This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at http://www.bti-project.org.


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Key Indicators

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<td>Aid per capita</td>
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Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.10 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 reconstruction of state and society requires strong leadership. The ruling team is held together by unquestioning obedience in their tradition as a rebel movement. Renegades are not tolerated. All of this leaves little room for power-sharing and opposing points of view, an independent civil society and freedom of the press.

The Government of Rwanda has set up an efficient state administration. In particular, territorial administration was strengthened by exercising strong control over the population. In principle the government pursues liberal fiscal and market politics; however, recently a cluster of privileged enterprises under the control of the army and the dominant party came into being. The new agricultural system is also principally led by the state and not by the market.

According to the national long-term strategy “Vision 2020,” Rwanda should become a middle-income country by 2020 with modern agriculture, 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 well 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 of substantial foreign aid. The development of industry and non-state services has remained below expectations. The recent increase in mining has been partially due to the re-export of minerals from the Democratic Republic of the Congo (DRC). The modernization of agriculture started with the consolidation of land tenure and a crop intensification program, mainly focusing on the traditional cash crops, tea and coffee. Efforts to improve quality and increase production of these crops by forcing smallholder farmers into a rather rigid agricultural command economy has so far had only very limited results. Job creation in the non-agricultural sector is far from sufficient to absorb the increasing labor force, resulting from population growth and the reduction of people employed in agriculture. This may create a class of
landless poor people. Inequality is increasing because the economic achievements have so far served primarily the urban middle and small upper class.

It remains to be seen whether the reforms imposed from above will be sufficient to overcome structural deficits in the long run. Thus far, the progress achieved is not sufficient to fulfill Rwanda’s long-term objectives.

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 government has pursued the aim since 1996 of exercising political and economic influence over the eastern parts of the DRC. In the end, after its last military interference, the support of the rebel militia M23, the government had to refrain from further military involvement and the illicit exploitation of mineral resources. Major donors finally exercised sufficient pressure by temporarily suspending aid. After this failure, there is hope that politicians in the government will realize that peaceful cooperation with neighboring countries will result in better opportunities for long-term economic development. However, as far as internal reforms for more democratic participation are concerned, there are at best very limited prospects.

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 precolonial, patrimonial, centralized and militarized state as traditional ruler of the territory, but increasingly governed it by directly involving members of the nobility. The noblemen tried to retain their privileges and political control in the process of independence, but were challenged by a new elite rooted in the peasantry and educated by Christian missionaries. Both sides appealed to ethnic difference between the two segments, although that constituted only one facet of the previous complex societal structure. With the support of the departing Belgian administrators, the new “Hutu” prevailed, followed by widespread pogroms 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 and settled in adjacent countries. Afterwards the country was ruled by a small Hutu elite from the southern region and, from 1973 onwards, by a military dictator originating in the north. Both regimes had difficulties balancing rivalries among regional elites.

At independence, the already densely populated country lacked almost any modern infrastructure, but 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 for waterpower. Subsistence livelihoods continued to predominate, but were endangered by a rapidly growing population, resulting in soil degradation by overuse and smaller and smaller holdings. The cash crops brought only meager export earnings not sufficient for financing the increased demand of modern import products and the costs of a growing state apparatus. The economy
lacked diversification and suffered because of its 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 decline on account of decreasing world market prices, rising public expenditures and debt service. The regime’s legitimacy suffered under the poor economic performance. Its fragile social structure began to show rifts. When French President Mitterrand announced in July 1990 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 found a rebel force of their own, the Rwandan Patriotic Army (RPA). Together with Rwandan renegades, they forged a political liberation movement, the Rwandan Patriotic Front (RPF). The rebels invaded Rwanda in October 1990 and controlled parts of the north until 1993. The Rwandan defense was weakened by 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 Accords), which foresaw a 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 Hutu officers. Growing internal violence and opposition stalled the implementation of the Arusha Accords. The event that triggered the final phase of the civil war was the shooting down of Habyarimana’s plane on 6 April 1994. This was followed by the genocide of 500,000 to 800,000 Tutsis and the murder of political opponents by the presidential guard and Hutu militias. Eventually, the RPA conquered the rest of the country. The perpetrators of genocide, many officials, the army and approximately two million peasants fled to neighboring countries. The genocide had not only cost the lives of hundreds of thousands of people, but it also destroyed the country’s social and economic fabric.

In order to obtain international recognition, the RPF utilized the Arusha Accords as a legal basis for a transitional government. This meant including parties formerly opposed to the Habyarimana regime in a multiparty government, 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 forced into exile, assassinated or prosecuted for corruption or sowing ethnic hatred. From November 1996 onwards, the RPA supported the liberation movement in neighboring Zaire (today, Democratic Republic of the Congo – DRC) with the aim of forcing Rwandan refugees to return, destroying the remainder of the former Rwandan army and militia, but also to gain control over the rich natural resources of the eastern Congo.

Having ousted President Bizimungu, a Hutu, in 2002, Vice President Kagame, the head of the RPA, took over the presidency, disregarding the transitional constitution. Subsequently, in order to gain legitimacy, an extensive consultation process was launched to draft a new constitution. It was approved by referendum, although it failed to meet international standards for democracy, as it introduced a legal framework for the massive repression of any opposition under the guise of
protecting national unity and abolishing ethnic thinking. In the elections that followed, President Kagame and the RPF won by 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. The RPF imposed a policy of economic modernization under the condition that its power would not be endangered. The leaders’ deep distrust of the former elites and their desire to radically transform Rwandan society justified, in their eyes, authoritarian rule and repression, to the point where it could jeopardize cooperation with international donors. Privatization was pursued so as to favor foreigners and investors close to the government. In order to show the progressiveness of the new masters, higher and technical education was promoted and gender equality endorsed. However, the government’s sharp rejection of any form of criticism excluded any meaningful progress toward full civil liberties.

The high price to be paid for this strategy was the absence of political competition, restrictions on personal freedoms and the state’s heavy intervention in societal structures. Recent studies also suggest that the intention of the government and the dominant RPF party to create “national unity” may have been undermined by its genocide narrative, divisionist laws, Gacaca courts, the nationalized mourning of the genocide and the privileges given to genocide survivors with the consequence ethnic group identity has become more rigid than ever.
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 and relatively strong police and armed forces facilitate tight security control. Possession of weapons is strictly controlled. Therefore, public safety is high, even though there have been some incidents of violence in the capital and failed incursions by rebel groups from the neighboring DRC. But they do not represent a sustained security threat.

Rwanda has a precolonial tradition as a state. The legitimacy of the post-independence nation-state has never been widely questioned. Nevertheless, Rwanda’s monolingual society has been deeply divided among ethnic and socioeconomic groups. Fighting among elite groups for the control of the state led to large and repeated emigration in the 1960s and 1970s and again following the civil war of 1990 to 1994 and the genocide in 1994. The genocide of Tutsi and mass killings of Hutu and Tutsi further sharpened societal antagonism. But, among young people, identification with the Rwandan nation seems to be growing. Meanwhile, there is some evidence that divisions between rich and poor are considered more important than ethnic differences.

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

The administration functions effectively throughout the country. The reform of territorial administration has created a strong state presence from the central government through the provincial, district and sector administrations down to the village level. In principle, the government uses commissions and committees at all levels and “popular consultation” at the local level as administrative mechanisms for communicating with citizens and community-based organizations. But, in practice, functionaries stick to a bureaucratic and authoritarian top-down approach. Coordination among ministries and different levels of government is often deficient.
The Chamber of Deputies is elected in 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 11 seats. Twenty-seven seats were filled by representatives from women’s, youth and disabled organizations. Most of these representatives were 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 Accords and in the first transitional government, was forced to dissolve in 2003. New parties without links to the Habyarimana era were blocked from organizing and participating by administrative means.

Similar restrictions were applied at the last presidential elections on 9 August 2010. The main rival candidate to the incumbent president, Victoire Ingabire, was arrested for allegedly denying the genocide and therefore not allowed to run. Candidates from smaller parties were scared and finally excluded from the electoral contest. President Kagame was therefore re-elected for a new seven-year term with 93.08% of the vote. The tight control of voters by local administrations secured a high voter turnout of 95.1%.

Though both elections were formally free, Rwandans cast their ballots in the absence of true alternatives and in a climate of intimidation. Citizens 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 took place in February 2011. At the village level, ballots were not secret as public queuing was used. Members of sector and district councils were elected indirectly. In the Senate, 12 out of 26 senators, also indirectly elected, represent the country’s territorial entities. These elections were conducted correctly and according to formal procedures. However, in the absence of competitive candidates, through limitation of party activities by restrictive administrative practices and the involvement of security services, they cannot be regarded as proof of political participation, inclusion and power-sharing.

The Rwandan political system is whitewashed by the ruling circle as a “consociational” power-sharing consensus democracy, justified by the need to surmount ethnic divisions and the requirement for accelerated development. The constitution gives the president unlimited authority in security and foreign policy. He appoints the prime minister and the members of the cabinet, and although he is obliged by the constitution to give a share of posts to all parties represented in the
parliament, he can select the people of his choice. Furthermore, he appoints his personal advisers, the senior army officers, the top administrators, the chief judges, a quarter of the senators, et cetera. The system is in fact a skillfully designed institutional façade that conceals the real distribution of power. All major political and power-related matters are decided by the president, together with his top advisers. The RPF and the army control access to political and administrative office. Via investment funds, they also own a number of important firms and exercise influence over 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). Currently, the ruling elite seems to be homogeneous.

The Senate and the National Assembly, with their large RPF majorities, rarely use their constitutional competences to develop initiatives of their own. Generally, they vote unanimously for the government’s proposals. In spite of the fact that foreign aid is bound to conditions, there are, unlike in 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. The elite seems to be homogeneous and cohesive at the time of writing. Politicians, business people, et cetera 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. 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 recent examples show, do not refrain from ordering assassinations of people considered harmful to the regime.

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 by the administration which can be withheld in the interests of public safety.

All 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 CSOs are politically and socially sidelined by the government and are accepted by the government primarily as a necessary concession for its international reputation.

The Freedom House ranking of Global Press Freedom continues to classify Rwanda as “not free.” 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 have been 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. Thus, people with access to the Internet and radio can inform themselves without difficulty 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. The Regulatory Authority ordered the suspension of the BBC’s radio broadcasts in the Kinyarwanda language for an indefinite period (following government complaints about a provocative BBC television documentary, “Rwanda’s Untold Story” in 2014).

Non-RPF politicians and functionaries arouse suspicion if they communicate too frequently with the countryside. Telephone calls are bugged. A survey commissioned by the Senate in 2009 concluded that most people fear those in power and public institutions and therefore avoid 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 competences 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 armed forces and the central administration. After having been the strongman and absolute ruler of the country since 1994, he serves now according to the constitution, with his final term ending in 2017. There are already proposals to change the constitution allowing him a subsequent term.
The justice system had to be built up from the bottom after the genocide. Since most of the justice personnel had been killed or fled and others had been involved in the genocide, the recruitment of returned refugees was an obvious solution. The disadvantage was the preference for Tutsi appointees. But efforts to the effect that all the judges of the courts and all the persecutors should be qualified lawyers and the growth of a qualified bar made good progress.

A serious challenge, the trial of about 130,000 imprisoned suspects of the 1994 genocide, was attacked by a special program, the community-based Gacaca courts, over 12,000 of which with about 170,000 local lay judges were established in 2001. In quantitative terms, the program, when it ended in 2012, was a success. It processed more than a million cases and convicted nationwide some 800,000 perpetrators or every fourth person who was over the age of 16 in 1994. Its most important results were that the number of prisoners dropped to 40,000. There is a large literature on the system, concerning its contribution to fighting impunity, promoting reconciliation and growing beyond ethnic divides. Based on a considerable quantity of data, field experiences and analyses, almost all American and European experts, joined by the Rwandan architects of the system who have meanwhile gone into exile, conclude that Gacaca courts brought neither justice nor truth nor reconciliation, but to the contrary, were perceived as victor’s justice, excessive punishment and abandonment by the state, contributing to prevalent structural violence and new vendettas. Since the government took its authoritarian turn in 2002, it wanted to control the process centrally and politically, and made it impossible to implement the Gacaca courts in the sophisticated way in which they were conceived. In the end, the Gacaca process has allowed an authoritarian government to consolidate its power and created insecurity and ethnic tensions.

In order to better organize access to justice for the poor and rural populations, local courts based on traditional practices, called Abunzi courts were established in 2006. The Abunzi courts have jurisdiction over small claims civil disputes and over low-level criminal cases. They work with 30,000 voluntary and elected local community mediators. The mediation committees are assisted by centers of justice established in every district, in order to provide legal advice. The Abunzi system provides a way of making decentralized justice accessible and affordable to citizens at every level. It could be perceived as an opportunity, but critics are concerned that the Abunzi courts could be used as another means of strengthening coercion, like the Gacaca courts before them.

The authoritarian turn of the RPF’s rule has also compromised the independence of the regular judiciary. The president controls most senior judges and, through them, the rest of the judiciary. Most of the judiciary’s members are members of the RPF. The RPF compels them to give allegiance to the party. The president can coerce members of the judiciary to make judicial decisions that suit the interests of the government. The judiciary has become the main tool by which the government
perpetuates authoritarian rule by prosecuting opponents and critics. Law enforcement and judicial institutions rarely investigate and prosecute abuses by the security forces, and when they do, proceedings are undertaken to protect rather than to punish perpetrators. Critics and opponents are persecuted through trumped-up charges of genocide, revisionism, genocide ideology, corruption, terrorism and immoral conduct.

Abuse of office and corruption, officially, are strictly prosecuted. International and national donors acknowledge these efforts. However, the involvement of top officers in the illegal exploitation of mineral resources in the adjacent provinces of the DRC was obviously tolerated. Recent legal proceedings against renegade top officers revealed that their illegal business activities were known to the authorities and prosecuted only when those officers fell into political disgrace.

The constitution theoretically guarantees all standard civil rights, but, in practice, they can be severely limited by the “divisionism” clause, which gives the administration great scope in undermining them. A large majority of citizens therefore do not feel equal before the law.

There are also cases of impunity. Violations of civil rights by security forces have been prosecuted only in a selective way. A report by UNHCR, which mapped the mass executions of Rwandan refugees and Congolese civilians during the Congolese civil wars, clearly identified the involvement of the Rwandan Army in these criminal acts. During the occupation of the eastern provinces of the DRC, the Rwandan army also used in mines under their control the forced labor of Rwandan prisoners condemned for crimes of genocide. Rwandan courts have until now neglected these accusations. Recently, there has been a wave of arbitrary arrests and disappearances in the northeast during which detainees did not appear in court. Following a protest by the U.S. government, the government of Rwanda explained this practice as a security measure against the infiltration of rebels from the DRC.

4 | Stability of Democratic Institutions

In its attempts to hide its monopoly on power, the government is anxious to show to the outside world a functioning judiciary and parliamentary system. But the inner circle around the president efficiently directs and controls the official administration from top to bottom with the assistance of the ubiquitous secret police. A second chain of control is exercised by RPF structures down to the local level. Deputies and senators – particularly those from the coalition parties – are under specific supervision. Political debates are vetted 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 into question the power base.
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 multiethnic 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 one after the other removed during the following years.

5 | Political and Social Integration

The RPF dominates the political scene. Because other parties’ political activities had been restricted to the national level up to the year 2007, the RPF is the only political organization present in the whole country, particularly at the local level. Its organization and financial resources are superior to all other parties.

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 confrontation in the parliament. None of the eight accredited parties openly opposes President Kagame. A large percentage of people believe that their vote has no weight in view of the imbalance between political parties.

The activities of interest groups are restricted. The government does not accept outright criticism by 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.

A survey – although not representative – commissioned in 2009 by the Senate corresponds interestingly with an independent survey from the years 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 major political forces. Although the 2009 sample was limited to regime sympathizers, or many respondents did not dare to reveal their true opinion, 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.

In order 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 4,000 householders. 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 achieved through such handpicked surveys and tight control from above than by freedom of expression and democratic checks and balances.

In light of international expectations for anti-poverty programs, the government has included in its general economic approach a social protection program for the large number of the very poor, consisting of health care, participation in public works, microfinance and direct relief. Since the government has little confidence in the self-organization capabilities of society, all of these programs are owned and led by the state. They are heavily subsidized through the central budget and international donors. So far, in regard to the core element of income generation for the poor through self-help activities, cooperatives and microcredit schemes, the impact and outreach of such measures is limited. Credit is mainly used by the poor in the capital and repayment of loans is deficient. There is little space for citizens’ own initiatives since, for instance, farmers have to follow detailed technical instructions and are forced into farm cooperatives. Also for housing there are strict guidelines aimed at reducing the traditional scattered settlements and the old building techniques of adobe walls and straw-thatched roofs. Additionally, the people are more or less voluntarily obliged to take part in state-led programs such as “Ubudehe,” a participatory pro-poor credit channel, “Imihigo,” an activity for community-centered development and “Umuganda,” the monthly labor service for communal projects. The preference for centralized programs not only is the result of the state-centered mentality of administrators, but also of considering independent community-based initiatives as a potential long-term threat to the power of the RPF.

As a consequence of the genocide, Gacaca trials and land conflicts, there is still very little trust among the majority of Hutu peasants, the educated Hutu, the mostly Anglophone ex-refugee Tutsi and the Tutsi who survived the genocide. The considerable distance between administration and population fosters a feeling of powerlessness and a general passivity among the majority of the rural and urban poor, who consider themselves increasingly exploited and confined by rigid government regulations.
II. Economic Transformation

6 | Level of Socioeconomic Development

Rwanda is one of the smallest but most densely populated territories in Africa. Population grew by 45.1% from 8.13 million in 2002 to 11.8 million in 2012, when population density reached 447 inhabitants per square kilometer. The population aged 16 years and above grew to 5.88 million in 2012, which is a growth of some 1.8 million adult persons over the past 10 years. Rwanda’s gross national income per capita rank is 171st (of 187 countries). Its HDI rank improved because of progress in education and health to 151st (out of 187).

The main economic activity is still subsistence agriculture on tiny smallholdings. Of the 4.96 million working adults, 62% are independent small-scale farmers and 17% farm workers. Almost all cultivable land is used. Because of population growth and agrarian reform, aiming at larger farms and cooperatives and restricting the minimum size of farms to one hectare, the number of landless and workless peasants is growing rapidly.

The country has few natural resources except a large potential for hydroelectric power and potential reserves of natural gas (methane). Light manufacturing is developing at a low level, but the limited internal market and the high transport costs from the landlocked country to international markets reduce its competitiveness. Supported by foreign aid, GDP growth (averaging 7.7% per year over the last decade) has been rather high, but this may be not sufficient to reach the MDG poverty goals (although Rwanda’s likely success in this regard is heavily debated by commentators). The small upper and middle classes have gained most from economic progress. Inequality therefore remains high: in 2011, Rwanda’s GINI coefficient stood at 50.8. Ten percent of the population earn 43% of total income, which means that the upper and middle classes, army officers, public servants, party functionaries and businessmen, a stratum with an ethnic bias because of recent political developments, benefit the most from economic growth.

Over 60% of working people live in absolute poverty. In spite of improvements to the education system and health services, the majority of the population has very limited prospects because of the scarcity of land and work. The economy does not provide enough jobs for a growing population. The urban poor have marginally better chances for jobs, such as small-scale trade and handicrafts, and better access to health services and education facilities than do the rural poor. Twenty percent of people able to work, including 42% of young people, are grossly underemployed. The major challenge is therefore the creation of sufficient jobs for the growing workforce.
As far as the market sector of the economy is concerned, the government is undertaking efforts to improve the conditions for the development of a diversified, market-based and competitive economy. This includes respect of property rights, currency convertibility, the removal of bureaucratic barriers for business, regional integration, liberalization of trade and the attraction of private foreign investment. The crucial issue remains the transformation of agriculture into a productive, high-value and export-oriented sector. In 2005, the government launched a comprehensive land reform. According to the key target of the “Vision 2020,” it aims at a substantial increase in agricultural production, particularly of export goods and the reduction of...
the number of people relying on agriculture, from 70% to 50% by 2020. In order to reach this goal, small landholders’ autonomous decision-making about production and marketing was considerably restricted. Consequently, the agricultural sector, occupying 70% of the population and contributing 36% to Rwanda’s GDP and about one-third of its exports, is largely excluded from market-based competition. Approximately 80% of the labor force works in the informal sector.

For its marked 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 are highly privileged.

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

Privatization and sales to foreign investors of key units of the economy continue. The government undertakes considerable efforts to attract foreign investment. However, FDI remains below expected volume on account of the conflicts in the region. In some instances, foreign investors have been encouraged into taking risky business chances, but later, once they had achieved some success, squeezed out in favor of Rwandan interests.

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

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 against the USD only modestly, by around 5% annually due to a balanced monetary policy. The central bank – formally independent – is trying to impose budgetary discipline and to reduce the foreign trade and current payments deficit. The inflation rate decreased to 4.4% in 2014. The international financial conjuncture has only a slight impact on account of Rwanda’s still modest integration into the global markets.
A trade deficit of 18% of GDP in 2013 is the main obstacle to macroeconomic stability. Since FDI remains below expectations and remittances of expatriate Rwandans, mainly invested in the housing sector, are diminishing, the deficit of current accounts amounts to over 20% of the GDP. This is reduced by about 10% though foreign aid transfers, which means that the country 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 to a drop in 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 accumulated to 25.5% of GDP. Since further investment in infrastructure will be necessary in order to sustain economic growth, debt service could therefore again become a heavy burden.

The macroeconomic stability of Rwanda depends on the solution of political issues. Whether substantial foreign aid, high FDI and increased exports will continue in the long run remains questionable. The limited potential of the country can be blocked by political insecurity in the region and internal problems, such as the unresolved issue of the masses of the poor who remain without work and income.

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. However, the assignment of land to the majority of smallholder farmers in the past was primarily regulated by local traditions. Because of 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, rural land ownership became highly complicated. A land act passed in 2005 stipulated procedures for the settlement of land disputes and attribution by the state administration. The fertile marshlands remain state property. The hillsides are assigned to the farmers by leases for 99 years. In 2008, a registration and land titling campaign was launched and scheduled for completion in 2014. As already mentioned, the minimum size of an assigned unit is fixed to one hectare and cannot be divided among a farmer’s children. Land not properly cultivated 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 also to foster a program of agricultural modernization through creating creditworthy units that
permit modern cultivation methods. To this end, the government imposes contract farming, land sharing and cooperatives, through which higher productivity by irrigation, terracing, mechanization, improved seeds, diversification of crops, increased use of fertilizer, pesticides and insecticides ought to be achieved.

The project is undoubtedly a program of state-centered social engineering and runs counter to a policy promoting private property for the large majority of people and stimulating individual responsibility and initiatives. Through the denial of property rights, it intensifies the dependence of the majority of the population on the decisions and goals of state administration. It indicates the government’s intention to limit private property rights and implement laws selectively in order to fulfill economic and/or political goals.

Private companies in principle can be established and act freely. Efforts to privatize formerly state-owned companies have 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 investments from Rwandan funds, foreign private stakeholders and development funding. They are active in civil work, communication, security services, property development and financial services, but also in mining and agriculture. Foreign investors who want to establish businesses and to access credit preferably enter into deals with these holdings.

10 | Welfare Regime

Only 18%, at most, of the Rwandan labor force are 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 82% of the 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. This ignores the fact that social protection has become more important, since traditional family and neighborhood solidarity has been weakened by extreme poverty. 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 improved 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. There is a special program for poor landless families.

The government has also launched programs of public works, credit packages, social services and assistance 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 44.9% in 2011. Poverty rates remain twice as high in rural areas as in cities, which underscores that economic opportunities are still largely concentrated in urban areas.

The free basic education program is being expanded from nine years to 12 years. For students eligible for tertiary education, government scholarships are available. Even though pupils and students in rural areas still have difficulty in gaining access to higher education, conditions have improved. Quality differences between public and private schools, attended by 40% of the pupils, persist, but altogether the discriminatory features of the educational systems have been gradually reduced. Women’s equality has advanced in politics and in higher education. Hidden discrimination continues along political and ethnic lines in the armed forces, public administration and the private firms under the control of the army and the ruling party RPF.

11 | Economic Performance

Although GDP growth in recent years has been above the average for African countries, due to its high population density, Rwanda needs to further strengthen its international economic position. The government’s “Vision 2020” strategy considers regional economic integration as one of its crucial elements. It stipulates that agriculture should be transformed into a high value/high productivity sector and the promotion of secondary and tertiary sectors. In the context of agricultural reform, the qualitative and quantitative improvement of traditional cash crops such as coffee and tea are prioritized. These are however volatile products subject to climatic conditions and international market prices. Growth in this sector in 2013 was negatively affected by bad weather and a drop in world prices. The introduction of new products still entails substantial challenges. To enlarge the production of export crops, the country will need increased imports of improved seeds, chemical fertilizers, pesticides and also basic foodstuffs.

Efforts to increase export earnings by embedding domestic firms into global value chains, promoting export services in information and communication technologies and business process outsourcing have so far had only unsatisfactory results. Tourism
is still the largest foreign exchange earning sector and is a significant job-creating sector. Its potential is not fully exploited because of the conflicts in the region, partly stoked by the government’s foreign policy. These shortcomings were compensated for partially by the increased export of coltan and wolfram minerals. After privatization and reorganizing the mining sector in 2006, which is split between artisanal miners and midsized international companies, the export of minerals increased to 39% of total exports. It is believed that the coltan exported by Rwanda comes partially from conflict regions in the DRC.

For monetary policy, international debt and investment in infrastructure, the deficit of the trade balance has precarious consequences. For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as the necessary investments in infrastructure will depend on a continued inflow of foreign resources. The government’s long-term strategy to strengthen economic output is based on volatile international markets, whereas other potential sources of income, such as tourism, waterpower and natural gas exploitation have not been exploited because of Rwanda’s strained relations with neighboring countries.

12 | Sustainability

The major problem in the field of environmental protection is the imbalance between population density and land resources. This has led, as already earlier mentioned, to soil degradation, deforestation, depletion of biodiversity, erosion of hillsides and pollution. The government follows the conventional path of agricultural improvement: better seeds, terracing and more chemical fertilizers. Given the actual degree of soil degradation, it is debatable whether these are adequate means. The measures taken by the government in the context of its environmental policy do not address the crux of the problem, since they are limited to setting up an agency for environmental protection and the adoption of an Organic Law bolstering support for conservation of the environment. However, for its good intentions, Rwanda became a pilot country of the U.N. 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 continuously increased and now amount to 4% – 5% of GDP. In 2012-2013, the primary school enrollment rate increased to 96.5 % and the primary school completion rate to 73%. The secondary education enrollment rate reached 49.2 %. The qualified teacher to pupil ratio at primary level stands at 62:1, an impressive improvement from the 2008 figure of 67:1.

The free basic education program will allow an increasing number of students from lower secondary levels to reach an enrollment of 40% in secondary education. Twenty-five percent of students eligible for tertiary education will receive a
government scholarship, while others will be eligible for loans. A further priority is an increase in the number of vocational training schools. Skills development, strengthening technical and vocational education and training ensure that education and training systems produce the right skills required by a modernizing labor market.

Improvements in education and research are seen by the government as indispensable prerequisites for the goal of attaining a knowledge-based economy. The quality of university education is being improved by local campuses set up by international universities such as the Carnegie Mellon University in the U.S.
Transformation Management

I. Level of Difficulty

The structural constraints on the development of the country are severe. As already explained, there are only limited mineral resources and, due to the accelerated post-independence growth of the population from two million to nearly 12 million, there is high pressure on usable agricultural land. The already precarious situation of the predominantly rural population was further aggravated by the civil war and HIV/AIDS. It must again be underlined that the major economic and social challenges remain the need for the massive creation of non-agricultural jobs and an increase in productivity of the workforce. Further important tasks comprise the compensation for Rwanda’s landlocked location by better regional cooperation in order 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 authorities, which followed a bottom-up approach to development. In the early 1990s, many Community Service Organizations (CSO) and NGOs became active all over the country. The civil war, genocide and resulting repression interrupted these hopeful beginnings.

In the last decade, the current government pretended to take measures to mobilize the local population for development efforts in the context of its decentralization policy, but popular “participation” is guided and controlled by local administration and the RPF. Self-planned and self-governed community projects are virtually nonexistent. Independent CSOs and NGOs exist only at the national level, but react to the government’s distrust with self-censorship and alignment with administrative guidelines and plans. Therefore, they have little innovative impact.

The civil war, the genocide and their aftermath still divide Rwandan society. Distrust, envy and hatred among the different social groups have been sharpened by the practice of massively prosecuting genocide suspects, the criminalization of “divisionism,” the interdiction of the largest opposition party and the material and status-related privileges claimed by refugees returned from Uganda or by genocide victims. Migration and civil war led to many quarrels over property.
Rwandan society remains conflict-laden, which is a major obstacle to the reforms pursued by the government. In the long run, the country’s authoritarian rule will complicate conflict management rather than ease it. In the short run, the strict control of the population does minimize any danger to the ruling circles and contributes to the general security and stability of the country.

II. Management Performance

14 | Steering Capability

The government seeks legitimacy beyond democratic elections, largely based on its ability to modernize the state and economy in order to deliver relatively broad-based economic development. The roadmap to this end is the “Vision 2020” Initiative. The government has streamlined administrative structures towards these aims, conceived sector strategies and launched various reforms. Some results have been obtained in the field of the private sector-led economy, with good results in infrastructure development, in education and health services. A special priority has been reducing population growth. Through a combined countrywide information, education and communication program on family planning, population growth therefore decreased from 2.9% in 2002 to 2.7% in 2013.

The results of the transformation of agriculture are, however, mixed. The administration completed land consolidation, convinced or forced farmers to join cooperatives or associations, to use fertilizers, further terrace hillsides, et cetera. But the expected, significant increase in production has thus far not taken place. This may be due to the top-down approach of the strategy. Farmers feel unduly coerced and like victims of state arbitrariness and hidden elite rent-seeking. The system indeed allows rent-seeking and exploitative activities; for example, cooperatives provide opportunities for accumulation of wealth by local elites or by the firms under control of the army or the ruling party. Rwandan smallholders are from experience highly sensitive to the ways in which the fruits of their labor become profitable to other actors higher up the agricultural chain. The malaise of the farmers is also caused by the fact that they have to feed the jobless members of their families.

It seems that rent-seeking is sanctioned 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., to big business, officials of the national and decentralized administration, army officers, cadres of the RPF, et cetera). The inappropriate use of power is to be found not only in the agricultural system, but also in regard to the industrial firms and conglomerates under the control of RPF and the armed forces.
Hidden priorities also determine relations with the neighboring DRC. Once more, in 2012, the Rwandan Government supported a rebel movement in the neighboring Kivu region. The M23, brought a part of North Kivu Province, and temporarily the capital Goma as well, under its control. When foreign donors stopped giving aid to Rwanda, which caused serious financial difficulties, the government agreed to scale down its support of the rebels, hoping that the U.N. force and FADRC would not defeat it. However, the latter succeeded in driving the rebels back over the border to Uganda and Rwanda. Through its interference in the pacification process in the Eastern DRC, the government lost substantial credibility and the trust of benevolent donors such as the U.S., the UK and the Netherlands, and worsened its relations with Tanzania and South Africa, which are highly interested in stabilizing the DRC. The future will show whether President Kagame and his inner circle will definitively abstain from military involvement in the Eastern DRC.

The policy of the government is a classic example of the unambiguous belief in social and political engineering by the leadership. However, an authoritarian government cannot neglect satisfying the expectations in regard to economic and social status of its power base – the elite, higher functionaries, army and police officers, party officials and businessmen. The admission of a certain degree of rent-seeking activities is unavoidable, but the Rwandan leadership at least endeavors to limit them so that they do not endanger the designed modernization process.

The government pursues ambitiously progress with great persistence in a top-down bureaucratic way. However, after a promising start, difficulties and frictions have arisen. Some of the programs are based on hypothetical assumptions, especially in regard to the reform of agriculture. Experts have serious doubts as to whether the government’s strategy can be successful. 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 (CEGL) will open new economic horizons. Given existing constraints, Rwanda will continue to be highly aid dependent for many years. Foreign policy has to be conducted in a way such 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 demanded by the World Bank and the IMF. The economic success stories of Singapore and Vietnam served as example for the government’s “Vision 2020.” However, it is not clear to what extent the very different circumstances of Rwanda and the African Great Lakes Region were duly taken into consideration and the goals and instruments accordingly adapted. The sensitivity of the government to the social consequences of its policies is limited. There is a marked preference for an authoritarian top-down approach, and a belief in reports, schemas and diagrams.
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.

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 there must be additional funding outside the budget. It may be provided by the U.S. government, by the U.N. as reimbursement for the participation of Rwandan contingents in African Union and U.N. peace missions and, last but not least, by the transfers from army-led commercial firms.

The inner circle of power headed by President Kagame coordinates politics hierarchically and without noticeable internal deviation. By parallel chains of command, the inner circle around the president is obviously very efficient in resolving or dominating conflicts. Nothing is known of the internal decision-making process within the inner circle. Public statements by government representatives are always aligned with the official policies of the presidency. But due to the hierarchical structure and mentality, the strict political control and the fear of taking responsibility, coordination between ministries remains opaque.

The fight against corruption is officially a priority. It serves at least three functions, namely fighting negative economic impacts and strengthening development, removing personnel who are out of line politically, and improving the country’s international reputation. Consequently, low- and middle-grade civil servants are prosecuted if allegations of corruption are brought against them. However, such charges against members of the political and military elite are in most cases only the consequence of rivalries and power struggles. A good example is the case against high-ranking military renegades around the former army chief of staff. All accused have been condemned in absentia for corruption (among other charges). The charges were most probably justified, but their malpractice had already been known of and tolerated when the defendants still held office. A formally legal way of rewarding high-ranking officers or functionaries is assigning them to positions in firms close to the army and RPF.

The flawed judiciary makes it impossible to distinguish between legitimate and politically motivated allegations. In spite of all efforts, but less than elsewhere in Africa, petty corruption continues to be an issue.
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 level. The authorities insist that political pluralism and power sharing have been entrenched in Rwanda’s political culture and are driven by the search for social cohesion, national development and economic prosperity. Since there is no internal political opposition or independent public opinion, and any critical voices risk being accused of “divisionism,” it cannot be discovered 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 among the lower, middle and ruling classes. 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, who 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 developing economic opportunities and has opted for a free capitalistic market economy, which involves close cooperation with the World Bank, the IMF and major Western donors. But the principle of market economy is in fact only applied to the modern and formal economy, whereas agriculture is regulated by the administration without the consent of the vast majority of farmers.

There are no pro-democratic reformers with significant political influence in Rwanda. Potential reformers have opted 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 own 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 show frictions within the ruling circle, but they are motivated by power struggles and not by pro-democratic convictions.
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 DRC army with support from MONUSCO is undertaking an operation to eliminate the militias’ last areas of retreat.

The growing number and activities of oppositional Rwandans in exile provide evidence that the conflict caused by ethnic cleavage is still not resolved. 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 middle-income Hutu has moved into line with the RPF rule, but at the price of having lost their moral and traditional influence on the rural and urban poor. The growing number of the very poor, culturally uprooted and without any prospects for decent work, are exclusively Hutu. This provides a dangerous breeding ground for future violence. The RPF’s mode of governance, with its strong belief in managing, monitoring and controlling the population, may in the short term strengthen its authority, but this may be counterproductive with regards to that aim in the longer term, because it antagonizes ever-increasing numbers of Rwandans.

Segments of civil society, such as organizations for women, youth and disabled persons, are officially integrated in the polity via reserved seats in parliament. 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 the government and insists that national and international NGOs must be effective partners in service delivery for development. National and foreign development NGOs are therefore increasingly forced to integrate their activities into institutionalized development implementation programs. In the countryside, community-based and nongovernmental organizations have little space for activities and are therefore weak.

The reelection of President Kagame in 2010 with the consent of over 90% of registered voters is interpreted by the government to mean that the citizens have full confidence in the president and that reconciliation was successful.

There are however no objective data that measure real perceptions of the reconciliation process. Neither the electoral results nor the public opinion surveys provide reliable data. Two relevant government institutions, the National Unity and Reconciliation Commission and the Rwanda Governance Board, come – not surprisingly – to the conclusion that the majority of respondents, while judging the reconciliation process as positive, complain about the new cleavages, the gap between rich and poor, 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 is
still the reference to ethnic cleavage, since almost all the poor, landless and unheard people belong to the Hutu.

In public discourse, substitute terms for ethnic identities are used, such as victims versus perpetrators, survivors versus guilty persons, English- versus French-speakers, et cetera. The memories of the ethnic conflict are kept alive by the 800,000 persons convicted as perpetrators by the Gacaca courts, particularly since the courts were marred with false accusations, corruption, difficulties in calling defense witnesses and by the fact that the courts did not hear any cases in which Hutu accused Tutsi of crimes during and after the civil war. Memories are also alive of relatives who died in the mass killings of Hutu refugees after 1996 in the DRC or in the ethnic cleansing in the northwest of the country.

Last but not least, there are the government’s contradictory attitudes. 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 an August 2008 constitutional amendment. Another example is the support for the government-financed fund for genocide survivors, which sponsors 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.

17 | International Cooperation

Rwanda depends heavily on foreign assistance. 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. Its growth rate slowed in 2013 by almost 3% when main foreign donors temporarily suspended their aid because of the support of rebels in the DRC by the Rwandan army. Despite democratic deficits, bilateral and multilateral international donors value Rwanda’s development efforts and appreciate the effective implementation of programs and strategies. The effectiveness of the use of aid and the political will make the donors turn a blind eye to the political situation. The country’s own revenues hardly suffice to cover the salaries of state employees; all other budget lines, around 50% of the total volume, are financed by foreign aid. The creditworthiness of the country and the influx of foreign investments and credits depend on the expectation of increasing international aid. “Vision 2020” would have no credibility without commitments from the main donors.

In the first few years after the genocide, donors provided aid as compensation for their errors in the 1994 crisis and the lack of an alternative. They agreed to finance
the rebuilding of the failed state and were ready to overlook its deficiencies. However, since the turn of the century, they have increasingly insisted on good governance and on terminating Rwanda’s interference in the DRC. The government responded with a poverty reduction strategy, accepted assistance for the reform of public finance and banking systems, agriculture and for infrastructure development. Rwanda implemented the African Peer Review Mechanism (APRM) of the New Partnership for Africa’s Development (NEPAD). The government agreed in principle to cease intervening in the DRC. It gained a reputation for firmness against corruption and using aid effectively. Official development assistance (ODA) commitments increased year after year, as did the number of donors.

The government grasped the opportunities provided by the Paris Declaration on Aid Efficiency and insisted on the priority of “on-budget” development assistance. The country is seen to be an excellent example of how country-owned reform can produce tangible results. 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, for its economic trajectory, development achievements and the high level of internal calm and order.

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. Many experts however underline the political shortcomings that endanger the country’s future. In the absence of any promising alternative, international actors hope that democratic improvements will follow economic development. Kagame’s straightforward style and ability to 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 be considered equal by international actors.

The case of the M23 rebels has not only caused a conflict with the DRC and MONUSO, but the Netherlands, the United Kingdom and Germany suspended their aid. It was also due to the support of South African, Malawian and Tanzanian intervention forces (within MONUSCO) that the DRC army could defeat the M23. Part of the M23 fled to Uganda, a larger part to Rwanda. The operation cost Rwanda a lot of credibility and isolated it within South and East Africa.
Due to the efforts of the British government, Rwanda has also become a member of the Commonwealth. More important to the prospect for its economic strategy was accession to the EAC in July 2007. This step was long overdue. Rwanda will profit from the customs union since substantial parts of the country’s trade are either imports from Kenya or are transited through the ports of Kenya and Tanzania. Whether the efforts to turn the EAC into a common market and monetary union will be successful remains to be seen. However, such a development would reduce Rwanda’s economic problems. Relations with Tanzania have recently deteriorated, since Tanzania disapproves Rwanda’s role in the Eastern Congo and supported strongly the U.N. mission in the fight against the M23 rebels.

A cornerstone of Rwanda’s political and economic strategy is its international image and prestige as an active member of the U.N. and AU and other international organizations, as a provider of contingents to U.N. 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 essential to its economic strategy.

A controversial issue remains Rwanda’s interference in the eastern DRC. Major donors preferred to understate the role of the government in destabilization of the area, accepting the argument of that Rwanda has security interests there. But lately, the evident entanglement with and support for the M23 movement can no longer be excused. The Netherlands, Germany and Sweden were annoyed. They were joined by the U.S., the United Kingdom and the European Union. Rwanda’s credibility has finally considerably suffered from its continued meddling in the Eastern DRC.
Strategic Outlook

Three-quarters of the time envisaged for the transformation of the country by means of its economic strategy “Vision 2020” has passed. Although Rwanda, and particularly its capital Kigali and some other cities, have substantially developed, it is evident that the ambitious goals will to a large extent not be reached.

Within the East African Community (EAC), Rwanda has showed slightly more growth of GDP in absolute numbers and per capita than the other EAC members. But this was mainly the result of the high level of foreign aid. Without these transfers, the current account deficit would have amounted to around 20% of the annual GDP. Speed and persistence in economic transformation are much less spectacular and more insecure than emphasized in the rhetoric of the government.

It is certainly a step in the right direction to foster industrialization, embedding local firms into global value chains, to promote ICT, business process outsourcing, green technology and new agrarian products and to favor technical education. But, on the way, there will be strong international competition and, at any rate, it will take much more time until these measures can be translated in economic growth and better-balanced national accounts. In view of these unsatisfactory results, the government returned to an old recipe from the 1980s, specializing in the production of tea and coffee at the expense of the production of food for local consumption. Besides the fact that such politics increase the cost of living for the poor, they are unlikely to succeed on their own terms. Even within EAC, Rwanda is a small producer, producing 5.4% of the coffee and 3.7% of the tea in the community. Enduring high transport costs and facing long-established trade and processing chains in Kenya, Uganda and Tanzania, this policy has only a limited chance to provide a sound economic base.

The agrarian potential of Rwanda is insufficient to produce high quantities of cash crops for export and, at the same time, to feed the growing population. The agrarian reform imposed by the government for this purpose is counterproductive. It violates the principles of free market economies and of transparent participation by rural people. It establishes a command agricultural economy and produces a class of landless poor. It increases urban-rural inequality, which is already the highest within the EAC.

A substantial increase in the production and export of minerals is unlikely. The mining industry is only a marginal activity, contributing in the past approximately 1% of GDP. A portion of the recently increased exports of coltan and wolfram are potentially re-exports from the DRC.

The alternative to the present strategy would be a close and trustful cooperation with Rwanda’s neighbors. Rwanda could become a crossroad in the transport corridors to the Indian Ocean and a hub of trade and processing for the products from the rich Kivu region. It could develop jointly with its neighbors a regional tourism industry, which carries high potential. However, this would mean definitively renouncing the ambition to control politically and militarily the Eastern part of the DRC. After the defeat of the M23 rebels, there are new chances that the government will learn
that there are better opportunities for economic growth by peaceful regional cooperation. There is some hope that it will finally be ready for a profound turn in its relations with the neighboring countries.

Unfortunately, new conflicts are looming. The big men of the region, Uganda’s president Yoweri Museveni in office for 30 years, DRC’s president Josef Kabila in office since 2001 and Rwanda’s Paul Kagame, strongman since 1994 and president since 2000, must be replaced or reelected in 2016 or 2017. In all three countries, the elections will be crucial and controversial events. Kagame and Kabila can only be reelected if the constitutions are changed, a maneuver which would be considered a severe violation of basic democratic principles. But, above all, Rwanda is not ready for a change of government. The replacement of the president according to the constitution will be difficult. In any case, unrest and new blockades of transition to political and economic freedom must be envisaged.

The structural obstacles of the country have by no means been removed. Reconsidering the risks, Western donors should be more critical and consequential regarding the government’s plans and policy implementation. While it is without doubt very difficult to design alternative scenarios to the “Vision 2020,” donors must take seriously into consideration the medium- and long-term consequences of a possibly full or partial failure of the current strategies, when making decisions regarding future assistance.