reconciliation and noted as an example that the genocide memorial did not acknowledge Hutus who were killed during the genocide. She stressed that those who committed genocide, as well as those who committed other war crimes and crimes against humanity, should be brought before the courts of justice.

5 | Political and Social Integration

The RPF dominates the political scene. Other parties’ political activities were restricted to the national level until 2007, consequently the RPF is the only political organization present in the country, particularly at the local level. Its organization and financial resources are superior to all other parties. The nucleus of the party is still refugees, who returned after 1994, but membership in the party is attractive for many people.

At the national level, all registered parties are obliged to take part in the consultations of the forum of political parties. The forum is an instrument of control, to avoid open

Performance of democratic institutions



Commitment to democratic institutions



Party system



confrontation in the parliament. None of the eight accredited parties are openly opposing President Kagame. A large percentage of people believe that their vote has no weight, due to the imbalance between political parties.

The activities of interest groups are restricted. The existence of a large number of cooperatives and similar groupings is not questioned. However most of the groupings are part of the land consolidation process and related programs, they have an exclusively economic and social character. Generally, religious groups are more diverse but are very careful to avoid making any criticism which could be interpreted as political.

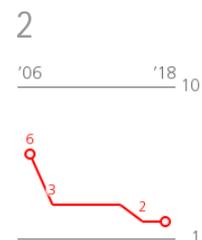
The government does not accept outright criticism from them. Trade unions do not play a role. Interest groups and NGOs are obliged to participate in state-controlled umbrella organizations. They have hardly any space for independent initiatives and actions.

The last available survey about democratic norms – although not representative – was commissioned in 2009 by the Senate. It corresponds interestingly with an independent survey of the year 1993/1994 carried out shortly before the genocide. A large majority of the respondents in both surveys preferred a democratic system based on power-sharing between the major political forces. But, the sample from 2009 was limited to regime sympathizers as many respondents did not dare to reveal their true opinions, it showed that the vast majority favored 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 exists.

The government endeavors to demonstrate the claimed participatory and inclusive character of the regime, there is a yearly countrywide survey of the Rwanda Governance Board on good governance, based on eight indicators, 35 sub-indicators and 143 sub-sub-indicators, collected from relevant institutions and interviews with 11,000 citizens. The focus of the indicators used is not norms and values but their achievements. From the president’s and the ruling circle’s point of view, economic growth and political stability must be given priority and can better be supported by such hand-picked surveys and tight control from above than by freedom of expression and democratic checks and balances.

As a consequence of the genocide, Gacaca trials, and land conflicts there is still very little trust among and between the majority of Hutu peasants, the educated Hutu, Tutsi refugees and those who survived the genocide. Above all, the divide between the poor and administrative structures fosters a sense of powerlessness and general passivity among the poor. The majority of the rural and urban poor consider themselves increasingly excluded from economic participation as a result of agricultural reform programs and the many rigid government regulations for housing, sanitation and so forth. In an effort to gain trust, demonstrate concern for the poor and convince major donors of its dedication to the Millennium Development Goals (MDGs), the

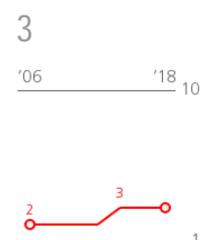
Interest groups



Approval of democracy



Social capital



government has targeted health care and education for improvement and introduced a social protection program (Vision 2020 Umurenge Programme, VUP). The basic idea here is to provide the poor incentives and opportunities while promoting their economic participation and building societal trust. The program aims to assist the poor by employing them for public works projects, offering microfinance opportunities to foster off-farm productive capacities and providing landless households with direct support. Local administrative units are responsible for coordinating this support which is tied to the government's attempts to promote village growth through agricultural modernization. Initially started in 30 of a total of 416 local administrative units, the program now reaches some 50% of the population. Some 45% of the program's budget is financed by the central government, the rest (55%) by international donors and NGOs. The efforts have certainly helped to considerably reduce the extreme poverty, nationwide. But it is not clear that they changed the attitudes of the rural and urban poor and that the government's expectations came true or were wrecked by the authoritarian pressure of local administrators in the fulfillment of their personal imihigo contracts.

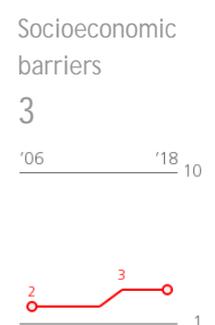
II. Economic Transformation

6 | Level of Socioeconomic Development

Rwanda is one of the smallest but most densely populated countries in Africa. Its population grew from 2.1 million in 1950, to 7.1 million in 1990, and to 12.1 million in 2016, it is now almost six times larger than in the last years of colonial rule. Population density has reached 457 inhabitants per square kilometer. The population below 16 years of age is 4.8 million, or about 40% of the total. Although during the last decade Rwanda's fertility rate declined sharply and the population growth rate fell to 2.53% as a result of the government's commitment to family planning, increased use of contraceptives and antenatal care, every year between 200,000 and 250,000 young people will increase the labor force. Overpopulation and underemployment as a source of poverty and inequality will remain the essential socioeconomic challenge during the next decade.

The country has few natural resources and its light manufacturing sector is not internationally competitive. Subsistence agriculture on tiny smallholdings continues to be the primary economic activity. However, the Rwandan government still aims to achieve by 2020 a complete transformation of the country from a poor, post-conflict nation to a thriving regional trade and investment hub, a knowledge-based economy with a vibrant middle class of entrepreneurs and a productive and market oriented agriculture, attaining a per capita income of a middle-income country.

Question
Score



Indeed, the country has experienced remarkable economic growth rates in the last two decades as the country's infrastructure was modernized, health care was improved and the education system was expanded. But industrialization remains limited, and the country is far from having become the regional hub envisioned. This success is relative, as the other countries of the East African Community (EAC) have experienced considerable progress as well. Regarding the Human Development Index, Rwanda has overtaken Burundi and drawn even with Uganda, but Tanzania and Kenya are still in the lead. The Inequality-Adjusted HDI (IHDI) shows that Rwanda still has the worst GINI-coefficient (50.9) of the member countries within the EAC. There is a small upper and the middle classes, approximately 10% of the population, which are public servants, soldiers, party functionaries, professionals and business leaders – a stratum with an ethnic bias resulting from the upheaval in 1994 – is benefiting most by the economic progress. There is also social progress such as the satisfying climb of the literacy rate which is at 71% and still climbing. Gender inequality rankings place the country in the same group as Scandinavian countries! Nevertheless, its HDI rank has remained, since 2005, at the same level (about 160). Income inequality is 31.9% which negatively impacts the HDI ranking, with 16% of the population living in extreme poverty, the other 40% in poverty and 18% near poverty. 78.8% are working in agriculture, 69% of their labor potential is underutilized. Since the government is pursuing the modernization of agriculture with aims at larger farms, the government is expecting a large share of the population active in agriculture to be reduced to 50%. Therefore, the workforce ready for other activities is being rapidly grown. Together with the large population of young people entering working life, the government will be confronted with hundreds of thousands of people without work and life-preserving income. Emigration is not a solution since the convention of the EAC explicitly excludes the freedom of movement for people without professional qualifications. The serious structural social and economic exclusion of large segments of the population with no prospects is leading to severe frustrations with the risk of violent outbreaks. The creation of sufficient work is, therefore, a major challenge for the coming years but will be extremely difficult to meet.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	7622.5	8016.3	8261.0	8376.0
GDP growth	%	4.7	7.6	8.9	5.9
Inflation (CPI)	%	4.2	1.8	2.5	5.7
Unemployment	%	3.4	3.4	2.8	2.5

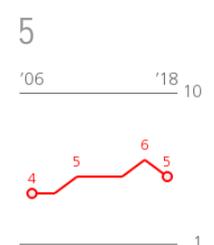
Economic indicators		2013	2014	2015	2016
Foreign direct investment	% of GDP	3.4	3.6	3.9	3.0
Export growth	%	18.5	7.3	6.2	13.0
Import growth	%	9.6	14.6	23.0	7.6
Current account balance	\$ M	-814.8	-1046.6	-1098.7	-
Public debt	% of GDP	26.7	29.1	33.4	37.6
External debt	\$ M	1693.6	2021.9	2240.6	2783.2
Total debt service	\$ M	39.4	56.0	109.6	133.0
Net lending/borrowing	% of GDP	-	-3.8	-4.1	-
Tax revenue	% of GDP	-	13.3	13.7	-
Government consumption	% of GDP	13.5	15.1	14.7	15.2
Public education spending	% of GDP	5.0	-	3.8	3.6
Public health spending	% of GDP	2.9	2.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.1	1.1	1.3	1.2

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

As far as the modern sector of the economy is concerned the GoR is undertaking efforts to improve the conditions for the development of a diversified, market-based and competitive economy. This includes respect for property rights, currency convertibility, removal of bureaucratic barriers for business, regional integration, liberalization of trade and attracting private foreign investment. The crucial issue remains the transformation in agriculture into a productive, high-value and export-oriented sector. The GoR aims at a substantial increase of agricultural production particularly of export goods. To reach this goal, small land-holders' autonomous decision-making about production and marketing is considerably restricted. The agricultural sector occupies 78.8% of the population and contributing 32.6% to Rwanda's GDP and about 1/3 to its exports, and is largely excluded from market-based competition. Compared to other countries the informal sector is small, although it is much larger along the DRC eastern borders.

Market-based competition



For its remarkable improvements in the regulatory environment for private business, Rwanda has been internationally commended as a lead reformer in East Africa. However, privately organized holdings and banks under direct control of the army and the ruling party play an important role in the modern economy and are highly privileged.

Anti-monopoly policy

6



Year	Score
'06	7
'07	6
'18	6

Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). EAC enjoys the benefits of the United States' African Growth and Opportunity Act (AGOA) and has a full quota - and duty-free access to the European Common Market. The weighted mean tariff rate was 7.15% in 2015, according to the World Bank.

Liberalization of foreign trade

7



Year	Score
'06	6
'07	7
'18	7

Since the other member states of the EAC fear uncontrolled immigration of unskilled Rwandan workers, Rwanda has amended its legislation for free movement of goods, services, capital and labor. Free movement of individuals is limited to professionals and academics.

The government undertakes considerable efforts to attract foreign investment. The country has frequently been in top rankings for the best place to do business and to invest in Africa. However, FDI remains under the expected volume on account of the conflicts in the region.

In some instances, foreign investors have been encouraged into taking risky business, but later, once they achieved some success, are squeezed out in favor of Rwandan interests.

The banking system is free, dynamic and meets international standards. It has been growing in recent years, and its stability, structure and efficiency improved considerably due to stricter enforcement regulations by the central bank. Authorities are actively taking steps to improve access to finance and encourage the creation of new financial institutions. The banking system is highly concentrated but competitive. To reach out to the population broadly and efficiently the number of branches has increased significantly, and this rapid expansion means 72% of Rwandans now have banking access. According to the World Bank, the share of non-performing loans was 7.2% and the bank capital to assets ratio 14.7% in 2016.

Banking system

8



Year	Score
'06	6
'07	5
'08	6
'09	7
'10	8
'18	8

There are special efforts, e.g., in the Vision 2020 Umurenge Program (VUP), to persuade the poor to open bank accounts. The number of Savings and Credit Cooperatives (SACCOs) is increasing. The government had fully licensed Umurenge Savings and Credit Cooperatives (SACCOs). Microfinance Institutions (MFIs) have

also been rapidly expanding, though many still suffer from a lack of capacity to finance and to develop new products or to expand their reach to rural clients.

International and regional banks have entered as shareholders and competitors. To date, the banking sector is comprised of nine commercial banks, three microfinance banks, one development bank and one cooperative bank. It is largely privatized, partially owned by foreign investors but with assets held by the government. Legislation establishing the Capital Markets Authority has improved the regulation of capital markets.

While the primary market is open to all investors, including residents and non-residents that hold a domestic bank account, the investor base remains dominated by commercial banks which account for about 83% of total holdings. Larger and longer-term financing is, however, still limited to a very small section of business people.

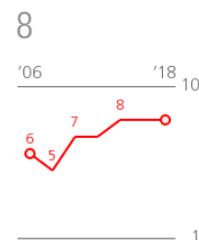
8 | Currency and Price Stability

The government is committed to the stability of currency and prices. The Rwandan Franc floats freely against the dollar. During the last decade, it depreciated slowly against the dollar due to a balanced monetary policy, from 2015 to 2016 by 8%. The central bank – formally independent – is trying to impose budgetary discipline and to reduce the foreign trade and current payments deficit. Since monetary and fiscal policy are strictly overseen by IMF and WB, the government rarely attempts to influence the decisions of the central bank. The inflation rate decreased to 3.5% in 2015. The international financial conjuncture has only a slight impact on account of Rwanda’s still modest integration into the global markets.

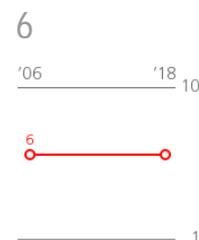
The yearly trade and service deficit of 18.5% to 19% of GDP in the last five years shows the main obstacle to macroeconomic stability. Since FDI remained below expectations and remittances of expatriate Rwandans, mainly invested in the housing sector, have been diminishing. The current account deficit, even including foreign aid and transfers amounts, amounts to 11% of the GDP. Therefore, the financial situation is highly dependent on donor aid. The temporary suspension of foreign budget support by major donors – due to the involvement of the Rwandan Defense Forces in the conflict in the eastern DRC in 2012 – led immediately to a drop of GDP growth from 7.3% in 2012 to 4.6% in 2013.

International debt cancellation was obtained in 2006, and the debt stock of Rwanda was reduced to a low level. Due to the continuous payment deficits, new debt has again accumulated to 29% of the GDP. Since further investment in infrastructure will be necessary to sustain economic growth, debt service could become a heavy burden once again.

Anti-inflation / forex policy



Macrostability



The macroeconomic stability of Rwanda depends on political developments, but it is highly questionable whether substantial foreign aid, FDI and increased income from agricultural exports will be available. Additionally, the limited potential of the country could be blocked by political insecurity in the region and internal problems.

9 | Private Property

The constitution and national laws guarantee property rights and the right to acquire property. However, in practice, this applies only to the titled property of urban and rural land in the hands of the small elite and urban middle class.

Agricultural non-titled land was traditionally property of the state, the assignment of land to the small subsistence farmers being regulated by local traditions. 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, the rural land ownership became highly complicated. The government decided to introduce land registration and titling combined with land consolidation by a land act passed in 2005 and completed in 2014. The fertile marshlands remain state property. The hillsides are assigned to the farmers by leases for 99 years. The minimum size of an assigned unit was fixed to one hectare and is not allowed to be further divided. Not properly cultivated farm land can be recalled by the administration.

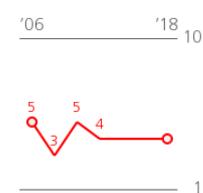
Through these regulations, the government aimed not only to settle conflicts over ownership and to stop the further fragmentation of the land but to allow agricultural modernization through creating credit-worthy units that permit modern cultivation methods. To this end, the government introduced a program for resource intensive priority crops supporting contract farming, land sharing and cooperatives, irrigation, terracing, mechanization, improved seeds, increased use of fertilizer, pesticides and insecticides. The participation of the farmers in the program is principally voluntary, but in fact, they are forced into it, when the Ministry of Agriculture has selected to include their area into the program.

The project is undoubtedly a program of state centered social engineering and runs counter the right of disposition of the large majority of small farmers over their property discouraging their individual responsibilities and initiatives.

Private companies in principle can be established and act freely. Privatization of formerly state-owned companies has made progress. However, the small middle class owns at best only a small share of the privatized companies. Holdings that mingle their finances and objectives with those of the ruling party or the army are able to combine investment by Rwandan funds, foreign private stakeholders and development funding. They are active in civil work, communication, security services, property development, financial services but also in mining and agriculture.

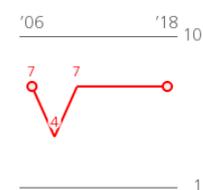
Property rights

4



Private enterprise

7



Foreign investors who want to establish businesses and to access credit preferably enter into deals with these holdings.

10 | Welfare Regime

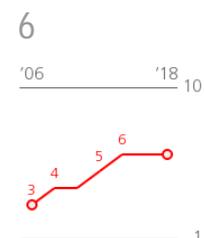
Only 42.8% of the Rwandan labor force is formally employed. The labor law ensures on the one hand protection of basic labor standards but on the other hand facilitates the flexibility of labor contracts with the aim of increasing the international competitiveness of the Rwandan economy. For the remaining labor force, mainly small farmers, some craftsmen, many traders and casual laborers, there are no regulations and safety nets against risks of accidents, illness and old age. The fact that social protection has become more important since traditional family and neighborhood solidarity has been weakened by extreme poverty has not yet taken into consideration. Progress has been achieved 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 insists that childbirth takes place in health care centers, life expectancy at birth has improved in the last decade to 63.5 years.

The government has introduced a compulsory health insurance scheme covering over 90% of the population. The system has facilitated access to quality health care. Despite amendments in the premium schedule to assure the financial sustainability of the insurance scheme, it requires heavy budgetary subsidies from the government, foreign donors and NGOs. For the poorest families, food aid supported by donors to reduce malnutrition, especially of children, is provided. The government has also launched the Umurenge program – as above mentioned – for the poorest and most vulnerable people. Although these programs are selective and do not attack the roots of mass poverty, they have led to a decrease in the proportion of the population below the poverty line from 56.7% in 2006 to 39.1% in 2014. Poverty rates remain twice as high in rural areas as in cities, which underscores that economic opportunities are still largely concentrated in urban areas. Although the health insurance is mainly financed by foreign aid. It has beneficial effects for the poorest it does not change the high degree of socioeconomic inequality.

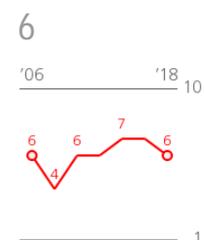
The primary net enrollment rate is now 99% for boys and girls. The primary completion rate is 58%. Both of these indicators provide a sense of the progress the country is making toward universal primary education – a key UN Millennium Development Goal. Therefore, literacy will increase further, but the country has yet to achieve universal primary education. Nevertheless, the next steps are already initiated. The free basic education program is being expanded from 9 years to 12 years.

For students eligible for tertiary education, government scholarships are available. The female enrolment rate (0.8 of male) has still to be increased. Also, pupils and students in rural areas still have difficulties in gaining access to higher education, but

Social safety nets



Equal opportunity



the conditions are improving. Quality differences between public and private schools have diminished and the discriminatory features of the educational systems almost disappeared. Hidden discrimination continues along political and ethnic lines in the security forces, the public administration and the private firms under the control of the army and the ruling party RPF.

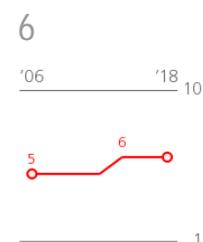
11 | Economic Performance

In its strategy “Vision 2020” GoR stipulates regional economic integration, the reform of agriculture into a high-value/high productivity sector and the promotion of secondary and tertiary sectors as cornerstones in order to reach the status of a middle-income country by the year 2020. The government has pursued this goal consequently and economically the country has well advanced. Annual GDP growth remained steady at about 7%. Compared with the other Economic Commission for Africa (ECA) countries Rwanda performed somewhat better, but the other countries (except Burundi) reached similar results due to their large agricultural and mineral potential. Rwanda’s strength came from a larger share of development aid.

Services contribute to more than half of the GDP. In particular, the communication, information and financial services are growing, a sign that the efforts to become a knowledge-based hub in Eastern Africa is bearing first fruits. Agriculture’s share of the GDP, although diminishing, still amounts to 33%, followed by industry and manufacturing. While more staple food was needed to meet the demands of the growing population, cash crops remain an important pillar of exports. However, due to the international conjuncture and strong competition return on export has remained more or less at the same level despite larger quantities. Mineral exports declined due to a smaller volume and internationally falling prices. The trade deficit has oscillated for many years, more or less between 14% and 16% of the GDP. This means an increasing deficit for the current account, only partially reduced by grants and capital transfers of development aid, remittances and foreign direct investments (FDI). Since the international debt forgiveness in 2006, public external debt has steadily increased, reaching nearly €2 billion in 2016 (25% of the GDP). In spite of resolute support by the government, FDI has only minimally contributed to a better balance. Investments are financed with public funds.

Therefore, foreign aid has macroeconomic weight in Rwanda, unlike any other sub-Saharan country. It amounts to about 15% of GDP and contributes around 35% to the budget. The GoR is handling foreign aid very carefully and has become a darling of the international donor community. But it is fully dependent on foreign aid. If aid would be curtailed substantially, the Rwandan economy could collapse. This threat became obvious when foreign aid in 2012/13 was temporarily withheld due to Rwanda’s involvement in the conflict of the neighboring Kivu-region of the DRC. The GDP growth fell immediately by 50%.

Output strength



Since the change of government in 1994, up to 2015 Rwanda received \$16.5 billion. For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as the necessary investments in infrastructure, will continue to depend on a constant inflow of foreign aid resources. External downside risks have been increasing and there is no guarantee that the country will be allowed the time to reach its aim of a self-supporting economic balance of a middle-income country.

To reach this state, the government will also have to concentrate on a second even more challenging problem, offering its large and young labor force chances of productive work. About 85% of the population over 15 years of age are working, 70% of them find their main occupation in agriculture. As part of its strategy to modernize agriculture, the GoR believes that their share should be reduced to 50%. Additionally, the labor force is growing yearly by 240,000 young people, and around 40% of the present labor force is underemployed, there should be about 250,000 to 300,000 new full-time jobs created annually.

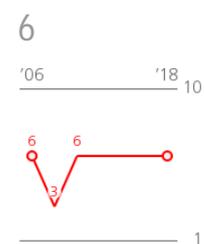
Achieving this goal would provide Rwanda opportunities to harness the country's demographic dividend. But if the new young workers, particularly those most qualified, cannot find employment or are underemployed, this could have a very negative impact on the country's future.

12 | Sustainability

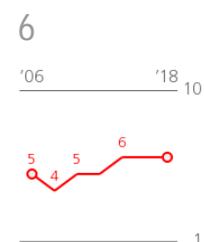
Population density dynamics and the distribution of land resources – which have resulted in soil degradation, deforestation, biodiversity depletion, hillside erosion and pollution – pose major problems in terms of environmental. For its efforts to modernize agriculture, the government follows the conventional path of introducing better seeds, increased use of chemical fertilizer and the terracing of hillsides. Productivity has increased, but it is to be seen whether these measures are sustainable. In other fields, such as the provision of energy, water management and waste disposal, etc. the government follows a strict policy of environmental conservation. In recognition of its good intentions, Rwanda became a pilot country of the UN Poverty and Environment Initiative (UNPEI) and receives substantial funding from donors for environmental pilot projects.

Education and technical training are a high priority for the government. Expenditures for education and training have continually increased and now amount to 5% of GDP and 13.5% of the national budget (2014). In 2012/13 the primary school net enrollment rate increased to 96.8%, the primary school completion rate to 73%. The lower secondary education enrollment rate reached 49.2%. Enrollment in secondary schools from 2008 to 2014 has doubled, the number of teachers almost tripled. The net enrollment rate since 2014 is 35.7% compared with 13.9% in 2008. It is intended to reach an enrollment of 40% in upper secondary education. 25% of students eligible for tertiary education will receive a government scholarship, while others will be

Environmental policy



Education policy / R&D



eligible for loans. A further priority is the increase in the number of vocational training schools. Strengthening technical and vocational education will ensure that the labor market offers the right skills required by a modern economy. In the last five years the number of student in Tertiary Technical Institution increased from 433 to 5,345, a modest but promising beginning. Improvements in education and research are seen by the government as indispensable prerequisites for the goal of a knowledge-based economy. The quality of university education is being improved particularly by private initiatives, such as the branches set up by international universities.

Just as in tertiary education, where the number of expensive places at private institutions has significantly grown, the number of places at state institutions remains stagnant and there is a danger of a growing bias in favor of the upper and privileged strata.

Contrary to the success in secondary education a serious gap has become apparent between the government's aims and the reality facing the majority of poor Rwandans. The level of knowledge reached in rural primary school is very low. If the authorities were committed to delivering education to the poor, the rural primary schools are unfortunately delivering a poor education. The frustration of the poor shows in the primary school completion rate. It dramatically dropped from 78.6% in 2011 to 61.3% in 2014. An effective and sustainable strategy to improve primary education quality has yet to be designed. It is debatable whether the present results can be considered inclusive development when the quality for the children of the poor remains so low.

Governance

I. Level of Difficulty

The structural constraints on the development of the country are severe. As already discussed, Rwanda's mineral resources are limited and the accelerated post-independence population growth places considerable pressure on usable agricultural land. Before 1994, under the previous government, the predominantly rural population lived under precarious conditions. The civil war followed by the mass exodus to the DRC and Tanzania, the HIV/AIDS epidemic and difficult years of reconstruction for the new state added further burden.

The major economic and social challenge remains the modernization of agriculture and the massive creation of non-agricultural jobs including higher productivity supported by appropriate education and training, supplemented by better regional cooperation to develop interregional services, trade, tourism, exploitation of the energetic potential and cross-border processing of agricultural products and minerals.

Before 1994 there existed a relatively dense net of religious and community-based development organizations encouraged by the then authorities which followed a bottom-up approach to development but were also intimately linked to the local elite. After the liberalization in 1990 many Community Service Organizations (CSO) and NGOs became active all over the country. The civil war, genocide and resulting repression terminated these hopeful beginnings.

In the last two decades, the current government completely reshaped the territorial structure and cut the links between the former elite and the rural population. While it pretended to mobilize the local population for development efforts in the context of its decentralization policy, de facto popular "participation" is guided and controlled by the local administration and the dominant party. Self-planned and self-governed community projects are rare. The degree of social trust of the rural and urban poor is difficult to guess and may differ from sector to sector. Independent CSOs and NGOs exist only at the national level, but they react to the government's distrust with self-censorship and adherence to the administrative guidelines and plans. Therefore, they have little innovative impact.

Structural
constraints

8



1

Civil society
traditions

9

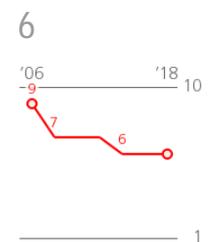


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The civil war, the genocide and their aftermath still divide the Rwandan society. Distrust, envy, hatred and fights over property rights between the different social groups have been sharpened by the practice of massively prosecuting genocide suspects and the criminalization of “divisionism.” The Gacaca-process, proposed as a means of atonement and reconciliation became entangled in the construction of the victor’s narrative. The interdiction of the largest opposition party and the material and status-related privileges claimed by refugees returned from Uganda or by genocide victims, similarly played into the victor’s narrative.

The Rwandan society remains conflict-laden, which is a major obstacle 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 minimizes any danger to the ruling circles and contributes to the general security and stability of the country.

Conflict intensity



II. Governance Performance

14 | Steering Capability

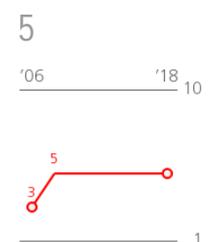
The roadmap of the government for development is the “Vision 2020,” approved in the year 2000. Rwanda should become until 2020 a modern, strong and united nation reaching a per capita income of a middle-income country equitably. The autocratic government seeks its legitimacy mainly on its ability to deliver broad based economic progress.

To this end, the GoR has embarked on profound and far reaching reforms. It has streamlined the administrative structures and launched sectoral reforms. It has completely reorganized the territorial administration and effectively expanded education and health care including a compulsory health insurance. For its aim to become a regional hub it has converted the capital Kigali in a modern business center. The infrastructure of roads and electrification has made good progress. Some results were reached for the growth of private economy. A remarkable progress is the reduction of the exorbitant population growth from average 3.5% pro year before 1990 to an average 2.4% in the last years.

Until the planned building up of the ICT sector and service delivery will become the backbone of the economy, the transformation of agriculture into a high-value and export-oriented sector has the highest priority. The administration finished the land consolidation, convinced or forced farmers to join cooperatives or associations, to use fertilizers, further terrace hillsides, etc. There has been an increase of productivity but not yet in the expected scale. This may be due to the top-down approach of the

Question
Score

Prioritization



strategy. Farmers feel unduly coerced and victims of state arbitrariness and hidden elite rent-seeking. The system indeed allows rent-seeking or exploitative activities; for example, cooperatives provide opportunities for the accumulation of wealth by local elites or by trading or processing firms under control of the army or the ruling party. Decades of experience informs Rwandans who are highly sensitive about how the fruit of their labor will go to actors higher up the agricultural chain. The malaise of the farmers is also caused by the fact that they have to feed too many jobless members of the family.

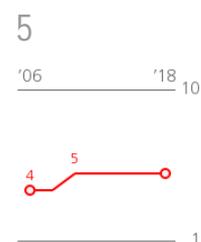
It seems that rent-seeking is manipulated by the top since the president and the inner circle need to provide opportunities to those whose support is necessary to stay in power (e.g., too big business, officials of the national and decentralized administration, army officers, cadres of the RPF, etc.). The inappropriate use of power is to be found not only in the agricultural system but also regarding the industrial firms and conglomerates under the control of RPF and the armed forces.

Hidden priorities of the government determined in the past support for rebel movements in the neighboring DRC. Finally, when donors interrupted aid to Rwanda in 2012, which caused serious financial difficulties, the GoR agreed to abstain from supporting the rebels. At present, the government seems to have abandoned direct interventions. The future will show whether President Kagame and his inner circle will definitively abstain from political and military involvement in the Eastern DRC.

The policy of the GoR is a typical example of the unambiguous belief in social and political engineering by an authoritarian leadership. However, the ruling circle cannot fully ignore the expectations of its power base, the elite, higher functionaries, army and police officers, party officials and businessmen regarding economic and social status. Tolerating a certain degree of rent-seeking activities is unavoidable but the Rwandan leadership endeavors to limit them to the extent that they do not endanger the designed modernization process.

The government ambitiously pursues its progress with great persistence in a top-down bureaucratic way. However, after a fulminant start difficulties and frictions have turned up. There is undoubtedly considerable progress, but some of the programs are based on hypothetical assumptions, especially regarding the reform of agriculture. Experts have serious doubts as to whether the government's strategy can be successful. Also, thus far the employment schemes are only a sedative and it is not clear, what alternative livelihood options the emerging landless class are meant to take up. It is at present not foreseeable whether the EAC will become the engine of further substantive economic development or if a new start of the Communauté Économique des Pays des Grands Lacs (CEPGL) will open new economic chances. Given the existing constraints, Rwanda will continue to be highly aid dependent for many years. The government must conduct foreign and development policy

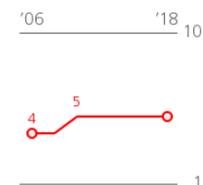
Implementation



conducted in a way that donors and private investors will continue to provide the requisite foreign capital.

As far as economic strategy is concerned the government is following the course as agreed with the World Bank and the IMF. The sensitivity of the government to the social consequences of its policies is limited. There is a marked preference for a top-down approach, and a belief in reports, schemas and diagrams.

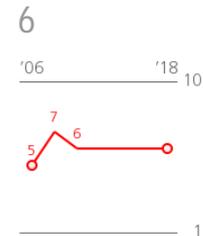
Policy learning
5



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. There is fierce competition to find employment in government services, and the applicants from privileged strata will often have better chances.

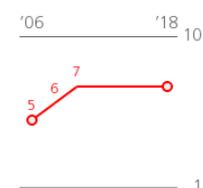
Efficient use of assets
6



The state budget is balanced, but so far only because of substantive foreign aid. Expenditures for the large army and other security forces, as disclosed in the budget, are very low, and additional funding outside the budget must be suspected. It may be provided by the US government, by the UN as reimbursement for the participation of Rwandan contingents to AU and UN peace missions or last but not least by the transfers from the army-led commercial firms.

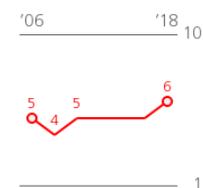
The inner circle of power headed by President Kagame coordinates politics hierarchically and without noticeable internal deviation. Public statements by government representatives are always aligned with the official policy of the presidency. But due to the hierarchical structure and mentality, the strict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

Policy coordination
7



The fight against corruption is a priority of the GoR. 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, low- and middle-grade civil servants are prosecuted if allegations of corruption are brought against them. In spite of all efforts, but definitively less than elsewhere in Africa, petty corruption continues to be an issue.

Anti-corruption policy
6



On the other side, in the context of rivalries and power struggles within the upper political and military elite, charges of corruption play a role. A good example was the case against high-ranking military renegades around the former army chief of staff.

All accused were condemned in absentia for corruption (among other charges). The charges were most probably justified, but the malpractice had already been known and tolerated at the time the defendants held office. A formally legal alternative reward for high-ranking officers or functionaries is appointing them lucrative positions in firms close to the army and RPF.

16 | Consensus-Building

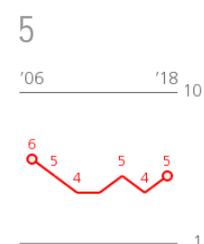
According to the official analysis of the Rwandan authorities, the constitution of 2003 has created a favorable environment for civil society and free mass media, instituted a forum where political parties can deliberate, and empowered people at the grassroots. The authorities insist that political pluralism 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. Since there is no internal political opposition or independent public opinion and any critical voices risk being accused of "divisionism," it cannot be judged to what extent this interpretation of the political system is shared by the majority of people. It is unlikely that there is, beyond the desire for peace and security, a consensus between the lower, the middle and the ruling class. With the Gacaca and Abunzi courts, strong bureaucratic chains down to the local level, land consolidation and regrouping and an improved education system, the RPF is about to form a new societal and political structure, characterized by a bossed around peasantry, a landless proletariat, small traders and a limited number of employed workers, which can be easily controlled and manipulated. But the regime can count on adaptable and opportunistic reactions of the middle class, state and business employees.

The regime hopes to gain legitimacy by economic opportunities and has opted for a free capitalistic market economy, which involves close cooperation with the World Bank, the IMF and the major Western donors. But the principle of market economy is only applied to the small modern and formal economy, whereas agriculture is regulated by the administration and the poorest strata exposed to the daily struggle to survive.

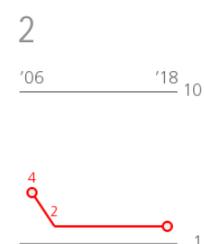
There are no pro-democratic reformers with significant political influence in Rwanda. Potential reformers have preferred to go into exile. Non-democratic actors dominate all branches of government and public power.

The influence of the military is very high. Internal and external security and the military's privileged status are 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 revealed frictions within the ruling circle, but they are motivated by power struggles and not by pro-democratic convictions.

Consensus on goals



Anti-democratic actors



During the period under consideration, there was no danger of cleavage-based violence on Rwandan territory. Hutu militias in the Congo are decimated and no longer any threat.

The activities of oppositional Rwandans in exile provide evidence that the conflict caused by ethnic identities has yet to be forgotten. Its hidden continuation is exacerbated by the fact that post-1994 Tutsi returnees are overrepresented in all privileged realms of government and society. Undoubtedly an important segment of the middle-income Hutu has moved into line with the RPF rule but with the price that they have lost their moral and traditional influence on the rural and urban poor. The growing number of the very poor have only limited prospects for decent work, and the culturally uprooted are exclusively Hutu, which provides a possible breeding ground for future violence. The RPF's mode of governance with its strong belief in managing, monitoring and controlling the population may on the short-term strengthen its power, but in the longer term, it may be counterproductive, because it antagonizes ever-increasing numbers of Rwandans.

Segments of civil society, such as organizations of women, youth or disabled persons, are officially integrated into the polity via additional seats in parliament. Meanwhile, the respective organizations appear to be more like parastatals. Actors, such as genocide victims, profit from close relationships with government officials.

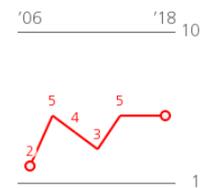
The government openly criticizes the notion of civil society as a counterweight to government and insists that national and international NGOs must be effective partners in service delivery for development. Development NGOs are therefore increasingly forced to integrate their activities into the institutionalized development machinery. In the countryside, community-based and non-governmental organizations have little space for their own initiative activities and are therefore weak.

The president and his associates see themselves as trustees of the commemoration of the genocide 1994 and the reconstruction of the new Rwanda, having outgrown the division of the society and providing for all citizen security, justice and dignified living conditions. For the sake of justice, in the first years after the victory of the RPF hundred thousand of suspected organizers, perpetrators and profiteers of the genocide were incarcerated and tried. From 2002 to 2012 the already described Gacaca court system ruled another 1,000,000 cases. After finishing these trials, a campaign "We are all Rwandans" was launched asking all "Hutu" to apologize once more and definitively for the genocide, which was beyond any doubt an extraordinary institutional effort.

The re-election of President Kagame in 2010 and the approval of the prolongation of his mandate in 2015 with the consent of over 90% of registered voters are interpreted

Cleavage /
conflict
management

5



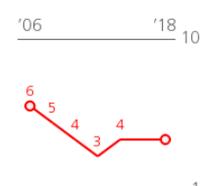
Civil society
participation

3



Reconciliation

4



by the GoR that all Rwandans have full confidence in the president and that reconciliation was successful.

However, there is no data of the real perceptions of the reconciliation process. Neither the electoral results nor the public opinion surveys provide a reliable picture. Two relevant institutions of the government, the National Unity and Reconciliation Commission and the Rwanda Governance Board, conclude that the majority of respondents judge the reconciliation process as positive. But people would complain about the new cleavages, the gap between rich and poor, the more difficult access to land and housing, the absence of chances to be listened to by those who make the laws, as well as the arrogance and demonstrated omnipotence of the administration. Hidden behind these grievances could be hidden still the reference to the ethnic cleavage since almost all the poor and landless people belong to the Hutu.

It could be assumed that 25 years after the civil war, the history of a large segment of the population without personal memories or those of family elders, particularly of the 800,000 persons convicted as perpetrators, will fade and the official narrative will predominate. If this is not the case, it is because the Gacaca trials were all too often marred by false accusations, corruption, difficulties in calling defense witnesses, etc. Additionally, the quest for truth has been one-sided. Crimes of the RPA, during the civil war and after the victory of 1994 in Rwanda and during the Congo War of 1996, among the Rwandan refugees and the local population have not been cleared, although the death toll was far above one million victims.

Last but not least there are the contradictory attitudes of the government. On the one hand, the RPF's reconciliation rhetoric is based on the neglect of ethnic identities and the interdiction of all ethnic references; on the other hand, it officially dubbed the 1994 tragedy as the "genocide of the Tutsi" in a constitutional amendment of August 2008. Another example is the support for the government financed fund for genocide survivors, which sponsor large numbers of "victims" to study at the National University and abroad. All of this contributes to a marked policy of institutionalized ethnic preference. There is only a thin veil over the fact that the suppression of a minority by a majority has been replaced by the rule of the minority over the majority. For all these reasons, the reconciliation process in Rwanda is far from being a positive model case as it has been qualified by some observers and analysts.

17 | International Cooperation

Emerging from the civil war in the decade after 1994, Rwanda received significant foreign contributions for its post-conflict reconstruction. Only after the turn of the millennium, on the persistent request of the large donors, the new elite began an intensive discussion on the economic and social future, culminating in the program of the "Vision 2020." It followed largely the UN Millennium Development Goals and the "New Partnership for Africa's Development" (NEPAD), and stipulated as a goal,

Effective use of support

8

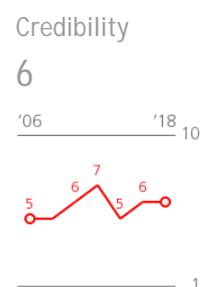
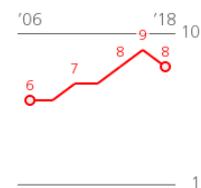
that since country is poor in natural resources and rich in people it should become a country with a vibrant middle class of entrepreneurs and qualified workers, concentrating on knowledge-based technology.

In July 2006, the GoR adopted a Development Assistance Policy that drew heavily on the principles of the Paris Declaration and the related international process. Rwanda's policy identifies un-earmarked budget support as GoR's preferred modality for external assistance, followed by sector budget support and standalone projects; it further stipulates that standalone projects must be on-budget and on-plan. The GoR also insisted that donor resources would be pooled rather than earmarked for individual projects. Consequently, almost 50% of the national budget is financed by foreign aid, using 40% of total foreign aid. From 1994 to 2015 Rwanda has received \$16.5 billion, and since 2013 annually over \$1 billion. Per capita aid amounted to \$91, the share of NET ODA of GNI is 13.3%. Among African states, Rwanda is a top recipient of foreign aid.

The country's revenues hardly cover the salaries of state employees. Neither the trade deficit nor the budget could be balanced without foreign aid. Even more significant is the fact, that Rwanda's economic growth depends largely on the approximately 10% foreign aid contribution to the GDP. The creditworthiness of the country, the influx of foreign direct investments and credits depend on the expectation of continued international aid. The "Vision 2020" would have no credibility without commitments from the main donors.

International donor agencies were highly satisfied with Rwanda's economic cooperation. They commend the current government for its clear commitment to good governance, market policy, financial transparency and efficient management. But, they increasingly suspect that their support also serves the strategy of the leading elite to preserve their power.

In line with their deep and prestigious involvement in Rwanda's reconstruction, the IMF, the World Bank, the United States, the United Kingdom and the EU until recently preferred either to ignore the country's democratic deficiencies and human rights violations or to express their concerns only privately and diplomatically. President Kagame's straightforward style and ability to define preferences have won him credit in international economic cooperation, although occasionally he does not hesitate to embark on harsh polemics against the United Nations, human rights organizations and the aid agencies of Western donors. He insists on sovereignty and demands that Rwanda is considered equal by international actors. But lately, his reputation has suffered, with his decision to run for a third term. Also, some experts question whether measures once lauded by external actors are, in fact, adequate to address extant problems, as some of these measures seem intended primarily to strengthen government power and control over the poor. Nevertheless, in the absence of any promising alternative, international actors hope that democratic improvements will follow economic development. But the mounting criticism may lead to a



shortening of foreign aid, which could undermine the present power system and possibly destabilize the country.

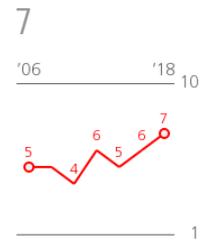
Rwanda's interference in the eastern DRC was a controversial issue for several years. After the last crisis in 2013, the major donors temporarily delayed their aid, which temporarily induced the government to suspend its support for rebel movements.

Due to the efforts of the British government, Rwanda has become a member of the Commonwealth. More important for the prospects of its economic strategy was the accession to the East African Community (EAC) in July 2007. This step was long overdue. Rwanda profits 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. It remains unclear whether efforts to turn the EAC into a common market and monetary union will prove successful. However, such a development would mitigate Rwanda's economic problems.

Politically the relations to Burundi have recently deteriorated, and the relations to the DRC will depend on the outcome of the ongoing constitutional crisis in the country.

A cornerstone of Rwanda's political and economic strategy was to strengthen its international image and prestige as an active member of the UN and AU and other international organizations, as a provider of contingents to UN and AU military missions, but also as a venue for international conferences. The image as a pilot country for Africa's economic future, as well as a haven of political stability, and security are essentials for its economic strategy and political standing.

Regional
cooperation



Strategic Outlook

As the period planned for Rwanda's development plan Vision 2020 nears its end, substantial progress in the capital Kigali and some other cities is apparent. Roads, electrical grids and communication infrastructure, have been improved and extended, the range of services expanded, agricultural productivity increased, education and health care enhanced. But the infrastructure and institutional arrangements needed to enable middle-income living and knowledge-based occupational opportunities has been realized for a relatively small segment of the population only. Inequality, particularly income inequality, is still extreme. The HDI rank adjusted for inequality (HDII) is at the level obtained in the mid-1990s.

Continued population growth and the need to reduce the number of those reliant upon subsistence-based living account for the country's low HDII. New jobs beyond the agriculture sector, aside from being limited in quantity are primarily low paying.

The ambitious goals of the Vision 2020 will to a large extent not be reached. Speed and persistence of economic transformation are much less spectacular and more insecure than emphasized by the rhetoric of the GoR. Rwanda's per capita GDP growth rate and GDP in absolute terms are slightly higher than that seen in other countries in the East African Community (EAC). However, much of this performance is driven by high levels of foreign aid.

Certainly, the goal to reach a resilient, sustainable and equitable development of the country is far more difficult than as foreseen by the authors of the Vision 2020, which is unlikely to be fulfilled in the current timeline.

Rwanda's agrarian potential is insufficient to produce high quantities of crops for export and simultaneously feed the increasing population. The agrarian reform forced by the GoR for this purpose is counterproductive. It establishes a command agricultural economy and violates the principles of free market economies and transparent participation of the rural people.

A substantial increase in the production and export of minerals is unlikely. The mining industry is only a marginal activity, contributing in the past about 1% of GDP.

The most urgent task is to create as many productive new jobs as possible. An improvement of the present strategy would be a close and trusting cooperation with Rwanda's neighbors. Rwanda could become a crossroad of the transport corridors to the Indian Ocean and a hub of trade and processing for the products of the neighboring, potentially rich, Kivu-Region. With neighbors, Rwanda could jointly develop the regional tourism industry which carry some potential. Progress would involve a more active promotion of labor-intensive industrialization and manufacturing, embedding local firms into global value chains, promoting ICT development, business-process outsourcing, green technology and new agrarian products while favoring technical education. The results in this regard are so far unsatisfactory since the middle class is not sufficiently oriented to labor intensive entrepreneurship. Given the context of an authoritarian, centralized political system

and a deeply unequal society, it is unclear whether the dynamic business climate required to push reforms in the right direction can develop.

Unfortunately, there are additional risks looming. Two “big men” of the region, Uganda’s president Yoweri Museveni (in office for 30 years) and DRC’s president Joseph Kabila (in office since 2001), are coming to the end of their regimes. Burundi and the East Congo are still in turmoil. The big donors are reconsidering their priorities. Thus, foreign aid to Rwanda may be reduced in spite of the associated negative consequences. But even if aid is continued, donors must be aware, that the structural obstacles for the future of the country will persist. While it is without doubt very difficult to design alternative scenarios to the GoR’s Vision 2020, donors should be mindful of the medium- and long-term consequences of a possible full or partial failure of the current strategies.