

# Rwanda





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# 1. Introduction

## 1.1 Setting

Rwanda is still marked by the extraordinarily dire consequences of the 1994 genocide. Up to a million people, mainly Tutsis, but also politically moderate Hutu, were literally butchered in 100 days and millions of people were uprooted and fled to neighbouring countries. The state coffin was emptied, assets and livelihoods were devastated and poverty increased considerably. Since the genocide, however, the country has undergone a remarkable social and economic recovery. National security has been restored and reconciliation efforts have enabled three million people to return to and resettle in Rwanda. Survivors and perpetrators of genocide have begun a long road to establish reconciliation through truth and participatory justice. Positive results have been achieved in human resource development, particularly regarding access to education, promotion of gender equality and in starting to curb the HIV/AIDS pandemic. Local non-party elections and a decentralisation reform have paved the way for increased participation. New institutions aiming at democratisation, upholding the respect for human rights, accountability and transparency have been put in place. However, while there has been progress in many areas, political and civil rights have been curbed with multiple restrictions on political and civil liberty. The independent press has been silenced and civil society forced to exist between repression and coercion. After nine years of rule by a Transitional Government of Unity with the Rwandan Patriotic Front (RPF), a referendum for a new constitution and the first ever multi-party national presidential and legislative elections were held in May, August and September/October 2003 respectively. After the elections, the new Government has taken some positive steps to open up the political space but for genuine democratic principles to take root in the society, a culture of tolerance and respect for human rights need to replace a culture of control and obedience.

## 1.2 Prospects for development

### *Challenges*

Major challenges are linked to rebuilding the society after the genocide; i.e. to achieve unity and reconciliation, economic growth and poverty reduction. The Government needs to further democratise the country and to address the present inequalities, political and economic exclusion,

reconciliation, the traditional hierarchical culture, land reform/land management, the degradation of natural resources, serious capacity constraints and limited conditions for sustainable economic growth. Furthermore, combating HIV/AIDS is crucial to achieve sustainable development. A Poverty Reduction Strategy Paper (PRSP) was approved in 2002 and the structures for implementation are starting to be in place. However, limited financial resources and limited prospects for long-term growth, high donor dependence and, not the least, human capacity constraints are factors that could impede a successful implementation. Other potential constraints include uncertainties in terms of regional peace processes and internal advancements on democratisation and human rights. The civil society is weak and plays a minor role in communicating grievances and in actual decision-making.

#### *Potentials*

The government has shown strong commitment to lead the country towards development. It has made considerable efforts regarding internal security, reconciliation and poverty reduction. Breaking Rwanda's isolation is of paramount importance. Relations with neighboring countries have improved considerably since 2002. The recent engagement in the African Union and the New Partnership for Africa's Development (NEPAD) and a possible acceptance in 2005 of Rwanda's membership application to join the East African Community (EAC) may provide important vehicles for a new era for the country.

# 2. Poverty Situation

## 2.1 Overall poverty situation and trend

Rwanda is still one of the poorest countries in the world (ranked 158/175 in UNDP's Human Development Report 2003) with 60 per cent of the population living under the national poverty line and 24 per cent living in extreme poverty.<sup>1</sup> Life expectancy is 40 for men and 41 for women. The genocide deepened the poverty further and the GDP declined to USD 143 per capita in 1994, from USD 372 in 1990. Since 1995 the situation has somewhat improved and in 2001 the GDP per capita was USD 196.

Economic opportunities are limited. Rwanda is the least urbanised country in Sub-Saharan Africa, with 83 per cent of the population deriving their livelihoods from subsistence agriculture. A population growth of 2.9 per cent annually has resulted in progressively declined farm sizes (half of the farmers having a farm size of 0.7 hectares). Most Rwandan's are directly depending on the quality of, and access to, natural resources, primarily clean water, productive soils and diverse biological resources. The severe degradation of the scarce land, forests and water resources that support agriculture has become a serious obstacle to the revival of the rural economy. There is a vicious circle between poverty, population pressure and land scarcity. This causes deforestation and soil degradation, and in turn insufficient agricultural productivity and food production.

Although statistics show that the country is slowly getting back to poverty levels prior to the genocide (income poverty in 1990 was 48 per cent of all households, 78 per cent in 1994 and 60 per cent in 2000), the extreme inequalities in distribution of wealth and income are striking. The poorest 20 per cent of the population have at their disposal 10 per cent of the income, while the richest 20 per cent have nearly 40 per cent. The gaps between Kigali-urban and other provinces are extremely wide and the gaps between urban and rural populations seem to be growing. In 2001, the average consumption level in the urban areas was more than three times higher than in the rural areas.<sup>2</sup> Infrastructure and social

<sup>1</sup> Poverty is measured by the real value of household's expenditures including own-produced food.

<sup>2</sup> About 68% of the total population living in rural areas are poor, while the equivalent figure in urban areas is 23% and in the capital Kigali 12%.

services such as health centers and education are poor in rural areas and rural populations are often socially and economically isolated due to high transportation costs.

Social exclusion is still an obstacle to poverty reduction. Although the government seems devoted to empower people to take charge over their own lives, the basic services to create the physical and social conditions for this are still weak.

*Health indicators* are slowly improving, although access to health care is not guaranteed due to low government spending on health, high user costs, shortage of doctors (1 per 50 000 inhabitants), nurses (1 per 5000 inhabitants) and hospital beds (1 per 1000 inhabitants). One child out of four is underweight, one in twenty is severely underweight, and child mortality was still 183/1000 in 2003. Only 44 per cent of the rural population have access to safe drinking water and many households do not have latrines. According to *A profile of poverty in Rwanda*, diseases and illness result, on average, in about five weeks of immobilisation per individual annually.<sup>3</sup> Many of the key health issues are due to water- and air born disease vectors. Malaria is still the main cause of mortality, followed by intestinal parasites and respiratory diseases. It is estimated that only about 40 per cent of the population have access to an improved water source and about 10 per cent have access to improved sanitation. The use of fuelwood as domestic energy source by more than 90 per cent of the population is the most important cause of respiratory diseases through indoor air pollution.

The *education system* has somewhat improved, at least in terms of net enrolment at all levels. However, the quality is still low and the drop out and repetition rates exceptionally high, in particular for girls and vulnerable groups (orphans, street children, children in rural areas and children from the poorest households). About 400 000 children still remain out of school.

The *HIV/AIDS pandemic* is beginning to affect all sectors and segments of the society. The prevalence rate stands at about 13.5 per cent (2002) among the active working population, with considerably higher rates in urban areas than in rural areas. Women are infected twice as often as men, with young women having the highest infection rate.

## 2.2 Who are the poor?

Poverty is prevalent all over the country and in all population groups, although some regions and groups are more affected. There is a strong connection between poverty and household activities and poverty is particularly evident within the agricultural sector, especially among landless labourers and small landholders. This is due to the predominance of subsistence agriculture on small plots, combined with marketing inefficiencies (only 15 per cent of the small landholders have regular daily or weekly markets) and large differences in household composition, as a result of the genocide.

*Women* are generally more affected by poverty than men, especially women-headed households (appr. 34% of all households). Although a new law protecting inheritance for women, women headed households

<sup>3</sup> Economic Strategy to fight rural poverty, version 3, 26 July 2003. Government of Rwanda.



have on average access to 30 per cent less land than households led by men and women owe on average 50 per cent less cattle. They do not have the same opportunities as men in terms of access to education, employment and income, although the situation has improved.

*Children and youth* are particularly affected by poverty, mainly as a result of the genocide, leaving hundred of thousands orphaned.<sup>4</sup> An estimated 40 000 children are born each year from HIV-infected mothers. Child headed households are an increasing problem, but no numbers are known. According to the 2002 Census, approximately one million children are classified as vulnerable. Children without parental or adult supervision and guidance are more likely to be abused and less likely to have access to social services such as school and health care. After the genocide there has been an increase of child labour, mostly in private households or agriculture. In order to tackle the issue of vulnerable children, the Government developed a National Policy for Orphans and Other Vulnerable Children, with specific objectives and strategies in 2002.<sup>5</sup>

*People with disabilities* belong to another vulnerable group, affected by the stigma in the society linked to disabilities, but also because of limited means for special support from the government. They are often discriminated against in terms of education and employment.

*The indigenous people – the Twa*, have been excluded from society for generations, resulting in marginalisation and poverty.

*Old people* are also part of the groups more affected by poverty, many of them left without families to cater for them after the genocide and because of HIV/AIDS and without social protection in terms of networks and social security systems.

## 2.3 Causes of poverty

Poverty in Rwanda is related to a number of interlinked and mutually reinforcing historical, environmental, social and economic factors. The genocide in 1994 further impoverished the country in a dramatic fashion. Today, poverty is composed by factors such as economic and political marginalisation of the population, lack of access and ownership to land, degradation and depletion of the natural resources base on which the poor depend the most, weak democratic governance, the HIV/AIDS pandemic and not at least a divided society with a traumatised people without trust for each other or the leadership. The vast majority of Rwandans have traditionally lacked access to free information and political influence. They have historically been subject to rigorous control and government orders.

A Participatory Poverty Assessment was carried out in 2000 identifying *land ownership, fertility and household size* as key criteria for poor households. At village level, lack of economic and social infrastructure, agricultural inputs and natural resources were identified as key constraints to improving the standard of living. Lack of infrastructure in rural areas has impeded a diversified economy, access to markets, social services and information. Customary land-use has compounded the problem as the

<sup>4</sup> Estimates claim that 26% of the children are orphaned (death of one or both parents), a figure that is expected to increase to about 32% by 2005 due to the continuous effects of the genocide, the HIV/AIDS pandemic and other infectious diseases.

<sup>5</sup> There are estimated 7 000 street children in urban areas (Ministry of Local Government and Social Affairs).

plots gradually become smaller and cultivation becomes more intensive causing severe soil degradation. Rapid deforestation has led to decreased availability of non-timber forest products and biological diversity, further aggravating poverty. Certain areas are prone to frequent famines. As nearly all cattle perished during the genocide, natural fertilisers are scarce and modern ones are unaffordable for the average household. Customary land holdings cannot serve as collateral for credits, which further compounds the negative circle.

According to the Poverty Assessment, the poor themselves identify *increased access to the labour market, acquisition of membership in recognised associations and access to micro-credits* as the most important prerequisites to reduce poverty. Given Rwanda's context and financial constraints, it is unlikely that their priorities can be met on any scale in the short term.

# 3. Human and Social Development

## 3.1 Human resource development

Rebuilding the stock of human capital after the genocide has been a high priority in the process of recovery and development. The medium-term aim is to rebuild a state that can cater for service delivery to the people and to promote actions that directly influence the quality of life of the poor. It includes skills development for youth and women, small-business start-up schemes, adult literacy and continued substantial investments in the formal education system at all levels.

## 3.2 Education

In 2002 a revised Education Sector Policy was developed. It outlines the basic principles for the sector and special goals have been set, e.g. to provide a nine year free Universal Primary Education (UPE) by 2010 and subsequently Basic Education for All (EFA) by 2015. The concept of universal access and equity of quality provision is key. The current system provides a six-year primary cycle, a 3-year lower secondary cycle, a 3-year upper secondary cycle and a four-year higher education cycle in most fields. In 2002 an Education Sector Strategic Plan (ESSP) was developed which highlights priorities for the period 2003 – 2008. Co-ministries, sub-sector directorates and other stakeholders in education were involved in the preparation of targets, strategies and priorities and in the identification of resources needed to implement the plan.

The education system has recovered well in quantitative terms. The most impressive result is the *rapid pace of enrolment increase* in the aftermath of the genocide. Currently at 107 per cent, the gross enrolment ratio exceeds the corresponding ratio for the average low-income country in Africa. In secondary education, the number of students grew at 20 per cent a year since 1996, implying a threefold expansion since 1995. In higher education, enrolments rose even more rapidly: from 3,400 students in 1990-91 to nearly 17,000 by 2002, a fourfold increase in a decade.

In spite of the rapid expansion, the system has managed to retain a reasonable *balance between the public and private sectors*. A consistent strong effort by Government to extend the coverage of the public sector, the share of enrolments in private schools has been maintained at less than

one per cent.<sup>6</sup> The diversity of post-secondary institutions and the mix of public-private sector providers endow the system with flexibility in responding to the growing demand at this level.

The Rwandan system also compares favourably with other low-income countries in Africa in terms of the *socio-economic disparities in educational access*, especially at primary level. A striking fact is that school participation rates are relatively high, even among orphans. Yet, the gap in enrolments between orphans and other children is noticeable among the most vulnerable children (i.e. those who have lost both parents or those who live apart from their parents). As the system successfully rebounds from the devastation of the genocide, the focus is shifting from re-establishing the system to setting out an appropriate and fiscally sustainable course of development in line with the PRS. In this context the following challenges can be highlighted:

*Student flow and graduate output from the system:* The exceptionally high rate of primary grade repetition (about 31,8 % in 2003 – approximately three times the rate a decade earlier) is a challenge that needs serious attention. Mere 39 per cent reaches grade five and the completion rate is only 22 per cent. Measures to rationalise policies and practices regarding grade-to-grade promotion and learning outcomes should also receive priority attention.

*Minimising the barriers to education for orphans and other vulnerable groups including girls:* Although free primary education was introduced 2003, it is estimated that 400 000 children remain out of school. Enrolment rates between boys and girls are even, but dropout rates among girls are higher and completion rates lower. More should be done to reach the most vulnerable children (orphans, street children who do not benefit from systematic adult supervision, children living in rural areas, and children from the poorest households). The assistance needed have to include diverse and exploratory interventions to find appropriate ways to serve them.

*Mobilising and making effective use of resources:* Government's own prioritisation of the sector helped to boost public expenditure in education to a high 5.5 per cent of GDP in 2002. At this level of spending, the sector claims more than a quarter of the government's total current budget. Yet, closer examination shows that the increase has been dominated by capital investment expenditures. Although such investments are needed to rehabilitate devastated facilities and to expand capacity, in the medium-term, the system also needs adequate resources to sustain its day-to-day functioning. Increased donor funding, provided flexibly, could help to rebalance spending in favour of recurrent costs. Making better use of existing resources and using them to leverage private contributions must, therefore be a centrepiece of efforts to advance the sector's goals. Primary education receives only about 45 per cent of public recurrent spending in education whereas higher education is allocated approximately 40 per cent. The focus on higher education (considering that it serves only two per cent of the school population) is explained by the need to rapidly replace lost capacity for development. The challenge is therefore to reduce government expenditures in tertiary education e.g.

<sup>6</sup> At secondary level, private schools cater for 49 percent. In higher education, the private sector is foreseen to cater for a rising share of students over time (38% in 2002 compared with 8% in the beginning of the 1980s).

through co-operation with the private sector and/or cost sharing with students from relatively wealthier backgrounds. Despite this financial imbalance between lower and higher education, higher learning institutions are still confronted with lack of funding but also other issues such as low number of qualified academic staff and insufficient academic and research infrastructure. These factors are all obstacles to the development of institutions providing the society with qualified manpower and own research capacity. Currently, there are 14 higher institutions of learning, 6 of them private. Although the National University of Rwanda (NUR) is the most developed institution and the only one that is accounted the status of university, it is still quite weak in comparison to universities in neighbouring countries (Uganda, Kenya and Tanzania). Rwanda is currently heavily dependent on external funding for the realisation of the goal set for higher education and research, in particular. At present support from Sweden comprises the bulk of funding for research at NUR.

### **3.3 Health**

In 1985 health development strategies based on decentralised management and district-level care were adopted. Progress was made but these developments were completely disrupted by the genocide and much of the infrastructure, equipment, personnel and the health system itself were destroyed. In 1995, the Transitional Government issued a policy guiding the emergency reconstruction of the health-care system. The policy was revised in 2002 to include longer-term guidance for the reconstruction and development of the health system. Since 2000, steps have been taken towards restructuring and decentralising health sector management. The district health offices are autonomous entities, providing services to well-defined populations in urban and rural areas. Decentralisation of financial and logistic resources management has been implemented universally. However, specific health programmes remain within a vertical management structure.

The health care system is based on a primary health care strategy i.e. delivery of essential primary health care services accessible to all individuals and families at an affordable cost for them. In parallel, traditional health care continues to play an important role in the rural areas. Human and material resources are limited, with one doctor per 50 000 inhabitants, one nurse per 5,000 inhabitants, one hospital bed per 1,000 inhabitants. Worth noting is that only one physician in five is working in rural hospitals. 50 per cent of the facilities (93 per cent of the hospitals but less than half of health centres) have regular electricity or a generator. Onsite water is available in 74 per cent of the facilities, however only 47 per cent have year-around onsite water.

The recently revised National Health Policy of the Government of Rwanda is an impressive document in line with the PRS. However, the policy has not yet been translated into strategic implementation plans. It is expected that this will be developed during 2004 as part of the prerequisites for the World Bank's PRCS-initiative. Hence, the health system is not yet quite operating in accordance with the principles set forth in the Policy. Some of the challenges and key areas of concern are highlighted below.

*The government spending on health* (8% of the budget allocated 2003) is still below international recommendations (15%) although the trend is positive, coming from 4,2 per cent in 2002 and with a forecast of 10 per cent for 2004. However, most of these expenditures go to salaries. Health service delivery is predominately taken care of by development partners and religious organisations. The means to achieve a better balance between Government provision of services and financing in the health sector is not a simple task. However, possible options, which may or may not be feasible under current conditions, include a significant increase in health spending by the government, a substantial increase in external contributions, the mobilisation and rationalisation of resources provided by the "consumers" and improved prioritisation of health interventions.

*The utilisation of health services* is very low, despite fairly widespread availability of services, including drugs in hospitals and health centres. The financial barrier to access is the most important factor. Since the introduction of user fees, utilisation rates dropped dramatically (from 0.6 to 0.3). Apart from paying fees for consultations, patients also pay for the drugs. A study made in one of the provinces showed that the attitudes of the health workers towards the patients also played an important role when it comes to utilisation of health care, of as well as issues of transport and distance to health centers.

*Maternal mortality* has declined since 1994, but remains one of the highest in Sub Saharan Africa.<sup>7</sup> Lack of funds, distance from health facilities and lack of transportation are limiting access to reproductive health care. Another problem is the quality of services. The nursing profession is neither well recognised, nor is the training adequate to meet international standards.

### 3.4 HIV/AIDS

The HIV/AIDS pandemic affects all segments of the population and is beginning to affect all sectors. The most recent national survey done by the Government in 1997 estimated an 11 per cent sero-prevalence rate in the general population. Other recent estimates range from 8.9 per cent (UNAIDS) in 2002 to 13.5 per cent (Government) among the active working population. The numbers are increasing rapidly, partly due to increased prostitution and as a result of poverty. In urban areas, infection rates are considerably higher than in rural areas.

During the last decade the population has become increasingly mobile, with large segments moving to the cities, particularly Kigali. Thousands of children are growing up in an abnormal situation, with neighbours, relatives, or on the streets, where they may be vulnerable to sexual and other abuses. HIV infection spread rapidly during the genocide when sexual abuse and rape was used as a weapon of war, infecting both victims and perpetrators.

Rwanda has recognised the impact and implication of the pandemic and the political commitment is high. A Minister of State for HIV/AIDS and other large epidemics was appointed in 2002. Through the National HIV/AIDS Commission a Strategic Framework has been developed defining the national response in term of the fundamental principles,

<sup>7</sup> 73 percent of women give birth at home (MDG, March 16 2004).

broad strategies and the institutional framework. Furthermore, government has successfully secured funds from several global initiatives such as the Global Fund and World Bank MAP. To date the response to HIV/AIDS has focused on preventive interventions for high-risk groups such as youth and, more recently, pregnant women. Prevention campaigns, though less extensive than in other countries, have provided information and education about HIV transmission, safer sex practices, and condom usage. Comprehensive treatment programmes, particularly those providing antiretroviral therapy, have been limited to several recently initiated pilot programmes. Voluntary counselling and testing programmes exist and are expected to increase markedly over the next three years, with resources from the Global Fund. Programmes to prevent mother-to-child transmission have been implemented. Funds from Global Fund and World Bank/MAP will bring about a significant increase in the total number of sites within three years. The Bill Clinton Foundation has together with the government developed a Treatment and Care Plan. Funds for this plan have not yet been secured.

*Social stigma* associated with HIV is beginning to lessen, but it is still widespread and a powerful disincentive to HIV-testing and disclosure. HIV positive people may lose their jobs. There are nascent local associations of persons infected or affected by HIV/AIDS throughout the country, but these groups are only loosely organised and inadequately funded to provide the necessary education, outreach and support.

*Provision of treatment and care and the health care system* is still not sufficiently strong to provide the needed adequate care. The health care system would require significant expansion and capacity building in key areas such as wide scale provision of comprehensive treatment and care services, including antiretroviral therapy, hiring and training of health care professionals, HIV/AIDS drug provision and distribution and laboratory services. The diversity of HIV/AIDS activities requires strong central-level management, donor and NGO programme co-ordination as well as quality assurance, monitoring and evaluation. These are all key tasks for the central-level management, but capacity is still limited and strained.

*Key health care policies* need to be examined and assessed before a widespread provision of comprehensive HIV/AIDS treatment and care can be assured. This would include the patient fee system, health care worker compensation and incentives and centralised vs. decentralised management of health services.

### **3.5 Gender equality**

There are positive signs of improvement in the situation for women (53% of the population), supported by strong political commitment, legal reform and an increased awareness among the population. Women's possibilities to participate in politics has improved, with 30 per cent of the seats to all representative bodies being assigned to women, resulting in a total number of 45 per cent women in the newly elected Parliament. With a total of 48 per cent women in the Chamber of Deputies, Rwanda surpassed the world record previously held by Sweden! In the new cabinet nine ministers out of 28 are women. Rwanda is one of the only countries with a special minister for gender and women in development.



A national policy on gender has been developed in consultation with different stakeholders. The policy, which is coherent with the Poverty Reduction Strategy, provides the framework for gender mainstreaming into national development processes. The draft land law underlines the prohibition of gender discrimination related to land ownership and in 2001 an act was promulgated, which provides women with equal legal inheritance rights to land and property. In theory, the principle of a gender-blind salary setting has been introduced.

There is a relatively strong tradition of women organizing themselves around various issues or tasks, both at a grassroots level and at a political level. These networks, organizations and politicians have managed through a cooperative and coordinated approach to generate a critical mass strong enough to empower women and lobby for change. This tradition together with the aftermath of the genocide where women, with their husbands being dead or in prison, took the lead in rebuilding the country is considered as crucial for creating an enabling environment and a political will for the promotion of gender equality.

Despite significant changes at the policy level, the daily lives of women are strongly influenced by traditional values in a patriarchal society. Women were heavily affected by the genocide, through violence, rape, loss of their husbands and thousands of orphans to take care of. Until 1992 women were forbidden to engage in commercial activities without consent from their husband. There are now several women in leading positions in the private sector, although still underrepresented. Domestic violence is common and culturally this is considered as an internal family matter, reflected by a proverb saying *the household belongs to the husband*. During 2002 however, the Government initiated a campaign to address the problem through condemnation in open discussions. Several challenges still remain. Limited capacity to implement the national policy is a severe obstacle, with few donors interested in getting directly involved (DFID is the largest donor with a lead responsibility). Mainstreaming of gender is starting to be common, but different interpretations of the concept of gender equality makes it difficult and the biggest challenge is the prevailing resistance in many parts of the society to the practice of gender equality.

### **3.6 Social safety nets**

The Poverty Reduction Strategy includes special programmes for vulnerable groups. After the genocide, the Transitional Government took an initiative to address the need of vulnerable survivors of the genocide through the establishment of "*Fond d'Assistance aux Rescapés du Génocide*" (FARG). The beneficiaries include orphans, widows and people with disabilities. It contributes essentially towards the provision of education, health care provision and housing. FARG also provides trauma counseling. The *Education Fund* is a government mechanism targeting districts, and covers student fees at secondary education level for children from vulnerable households. Public servants benefit from a variety of social security funds. The Social Security Agency (*Caisse Sociale*) was established in 1962 with mandate to work on social security schemes, particularly pensions for people both from public or private sectors, and "professional risks"



(medical issues, capacity restraints and in case of untimely death etc).  
The law governing the Social Security Agency was revised in 2003.  
Although government initiatives are in place for some social safety net provision to vulnerable groups, a large proportion of the people do not benefit at all. These groups are often relying of complementary support from the NGOs, CBOs and other kinds of associations.

# 4. Democratic Governance

The transition period ended with the adoption of a new constitution (in a referendum 26 May 2003) and the country's first ever multiparty elections (presidential and legislative) held in August and September/October 2003. The election process was characterized by intimidations and irregularities but few disputed the end result. The general opinion was that the ending of the transitional period was overall smooth and peaceful.

## 4.1 The Constitution

The new constitution, which was subject to extensive grassroots consultations, is modern and adheres to international standards. It reflects the basic values of a democracy, is written from a conflict-prevention perspective and makes strong reference to human rights, equality and non-discrimination. It puts structural constraints on the composition of power of the main party by regulating a proportional distribution between seats in government and parliament (the largest party in parliament can not have more than 50 per cent of the cabinet posts; the Prime Minister and Speaker of the House must be from another party than the President and a Presidential veto can be overruled by a majority vote of 60%). Clauses against corruption, the creation of an Ombudsman and a clear gender mainstreaming are other positive elements in the constitution. However, the constitution has some inherent weaknesses that can be used for political means and it contains limitations in relation to civil and political rights (freedom of speech, party formation, association and media). Provisions in the new constitution gives the parliament a stronger position, but the practical use of this power will depend on the capacity and will of the parliamentarians to act independently of the executive, which remains to be seen.

## 4.2 Democratization

The democratization process started in 1999 and the political will of the Transitional Government to change the institutional frameworks has been strong. The central component is a decentralization reform introduced in 2000 with the aim of extending legal, administrative and financial autonomy to districts and towns as the foundation of community and rural development. In addition to the allocations to the districts

from the recurrent budget (currently at app 1,5 %), the *Common Development Fund, CDF*, was set up in October 2002 to finance development plans at the district level. The intention is to gradually increase the allocation to the CDF up to 10 per cent of the previous annual income tax to boost productive infrastructure (including communication, electrification and water supply). The social sectors and special programs will, however, be covered by the line ministries' and sector budgets. The donors have so far not fully accepted the CDF structure, deemed to be too centralized and therefore not fully compatible with the idea of decentralization. Experience from the first year of existence also shows a lack of capacity on local level to apply for the funds.

The democratization process is linked to a modernization of the state and in many cases a change from francophone to anglophone systems. The aim is to move from a traditionally hierarchical and centralized structure to a modern bureaucracy where decisions are taken closer to the population. Consultations and sometimes, participatory methods have been used for most reform processes (from the elaboration of a new constitution to the planning process for community development, *Ubudehe*). However, genuine participation is difficult to achieve in a post-conflict and traditionally hierarchical society. Thus, reforms, very much based on attitude and behavioral change and on promotion of trust and social capital, will most likely take a long time before they become part and parcel of a democratic culture.

There are also other serious democratization constraints. Various political positions are found within the Government itself; some based on identity or ideology, others based on different experiences gained in geographically diverse exile countries. Not all are positive to democratic change, and the security establishment, at least occasionally seems to challenge its validity given the potential for internal threats. The Government sees itself as taking on a delicate balance between opening up space for a free, democratic society, and the risk it may imply for political opportunism and potential destabilization. After the genocide, there also seems to be limited interest from ordinary citizens to engage in politics.

The Government strives to create and strengthen the institutions needed in a democratic state to ensure transparency and accountability as well as service delivery. The population has the right and possibility to elect their representatives to all political levels. This right has been used in some instances to remove elected leaders at the lower administrative levels (where elections have been held twice). At the same time, many of these institutions have serious constraints, including constraints linked to the generally low implementation capacity, limited resources as well as inefficiencies within the government's own structures and systems. The most challenging task, however, relates to the balancing act described above, which needs to be addressed in such a way that a culture of Government control and orders gradually is replaced by a culture of tolerance and respect for opposing views. The Government points to the need of capacity development as a prerequisite for genuine sustainable democracy. Given the history of Rwanda, some caution may be called for in terms of external pressure for rapid changes. External stakeholders should however be able to see a clear trend towards a gradual opening up of political space.

### 4.3 Human Rights

The human rights situation has improved significantly for the majority of the people since 1994, also in terms of legal protection. At the same time, there are reasons to be concerned about the human rights situation. In rebuilding the society, priority has explicitly been given to economic and social rights at the expense of civil and political rights. The situation is complex and the views on human rights differ sharply between the Government on the one hand and the civil society and the international community on the other. While the Government has taken a consensual democratic standpoint, focusing on re-building consensus and trust among the population, the critics argue that reconciliation and risks of insecurity are mere pretexts to maintain political control. Nevertheless, limitations in terms of freedom of speech, assembly, press and public opinion has created a climate of fear among media practitioners and various opposition groups. Detentions and disappearances of opposition politicians and journalists have occurred rather frequently over the last years, thus creating an environment of fear and silence. The key institutions that have been put in place to protect and promote human rights, e.g. the Ministry of Gender and Women in Development (MIGEPROFE), the National Human Rights Commission (NHRC) and the Ombudsman have produced mixed results. The NHRC is not considered independent enough and it is too early to assess the results of the recently established Ombudsman.

Vulnerable groups, minorities and people previously discriminated against have legal protection in the constitution. The question is how this will be adhered to in relation to the law forbidding spreading of ideologies that can lead to division between the people ("divisionism"). This law has been used frequently for arbitrary arrests and oppression of opposition. Despite severe infringements of certain aspects, a positive development is taking place and improvements have been made, although the Government seems to be determined to prioritize the reconciliation process even if it means a slower pace towards a satisfactory human rights situation. Capital punishment is one such issue, that many in Government oppose, but where survivors have had a strong voice. It is therefore likely to remain until the genocide trials have come to an end. No execution has however been carried out since 1998.

#### *Ratification of Human Rights Conventions*

Rwanda has ratified five of the six core conventions on human rights, with the exception of the convention against torture and inhuman treatment. The only additional protocols that have been ratified is the Convention on the Rights of the Child protocol on children in armed conflict and the protocol on trafficking of children, child prostitution and child pornography, that were signed in 2002. Rwanda has a significant backlog of reporting to the committees, but is discussing with the UNHCHR about the possibility to submit one updated report on a specific convention instead of reporting for the different periods. The latest report submitted was on the CRC in June 2002, due for discussion in 2004. Furthermore, the African Charter on human and people's rights has been ratified as well as the Geneva Conventions with additional

protocols. Rwanda has not endorsed the Rome statute establishing the International Criminal Court (ICC), but has signed an agreement with the United States aiming at protecting American citizens from being prosecuted by the ICC. A number of conventions were also signed when Rwanda in May 2003 hosted the African Union's Ministerial Conference on human rights (trafficking, minimum age for marriage, political rights for women etc). There has been no recent presentation of reports to the committees on the different conventions, but some special thematic rapporteurs (the mandate of the country rapporteur ended in 2001) have noted certain issues in their reports for 2002: the Special Rapporteur on Torture reported a few cases of persons ill-treated or tortured in custody and the Special Rapporteur on Extra-judicial, Summary or Arbitrary Executions noted that the GoR had not responded to any communication sent during the last four years.

#### **4.4 Civil Service**

Most civil servants were either killed, jailed or fled the country during the genocide. Therefore the staff is generally very young, inexperienced and unqualified, with the exception of an often highly qualified and strong leadership.<sup>8</sup> Furthermore there are serious problems in terms of retaining competent staff due to lack of incentives and inadequate remuneration schemes. The staff turnover is very high as donors and the private sector easily compete for skilled manpower. At the lower administrative levels; (province, district and sector levels), the situation is uneven, but for crucial positions (managerial skills, economists, accountants, etc) the situation is even worse.

These weaknesses are serious obstacles for an efficient implementation of the PRS and for central and decentralized governance. Without a competent civil service, reforms towards a modern bureaucracy are not likely to succeed in the short to medium term. However, there is a particularly strong political will at various levels to deliver, which might mitigate some of the constraints.

The Government is in the process of developing a Civil Service Reform Program and recently took a decision to elaborate a Strategic Framework to achieve a coherent and complete framework for the coordination of all ongoing initiatives and reforms (including civil service reform, decentralization, human resource development etc). Carrying out a Civil Service Reform is sensitive. Retrenchment of a vast number of incompetent and non-essential staff may result in accusations of discrimination and loss of political support. The full realization of a complete Public Sector Reform can be expected to take many years to achieve.

#### **4.5 Corruption**

No statistics exist, but corruption is considered to be lower than in many other African countries. Petty corruption within the public administration exists and affects poor people. Looting of the state budget is however not common, although special privileges for the elite in terms of obtain-

<sup>8</sup> In 1998, not more than 6,5 % of the civil servants had a university degree and only 2,7 % had a masters degree or higher. 1  
Income from coffee export declined from USD 144 million in 1985 to USD 30 million in 1993.

ing credits and licenses are common. The justice sector is the worst affected sector with corruption at all levels. Several judges and prison directors have been dismissed as the result of the Anti-Corruption Commission for the judiciary.

The Government has taken firm action to fight corruption and is working on establishing systems and structures to enforce public accountability. The Office of the Auditor General, the National Tender Board and the Ombudsman are all institutions that are expected to play a crucial role. Furthermore, the police and the prosecutor are contributing to the fight against corruption. A law restricting military staff to engage in the private sector will, according to the new Government, be enforced vigorously and new regulations requiring Government officials and members of parliament to declare their assets has been introduced. Media has not been very active in the fight against corruption, more than reporting on already known cases.

Political activity has so far been restricted, which has to a certain extent limited the possibility of political corruption, but it did not prevent the RPF to e.g. unlawfully use government vehicles and staff during the election campaigns. The culture of authoritarianism and decentralized governance as well as newly established institutions such as the Auditor General have most likely also helped in curbing widespread corruption. Nepotism is relatively wide spread, partly explained by the limited human resource base.

#### **4.6 Justice sector & reconciliation**

During the period of transition the justice sector faced enormous obstacles and was heavily influenced by the executive branch of the Government. It suffered from inefficiency, unqualified staff and serious corruption. This is particularly serious in a country charged with the heavy task of bringing to trial over 100 000 prisoners accused of participation in the genocide. The new constitution gives stronger powers to the Supreme Court over the executive, and provides a potential for the judiciary to play an important role in the future, which might be crucial to balance the limitations of freedoms in the constitution. For this to be the case, the judiciary needs competence and to assume independence, which so far have been missing. A Law Reform Commission (LRC) was established in 2001, to examine existing laws for much needed revision and amendments and to suggest new laws and prepare draft legislation for the above. If accepted and implemented, the recommendations by the LRC could lead to far reaching positive reforms in the sector. A President, a Vice President and 12 other judges compose the Supreme Court, all of them career judges. The Senate elects the two former for a single term of eight years. The Military Court and the participatory Gacaca Court are the only specialized courts. However, appeals to decisions by these courts are referred to the Supreme Court.

In March 2001 a law on a *participatory justice system*, "Gacaca", was adopted with the aim of speeding up genocide-related trials and to further enhance truth and reconciliation. The Gacaca courts are based on a traditional participatory conflict resolution mechanism. Judges have been elected by and act as representatives of the population. A commu-

nity service program has been developed with the purpose of absorbing those whose sentences will be transformed into labor-intensive public works. However, already before the trials have started, the confidence for the process seems to be decreasing both from the population and from the international community. The lengthy and tedious preparations have decreased people's interest in participating and risks contributing to insecurity (there are increasing concerns among witnessing survivors following reports on murders perpetrated against a few of them). This risks hampering the success of the Gacaca trials as many survivors may withdraw for fear of their lives. Furthermore, lawyers have protested about incoherence between the Gacaca and the new constitution, as lawyers are prevented from offering their services in the Gacaca system. Lastly, Gacaca was expected to contribute to reconciliation, but risks to create new trauma and suspicion among the population. There are great concerns that hundreds of thousands of new genocide suspects may be identified that so far have escaped justice. At this point in time, the Government has not yet made public how it intends to deal with the upcoming obstacles, nor has it presented a timeframe for a completion strategy. The general opinion among the international community is that the balance between justice and reconciliation is becoming increasingly difficult.

The *International Criminal Tribunal for Rwanda* (ICTR) was established in 1995 and will function until 2008. The rate of trials within ICTR has been very slow up to 2002. Rwanda's relations with the ICTR have been strained due to a lack of confidence in its former prosecutor, general inefficiencies and its disapproval of the handling of witnesses, the hiring of investigators sought after for genocide crimes and fee-splitting practices between the accused and the defense. The strained relations can also be attributed to Rwanda's reluctance to allow the ICTR to handle war crimes committed by the RPF. With a new prosecutor and a new president of the tribunal, relations have however improved considerably and the dialogue has recently been reopened on how to handle RPF war crimes.

In 2000, a far-reaching reform aimed at unifying and democratizing the *police* organisation resulted in the establishment of the Rwandan National Police. The result has been largely positive and the police today enjoy considerably better confidence from the population.

The *situation in the prisons* is still critical with approximately 88 000 prisoners in prisons originally built for 17 000. Some improvements in health, sanitation, food and work related activities have been made during the last few years and the death toll has thus decreased. The number of minors kept within the regular prisons has again increased, after a decrease in 2002 when genocide suspects were released. Many of the new cases are accused of rape, although there are speculations from international organizations that the accusations are false. Women are separated from men in the prisons.

*Reconciliation* is a fundamental mainstreaming issue in most of the reforms currently undertaken by the Government. A National Commission for Unity and Reconciliation (NURC) has been established with the mandate to be the catalyst in this process. So far, the results of NURC's work have been good. Their annual grassroots consultations have re-



sulted in highlighting problems faced by ordinary Rwandans and their civic education programs in "solidarity camps" have been instrumental for the reintegration of returning ex-combatants and conditionally released prisoners.

#### **4.7 Civil society**

Despite being relatively large and diverse, the civil society (with the exception of certain religious organisations vis-à-vis its congregations) is weak both in capacity and influence. Most organisations have abdicated from taking on an advocacy role for fear of Government retribution. Even in terms of methodology, the civil society does not seem to have any major impact on the change of attitudes and promotion of democracy. A law passed in 2001 has further strengthened Government's control over the civil society. Most organisations are therefore focusing their activities on implementation of development projects, and are often based on interest groups such as faiths, women, children, youth, survivors and businesses. The first human rights group (LIPRODHOR) was founded in 1989 and has maintained an independent, although not always accurate, stance vis-à-vis Government. LIPRODHOR and other human rights organisations became less outspoken during the election year 2003 due to fear of intimidations and, within the realm of an umbrella organisation certain coopted, by the Government. Recently, however, LIPRODHOR was invited by Government (for the first time) to participate in Rwanda's preparations for the UN-initiated Great Lakes Conference, which has been seen as a positive post-election sign. Many NGOs organizations are weak in terms of capacity and extremely dependent on funding from international donors. The most visible part of civil society is found in Kigali and seems to reflect interests of intellectuals and the middle- and upper classes. The links between urban- and rural based organizations are often weak, as is the coordination and cooperation between different sectors of the civil society. Much support (including, if needed, political support), particularly in capacity building and in strengthening the links to constituencies is needed, while trying to curb the donor-dependency.

#### **4.8 Media**

The situation for media has been difficult with a firm Government control since 1994. Radio and TV have been state controlled and the press either supports the government or applies self-censorship. Government has cited the notorious Radio Mille Collines and other media hate propaganda in connection with the genocide and the risk for destabilization for remaining its control. Many, however, feel that the control has lasted too long and that Government's unwillingness to allow freedom of expression has been used to stifle warranted critique. However, recent signs of positive development have led to certain optimism. Critical journalism has been less harassed since the new Government took office. For instance, the newspaper Umuseso (published in Kinyarwanda) has published articles speculating in corruption within Government and the judiciary without, as previously, facing harassments and in January 2004 the Government approved the licensing of 7 new



private radio stations. This is particularly significant, as radio is the only media with a potential to reach the illiterate, poor majority in rural areas. At the same time, many journalists are still reporting cases of harassments and during the beginning of 2004 some fled the country out of fear for their lives.

Professional journalism is very scarce, as the profession never had a possibility to develop. Journalism remains a low paid and low ranked profession. Journalists are often labeled as obedient civil servants or as working for the opposition. Some initiatives aiming at capacity development of the media has started (including Sweden's support for journalism training under the leadership of Makerere University in Uganda). Most of the projects are linked to the School of Journalists at the University of Rwanda. However, there is also a need for the creation of independent bodies that can protect the professionalism and supervise the quality and ethics of the journalism and to promote regional networks for independent media.

# 5. Understanding And Assessing Conflict Risks

It is important to understand the actual and perceived reasons for the genocide, as they are still likely risk factors for potential conflicts in Rwanda. Below a background to the genocide is given followed by an assessment of future risks.

## 5.1 Background to the genocide

The conflicts can be explained by an intrinsic web of factors that together provided the fuel and the sparks resulting in the genocide. Those factors would include the role of the colonial era and later other countries/actors' geo-political interests, the regional context, experiences from previous conflicts in Rwanda, actual or perceived injustices, the role of the elites and their internal power struggles as well as the culture of impunity and authoritarianism which date back many decades. The reluctance of the international community to prevent, react or intervene, and the fact that certain actors within the international community directly or indirectly contributed to the conflict, should also be kept in mind.

During the colonial era, German and Belgian rule were instrumental in constructing and re-constructing ethnic identities and at independence, ethnicity had an all-together different role in society. The governance structures left behind were built on racist ideologies and contributed to ethnic polarisation with privileges for Hutu elites (after a sudden shift in loyalty from the Belgians at the time of independence to reflect the idea of democracy as majority rule), continued authoritarianism and a non-inclusive political culture. The fall of the coffee and tea prices in the early eighties triggered an economic crisis<sup>9</sup>. Aid dependency and budget deficits increased. Harsh "shock therapy" structural adjustment programmes increased unemployment as well as inflation and led to reduced social service and real wages. Such a policy, in combination with increasing land shortage, hit hard on the majority of the population. Inequality increased. Rural land was accumulated by a few at the expense of the many.<sup>10</sup> In particular, young men's situation became worse. Without land they could neither marry nor earn an income. Inequality and poverty

<sup>9</sup> Income from coffee export declined from USD 144 million in 1985 to USD 30 million in 1993.

<sup>10</sup> In 1990, one quarter of the rural population was landless, in some districts up to 50%.

increased and deprivation of human rights as well. The socio-political system was based on multiple exclusion, humiliation and disempowerment, in particular for the rural masses. A cynical, angry and frustrated population was therefore predisposed to scape goating and projection, vulnerable to manipulation and desperate for change. This situation created a base for hate mobilisation.

The military dictatorship, controlled by a small clique of Hutus from the northwest, *Akazu*, frustrated the marginalized Hutu elites from other regions, increasingly anxious of the arrogance, corruption, mismanagement and the regional favouritism displayed by the Akazu. The pressure for power sharing and democratisation emerged both from within and from the international community, threatening the privileges of the Akazu. The two-generation-old unresolved issues of impunity for massacres and other violent crimes, created a culture, which legitimised political violence.

The refugee crises in several waves, created a situation where the most important opposition was outside the country where they managed to lay the foundation for armed resurrection. From Uganda, the Rwandan Patriotic Front (RPF) started its attacks on Rwanda in 1990. Realising that they were not only threatened by Hutu elites, but also the hated Tutsi elite played the ethnic card again. In 1990, the Akazu and its associates started an intense manipulation of ethnic identities with hate propaganda against the "foreign invaders - the cockroaches" and associated moderate Hutus. Efficient propaganda machinery was thus established, producing powerful narratives anchored in the racist ideology developed during the colonial era and the 1959 "hutu revolution".<sup>11</sup> The dramatic developments in Burundi 1993, culminated in massacres of *Hutus* and in the murder of the first democratically elected Hutu president. This threatened the powers in Rwanda and reconfirmed the justification for racial anti-Tutsi propaganda. In ex-Zaire, the Banyamulenge were increasingly marginalized by the Mobuto regime and became subject to popular dissent. These processes pressed the mainly Tutsi-Diaspora to try to bring about a change in Rwanda and sharpened the conflict with the Hutu-elite in power in Rwanda.

The Arusha Accords (August 1993) outlined i.a. a plan for power sharing. The Habyarimana regime's commitment to implementing the Arusha Accords was, however, limited. Hutu hardliners feared that power sharing and the integration of security forces would lead to a drastic reduction of its power and control over the state. In addition, it would entail reforms of the judiciary, which threatened an exposure of corruption and other crimes committed by the elite. Hutu-activists close to Government therefore started organising militias and death squads; the most infamous being the "Interahamwe", trained and led by the presidential guard and the military command via local political structures. When the killing started they made it a deliberate strategy to involve as many people as possible.

<sup>11</sup> One of the more enduring was the so-called "Bahima thesis" where the Habyarimana propaganda machinery proclaimed that Museveni and RPF jointly planned to invade Rwanda, Burundi, Eastern Congo and Western Tanzania in order to create a mythical "Bahima" empire, joining forces with the presumably supportive "Tutsis" in these areas.

## 5.2 Assessing future conflict risks

Though Rwanda has made remarkable attempts to overcome the legacy of violence and has embarked on a democratization process, the situation remains fragile. If the new government fails to develop inclusive political processes, from local to national level, people's resentment might increase. Finding a way for competing elites to gain access to political space without resorting to violence is of vital importance. Even if the broader population shuns politics so far, it needs to be included in the political process in the longer term.

Under the surface, the structural violence that generated the genocide in 1994 prevails. If socio-economic development fails to reach the majority, frustrated and marginalized people might be re-mobilised along ethnic lines. The extreme poverty must be addressed as a matter of priority; thereby inspiring hope for a better life. Land pressure and demographic development still provide a hotbed for frustration, in particular now when different generations of refugees and ExFAR/ Interahamwe combatants are returning and at the same time as large scale demobilisation is being undertaken. The demobilisation and integration of both the Rwandan army and of the ExFAR/ Interahamwe is a huge challenge. In addition the release of tens of thousands of prisoners as well as the Gacaca process is likely to increase tensions in local communities. There are unhealed wounds of genocide and the ideology underpinning the genocide is likely to be latent. The lack of trust between people and between people and the state need urgent mending through a new social contract between the state and its citizens. The high level of illiteracy makes people an easy prey for manipulation by political elites. It also undermines possibilities of developing the country. The low level of education creates a dramatic lack of capacity, in a situation where administrative as well as economic capacities are scarce. The Government is well aware of these risks, and is trying, with some success, to cope with this multitude of challenges.

Ethnicity does not necessarily carry any positive, constructive attributes in today's Rwanda. In fact, as neither language nor culture differs, the question is what differentiates the ethnic groups from one another. For many people their ethnic identity would only be associated with a past history of belonging to a group that committed the genocide or were the target of the genocide. Nevertheless it played a key political role for decades, and maybe because of the seriousness with which ethnicity became associated post-genocide; it remains an important political factor for many people. Developments in the region will also determine Rwanda's future. The Government of Rwanda seems rather optimistic regarding the peace process in the DRC and less concerned about security threats from remnants of ex-FAR /Interahamwe. The previously strained relations between Rwanda and the DRC, as well as between Rwanda and Uganda seem to have normalised. Rwanda withdrew its troops from the DRC in December 2002 but there are continued reports on Rwandan support for Congolese militia groups. If the peace process in the DRC fails or if the Hutu militias are not disarmed, demobilised and reintegrated, it could dramatically affect the relations between the DRC and Rwanda. The peace process in Burundi is also important

for Rwanda. If the Ugandan government continues to be challenged from within and perhaps from the Sudan, its policies against the DRC and Rwanda might change to a more expansionistic strategy in order to strengthen its power base.

### **5.3 Strategies for peace building and conflict-handling mechanisms**

The government has made considerable efforts in addressing some of the potential causes for distrust and tensions. If people feel that their quality of life is improving, the risk for political turmoil may decrease. Rwanda has shown serious commitment in the preparations for the forthcoming UN Conference for the Great Lakes region aimed at promoting peace through continuous dialogue. Rwanda is furthermore likely to join the East African Community in the near future, which further could assist in breaking its regional isolation and can lead to widened regional responsibilities regarding Rwanda's security. The new constitution, including its power sharing principles secures an increased role for other parties in Government and in Parliament, thus hopefully paving the way for a new Rwandan identity where cultural identity exists parallel to a strong feeling of being a Rwandan citizen. Despite some flaws, these are hopeful points of departure for the process of reconciliation that will take decades, if not generations to conclude.

# 6. Economic Situation

## 6.1 Introduction

Rwanda continues to face complex socio-economic problems stemming from genocide and preceding conflicts. The connection between economic growth and conflict is evident. Economic marginalisation and inequality are likely to have contributed to the conflicts and the economy totally collapsed when the genocide started. The effects of the genocide (i.e a severe reduction in skilled human capital, a large drop in basic infrastructure, enormous justice needs and reduced productive capacity) will have long-term negative impact on prospects for growth.

In the aftermath of the genocide, the Government managed to quickly stabilise the economy and to put it on a path of rapid growth. A broad program of policy and institutional reforms including rationalising the tax system, introducing VAT, improving expenditure management, launching a privatisation programme, liberalising the exchange system, reducing trade tariffs etc. The reforms paid off. The economy grew by 70 per cent between 1994 and 1997 and growth remained relatively high and inflation low. The growth rate, however, has started to slow down lately. Terms of trade has grown worse and export based growth are limited by Rwanda's geographical position.

Subsistence agriculture is the primary economic activity for the lion's share of the population. Lack of arable land, severe degradation of the scarce land, poor infrastructure, isolation from markets, and a weak financial sector are serious problems obstructing the revival of the rural economy. The prospect for sustainable economic growth that has a significant impact on poverty reduction is weak in the short to medium term. The Rwandan economy is small and to a large extent dependent on the outside world. Domestically, 60 per cent of the population can not benefit from nor contribute to the economy.

The current economic policy follows Rwanda's PRS. The PRS has a strong focus on accelerating growth. Reforms have focused on the exchange and trade regime, privatisation of state enterprises, decentralisation and other important reforms in the public sector, budget and financial management, and private sector development. The reforms have relied on donor support but the government has all along been strongly committed. The budget for 2003 and 2004 and the Medium-Term Expenditure Framework (MTEF) largely reflect the objectives of the

PRS, although contingency expenditure in the election year of 2003 has led to some question marks regarding feasibility. The challenge is to develop medium-term sector strategies in conformity with the PRS. Furthermore, the budget and MTEF needs modification in order to reflect sector strategy priorities for efficient implementation of the PRS.

## 6.2 Economic overview

The overall structure of the economy has not changed much over the years. In 2002, the contribution to GDP of the agricultural sector was 47 per cent; industry 18 per cent and the service sector 36 per cent. Since 1998, growth has mainly been derived from agriculture, construction and coltan mining. However, the agricultural sector and coltan mining suffered a set back in 2003 due to declines in world market prices. Export crop production and exports fell by 30 per cent. The GDP shares of manufacturing and services have declined slightly. Government aims at developing an export led economy but economic transformation (refined products etc) and structural transformation (to manufacturing) have yet to be more fully implemented.

*Real growth* has been fairly constant since 2000, averaging around 7 per cent of GDP, but declined sharply in 2003 to an estimated 3,4 per cent. The growth prospects are uncertain. Trend-wise, Rwanda seems to move in the right direction, but it will take considerable time to achieve significant growth without massive aid inflows. Inflation has stayed below or well below 4 per cent since 1999 but increased dramatically in 2003.<sup>12</sup> This increase was caused by excessive growth in money supply due to overspending and shortfalls of foreign assistance, which led to domestic lending.

*Government revenues* are increasing as a percentage of GDP, but so are expenditures, which means that the overall deficit is fairly constant around 10 per cent. The revenues were projected to increase to 13.4 per cent of GDP in 2003 compared to slightly above 8 per cent in 2000. This can be attributed to the introduction of a remuneration tax reform and the establishment (plus subsequent increase from 15% to 18%) of a VAT tax. There are, however, limits to tax expansions until the GDP level of the country has increased and the rural sector has become monetised.

*External Revenues:* About 88 per cent of the development budget is externally financed, which points to a very high degree of donor dependence.<sup>13</sup>

The *expenditure* composition is to a large extent influenced by the PRS process and its priority sectors. Since 1995, military expenditures have been large due to internal conflicts and Rwanda's military involvement in the DRC. However, spending in this sector (excluding police, withdrawal of troops from DRC, demobilising/reintegration) has gone down from 4,5 per cent of GDP 1998 to about 2,6 per cent of GDP 2003.<sup>14</sup> The so-called exceptional expenditures, which are connected to the special needs

<sup>12</sup> Peak of 9.1 percent in September, before reducing to 7.7 in December

<sup>13</sup> 40% of the external contributions are multilateral, 49% bilateral, and 11% are provided through non-governmental organisations (NGOs). Part of the funds constitute direct budget support while others are capital development budget grants or concessional credits.

<sup>14</sup> This trend has meet requirements within the Poverty Reduction and Growth Facility (PRGF) programme. The peace dividend will largely be used to modernise the army (demobilisation and professionalization).

to deal with the post-conflict situation and the genocide, were expected to peak in 2003 and are projected to gradually decline.<sup>15</sup>

*National savings and investments* are practically non-existent, which can be a serious threat to further development and indicates a poor investment climate as well as an underdeveloped financial sector. Although there is a construction boom (indicating current positive trends in mainly domestic investments), caution seems to prevail among foreign investors.

*The export trend* in 2003 provides causes for concern. Three quarters of Rwanda's export is made up of coffee, tea and coltan. 2002 there were dramatic price declines on both coffee (-32%) and coltan (-52%). Terms of trade fell by 12 per cent in 2002 following a drop of 22 per cent in 2001. So far there has been little progress in export diversification. The scope for increased revenues from niche high quality coffee production may be limited. Although Rwanda must compete with similar markets in neighbouring countries, some comparative advantages can be noted, such as a bi-language working force, small in-country distances, political will and a conducive climate. However modernisation, manufacturing and up-scaled production will require substantial investments. It also requires acceptance by the rural population of necessary land reform measures that are highly sensitive.

*The balance of trade* is very weak. Although there was a reduction of food imports in 2002 due to a bumper harvest, capital goods imports increased rapidly as a consequence of investments in construction. The current account balance is also negative at -7.3 per cent of GDP, although official transfers reduced the deficit with about 10 per cent of GDP in 2002. In the longer term the country has to diversify into new export products to sustain the current account without massive aid inflows.

*The debt stock* increased significantly during 2002-03.<sup>16</sup> The Net Present Value (NPV) of debt to export ratio amounted to 250 per cent in 2003 which was 100 percentage points higher than the level defined by the IMF and the World Bank as a sustainable debt level for countries participating in the HIPC-initiative. The debt situation continues to be of concern as Rwanda foresees additional concessional lending 2004 to reach the PRS and MDG targets.

Current Macro-economic concerns: The Poverty Reduction Growth Facility (PRGF) programme was put on hold in the second half of 2003 mainly due to

large injections of liquidity Fiscal performance in 2003 was marked by higher than budgeted recurrent expenditures, largely due to unanticipated expenditure on the elections leading to an increased fiscal deficit and domestic financing<sup>17</sup>, through borrowing from the banking system and building arrears.

<sup>15</sup> Expenditures identified as exceptional expenditures in 2003 included: Demobilisation/Reintegration (33% of total exceptional expenditures), Prisoners and Gacaca (8%), Genocide Fund (14%), Orphans and Reinsertion of Street Children, Reinsertion of Vulnerable Groups and displaced persons, Local Initiatives in Education, DFIM, Good Governance Commissions, e.g. Electoral Commission (26%), Exceptional Rural Road Works, Exceptional Health Initiatives (7%)

<sup>16</sup> There was new borrowing 2002 of \$92 million out of which \$51 on IDA terms.

<sup>17</sup> Net domestic financing of the 2003 budget up to September was RFR 20 billion, against a programmed reduction of RFR 2 bn, a difference of RFR 22 bn or 2.5% GDP. This excludes the additional build-up of domestic arrears.



### 6.3 Engines of growth

Rwanda's Vision 2020 envisages new engines of growth. The aim is to establish Rwanda as a regional trade and service centre, particularly through the use of ICT and by developing tourism and the manufacture of mass consumer goods. Agricultural productivity is another important area, identified as the engine of growth of the rural economy, thus crucial for the entire economy. This requires i.a adequate infrastructure. In the short-to-medium term, providing regional links and rehabilitation of infrastructure will be given priority mainly through road maintenance and rehabilitation and rural electrification. The design of the land policy to encourage security of tenure will be a central component in pro-poor growth programmes aiming at boosting agricultural productivity. New technologies, improved provision of seeds and fertilisers and rural public works to generate income for the poor have been identified as crucial for economic growth. It is recognised in the PRSP that agricultural transformation has to be accompanied by supportive environmental actions in order to halt deforestation, soil erosion and the reduction in water tables, which currently hamper agricultural productivity. Furthermore the agricultural production needs to be commercialised. The economy has to be restructured to be more export-oriented and this will require policy reforms from the macro-level and down-wards. Rwanda's possible participation in EAC is likely to have an impact on the efforts being made, not least for breaking its isolation caused by the 1994 events. On an overall level though, it is difficult to see how the ambitious plans for economic growth of over 10 per cent per year needed to fulfil the aim in the Vision 2020 should be achieved. Estimates from independent economists are generally much lower. The effects of the HIV/AIDS epidemic may however slow down the progression as men and women in productive age get sick and die which result in a higher dependency ratio.

It seems reasonable that the country could have some comparative advantages in agriculture in the medium term, and there is scope for increased revenues from this sector. Diversification in agricultural production (primarily horticulture and flowers) to boost exports will be promoted as well as high-quality coffee production. There may be some scope for regional exports of food crops, but it should be kept in mind that neighbouring countries have similar climatic conditions and largely the same markets. Rwanda's small size and high population density (337 persons per square kilometre) can be an asset, as people are easily reachable which facilitates investments in pro-poor growth. At the same time, there are severe constraints that make it less likely that the agriculture sector would develop quickly. The geographical position (small, land-locked country) increases transport costs for imports and exports, the lack of secure land tenure discourages farmers from investment and the extreme pressure on land has deteriorated the fertility, to name a few. Tourism was a major export before 1994 and a strategy to develop the tourist sector has been prepared. The government has an important role in the protection and management of the national parks as well as provision of adequate infrastructure, which are of crucial importance to the tourist sector.

## 6.4 Private sector development

One priority in the PRSP is to create an environment for private sector development, which promotes *investments, exports and private sector representation*. This should be done through the creation of an enabling environment for investors by reforms in the financial sector to ensure private sector access to finance, reviewing the legal framework, promoting entrepreneurship and reducing the costs and risks of doing business in Rwanda. The sub-sectors given priority for private sector development include manufacturing, mining (small-scale mining and quarrying), tourism, artisan activities and services (especially ICT). So far, much of the framework is missing, resulting in only a limited investment has been done.

*Some institutions to create an enabling environment* have been established, such as the Rwanda Investment Promotion Agency (RIPA) for promotion and facilitation of private investments, enterprise development and exports; for addressing legal impediments including the establishment of a commercial court and for the strengthening of the Arbitration Centre. Furthermore, the establishment of CAPMER (Centre for support of small and medium-scale enterprises) aims at providing technical support and financial services to small and medium-sized enterprises, promoting innovation, adopting of new technologies and competitiveness as well as strengthen public/private dialogue and partnership. So far the impact of new initiatives has been limited.

A *privatisation* programme was introduced in the aftermath of the genocide, resulting in 37 sold state companies (2003) out of planned 77. The pace of the privatisation programme has, however, slowed down during recent years.

The *restructuring and privatisation of commercial banks* continues with assistance from the World Bank. A financial sector assessment will be carried out to provide a sound basis for the development of the financial sector. Meanwhile Government has taken action to strengthen the capacity for bank supervision, to improve the legal environment for loan recoveries and to divest its holdings in commercial banks to encourage competition and improve efficiency. The restructuring of the *Union des Banques Populaires* continues.

## 6.5 Public financial management

The Rwandan Government (and Parliament) has carried out important reform work in the area of public finance management (PFM) during recent years. Still, the PFM systems are weak and there is a great need of external support. The *budget management system* had to be reconstructed from scratch, following the genocide. Since then, a number of actions have been taken to enhance fiscal transparency. The Government's role in the economy has been clarified through a *privatisation process* and by reforms of its *regulatory framework*. The constitution specifies the roles of the legislative and executive branches of government. The *budget process* has been strengthened; it is presented to parliament in a timely manner, the classification has been revised in line with international standards, planning takes place within the context of a medium-term expenditure framework, and it includes a comprehensive background document.

The introduction of *the MTEF in 2001*, supposedly reflecting the intentions in the PRSP, is deemed to have been successful. However, moving from a regime of cash budgeting to a fully implemented MTEF will probably take some time. It will initially absorb a lot of scarce capacity and it may highlight inherent contradictions within the financial management system for some years to come.

Parliament is expected to adopt a new *Organic Budget Law* in 2004. A revised *external audit act* enhances the independence of the Auditor General, that reports directly to Parliament and audit reports are official documents open to public scrutiny. The new budget law is more or less a "public finance management act" even if further regulations have to be introduced. The Ministry of Finance is given a strong central role and the format for delegation and decentralisation are likely to be strongly debated. A major challenge remains regarding its implementation in view of general capacity constraints. Capacity for financial control is particularly uneven and often weak at the local government level. Massive training and supervision will have to be undertaken. The accomplishments so far are positive and progress is being made, but much remains to achieve good practices in all basic fiscal requirements. On the execution side the application of accounting and payment systems will require:

- A comprehensive, reliable, uniform and integrated *accounting system*,
- *Timely annual reports* to facilitate the work of external,
- *A reduction of the number of government bank accounts* to facilitate the tracing public funds,
- *Improved data quality* including broadening the coverage to include donor-financed expenditure and spending agencies' own revenues,
- *Effective internal auditing systems*, and
- In the longer run, *fuller reporting* on contingent liabilities, government asset holdings, tax expenditures.

# 7. Natural Resources; environment, land and water

Rwanda's natural resources are important sources for household and national incomes, providing the basis for farming, fishing, energy production and tourism. Increasing demands for cultivation and household energy has degraded these resources and is estimated to have been a contributing factor to the previous conflicts. The large-scale movement of population and livestock since 1990 has put severe pressure on the environment, increasing deforestation and the encroachment of protected areas. Forests decreased by 70 per cent during 1958-1996 due to clearing, and were further depleted when millions of returning refugees were housed in temporary shelter camps. Population encroachment is i.e. threatening the fragile ecological zone in the northwest, including the mountain gorilla habitat in the DRC-Uganda-Rwanda triangle.

About 92 per cent of households in Rwanda use wood as a source of energy and 31 per cent use wood as source of lighting. More than 60 per cent of the urban population use charcoal as a source of energy. Only 2 per cent of the population have access to electricity. The heavy dependence on fuelwood leads to deforestation and land degradation, which reduce agricultural productivity. Extensive burning of fuelwood and the indoor air pollution it causes, are also main causes of the very high prevalence of respiratory diseases in Rwanda.

The draft legislation dealing with land issues incorporates tenure, redistribution, land use, management and planning is currently in the final drafting stages. Furthermore the Rural Economic Development Strategy including environmental management issues is currently being drafted (see above). A strategy for the creation of alternative sources of energy will also be launched in 2004. Some of the *challenges* ahead include:

- Water resources, including marshes and wetlands, need to be conserved and well managed;
- *Degradation and loss of soils need to be halted since this decreases agricultural productivity;*
- Forest areas need to be sustainably managed. Alternative energy sources and reforestation schemes play an important role.
- *Household waste, especially in urban areas, constitutes a big problem which has to be adequately managed;*

- *The access to improved sources of water and sanitation has to increase in order to reduce the proliferation of water borne diseases;*
- *Appropriate funding to develop the institutional capacity to effectively implement and enhance much needed environmental management plans, programs and policies. This is especially relevant in the areas of Environmental Impact Assessment and Strategic Environmental Assessment.*

# 8. Strategies to Combat Poverty

## 8.1 Rwanda's Vision 2020 and Poverty Reduction Strategy (PRS)

In 2000 (revised 2002) the Government of Rwanda produced its *Vision 2020* with the aim of providing a new start for building peace and prosperity in the long-term, achieving the Millennium Development Goals and to move Rwanda out of underdevelopment and poverty. It envisages:

- GDP per capita growth from 230 USD in 2000 to USD 900 in 2020
- Life Expectancy Increase from 49 years to 65 years
- Literacy rate of 90 per cent.

National *reconciliation, security, good governance and economic transformation* are seen as key challenges to achieve these goals. *Economic transformation*, particularly in the rural sector, is expected to engender an all-inclusive economic system making full use of modern information technology. The long-term aim is to establish *Rwanda as a regional trade and service centre*, particularly through the use of ICT and by developing tourism and the manufacture of mass consumer goods. This requires adequate infrastructure. In the short to medium term, providing regional links and rehabilitation of infrastructure damaged by war, will be given priority. Vision 2020 sets out seven *priority areas* including poverty reduction, which is seen as an effect of the achievements of the other six objectives. Poverty Reduction is expressed, as accelerating growth while avoiding large inequalities in society – reducing inequalities should form the foundation for all public actions. It also includes reducing gender inequalities.

In order to achieve the Vision's long-term aspirations, short to medium term policies were elaborated within the framework of *Rwanda's first Poverty Reduction Strategy (PRS)*, endorsed by the IFI boards in July 2002. The PRS sets out six broad priority areas, mostly but not entirely the same as the priority areas of Vision 2020:

- Rural economic transformation
- Human resource development
- Economic Infrastructure

- Good political and economic governance
- Institutional capacity building
- Development of the private sector

*Gender, environment, grouped settlements, HIV/AIDS, employment and capacity building and inequalities* are addressed as crosscutting issues and are envisaged to be mainstreamed in the implementation of the PRS.

Vision 2020 further highlights *regional and international economic integration*. Rwanda's membership in COMESA will soon allow Rwanda full integration into the free trade area. An application to join the East African Community (EAC) is pending. Other opportunities offered by international trade agreements within the framework of WTO and the recent Africa Growth and Opportunities Act offered by the US will also be explored.

The overall vision and strategic direction for the country is currently being translated into more detailed sector strategies. For some sectors and crosscutting issues (e.g. education, decentralisation, gender, HIV/AIDS and environment) they have already been developed and strategy implementation has started. In others, such as rural development and health, the strategies are expected to be finalised in 2004.

#### *Brief assessment of the PRS*

The PRS was subject to extensive consultations with the civil society and the donor community while politicians and representatives of the parliament only were consulted in the process of developing the interim PRS. The country's ownership of the process has constantly been strong. The quality of the PRS is good. Based on results from a wide variety of surveys, the PRS provides a comprehensive poverty analysis. It includes a detailed plan for monitoring and evaluation. The PRS makes special reference to security as a prerequisite for development and emphasises popular participation and a bottom-up approach to democratisation. Nevertheless, important universally accepted democratisation and human rights aspects are less prominent, with economic and social rights taking precedence over civic and political rights.

The high ambitions set out in Vision 2020 and in PRS may prove difficult to achieve given Rwanda's limited financial resources, its high dependence on donor support, which largely lacks predictability, and not the least, Rwanda's human capacity constraints. Other potential constraints include uncertainties in terms of regional peace processes and internal advancements on democratisation and human rights. Nor seem the three overall goals realistic. An increase in per capita GDP from USD 196 in 2001 to over USD 900 in 2020 would require a growth of over 10 per cent yearly. Also life expectancy increase seems unrealistic, taken account of the widespread HIV/AIDS pandemic in the country.

Financially the implementation of the PRS will depend on Rwanda's ability to raise revenues (externally and internally). Although internal revenues are rising, a lack of adequate funding and prioritisation for poverty reduction in the 2003 budget execution partly offset the pace of implementation. Through its sector strategy work, the government is currently trying to set objectives based on different scenarios linked to

projections particularly of external grant inflows. The PRS has to some extent taken into consideration existing capacity constraints and attempts are made to meet these challenges by recognising the importance of prioritisation and sequencing. However, more vigorous prioritisation seems to be called for.

For a successful implementation of the PRS, continued governmental commitment macroeconomic stability, continued democratisation, sustained capacity building and substantial, effective and predictable external support to allow for fast-track implementation of the rural transformation and export promotion policies is critical. The importance, in the medium to long term, of gaining trust from and securing ownership by the citizens in the development process cannot be overstated. It will require a change in the mindset and attitudes not only among leaders, but also within the entire society.

#### *PRS progress review*

In 2003, the Government conducted the first PRS progress review, based on performance in 2002. This exercise will continue on an annual basis. Stakeholders, including donors, are involved at both the sector and overall stages. Although it is somewhat early to translate the Government's policies and strategies into improved results/outputs, initial indications suggest that increased resources combined with new policies and strategies in the *social sectors*, are beginning to translate into improved health and education outcomes. Moreover, progress has been made in implementation of the demobilisation programme<sup>18</sup> and the preparatory phases of the Gacaca process, decentralisation, gender equality, and HIV/AIDS prevention. However, the policy for rural economic development envisages raised agriculture productivity and the generation of off-farming income opportunities has not yet had large-scale effects.<sup>19</sup> So far this "sector" has been under-prioritised and under-funded, but in the 2004 budget, diversification of agricultural production and export promotion have been prioritised and the sector is starting to receive higher priority among donors. Some, but not yet sufficient, progress can also be noted in the field of economic infrastructure and in the development of the private sector.<sup>20</sup> Rwanda's private sector is slowly but steadily progressing.

## **8.2 External support for poverty reduction: composition, co-ordination, alignment and harmonisation**

Donor co-ordination, PRS alignment and harmonisation mechanisms have only started to be developed since late 2002/03. The UNDP, mandated in 1998 to be in charge of donor co-ordination. Recently, the UNDP has taken a lead role in creating a forum for information exchange and is

<sup>18</sup> Approximately 45 000 ex-combatants and regular soldiers have received civic education training and have been reintegrated into their communities.

<sup>19</sup> Implementation of activities such as the provision of seeds, livestock restocking for fertilisation, rural credits, forestation, Ubudehe (planning process by the population for community development) and labour intensive public works have been largely delayed as a result of the elections and financial constraints in 2003. Some progress has however been made regarding the legal and institutional frameworks central for rural development (e.g. drafting of a land reform act, environmental policy, micro-finance and, decentralised governance).

<sup>20</sup> The airport and certain main roads have been rehabilitated and strategies and master plans for various infrastructure areas have been or are being developed (e.g. ICT Five Year Plan completed, Road Maintenance Fund set up, etc).



seeking funding for an expert. This post may, however, be better placed within the Ministry of Finance, to promote Government ownership.

Most donors are gradually aligning their support to the PRS. Important achievements have also taken place in terms of harmonisation. The development of a Sector Wide Approach to support the Education sector is progressing very well. Government/donor "cluster"-groups have been introduced around the PRS priority areas, although progress has been slow. The most tangible result in terms of harmonisation and alignment has been the Strategic Partnership with Africa (SPA)-inspired Harmonisation Framework between the Government and budget support donors (United Kingdom (UK), Sweden, the European Commission, IMF, the World Bank and the African Development Bank). The Framework contains specific partnership commitments and spells out mechanisms for reviewing and monitoring developments in three major areas; the PRS, public expenditure and financial management. UK and the EC have signed up to the Framework while the other donors, including Sweden, have endorsed and submitted it to their competent authorities with recommendations to sign up. This has already paved the way for more transparent and inclusive processes of various kinds, e.g. participation in the WB's preparations for a Poverty Reduction Credit (PRSC) and in regular IMF missions. Recently a PRS Trust Fund (PRSTF) has been set up by Government for support to monitoring, with the Netherlands, Switzerland, Japan, the WB and UNDP in the PRSTF Steering Committee. It is still unclear what its links there will be to the Budget Support Harmonisation Framework.

External support to Rwanda continues to be highly politicised and subject to controversial domestic debates in donor countries, particularly those with a large Rwandan Diaspora. *Bilateral donor relations* with the Government of Rwanda partly relate to geopolitical interests and whether supporting countries were present in Rwanda pre-genocide or not; e.g. *France* has dramatically decreased its support to Rwanda (from an estimated 200-250 million FFR 1990-1994 to about 3 million • per year after the humanitarian phase of 1995-1999) while the *UK* established itself post-genocide with a 10 year commitment with generous volumes (approximately 25-30 million pounds/year), out of which 2/3's is given in the form of a general budget support. *DFID* has taken the lead for donor support to Education, Gender Equality and (together with the EC) for budget support harmonisation. *Belgium* provides a fairly large project support to promote democracy, human rights and to the health sector where they act as lead donor (however without capacity to encourage a SWAP process). Belgium is in the process of widening its commitments both in terms of areas and volume. *USAID* provides limited direct funding through Government but utilises other implementers in a wide range of areas. It provides the lead for the private sector and HIV/AIDS. *Germany* supports democratisation, reconciliation and the combat against HIV/AIDS, and arranges donor-meetings for the former. Priority sectors for *the Netherlands* include decentralisation (where it has taken the lead), rural economic transformation and justice. *Canada* has recently developed a new framework for its support 2004-2010, aligning it mainly to the PRS priority area Rural Economic Transformation, and will also start to work through Government. Canada will at least maintain the present

volume of about 8 million CD per year. *Switzerland* has mainly concentrated its support to the decentralisation process in one province (Kibuye).

*Sweden's* support to Rwanda stems from solidarity with the genocide-traumatised Rwandans in their efforts to reconstruction their country. Initially, substantial humanitarian support (1994/95 – 1997 app. 101 million SEK) was channelled through UN agencies. In 1997 Sida established an office manned with one sent out official. It has since grown into a Development Cooperation Section (under the Embassy of Sweden in Nairobi) with four sent out and four local staff. A Country Strategy guides the current support, which amounts to some 120 million SEK (2004). A Memorandum of Understanding between the Governments of Sweden and Rwanda stipulates four priority areas: democracy and human rights, institution building for peace and reconciliation, economic reform and capacity building in various fields.

*The Multilateral engagement* is extensive. *EC* provides extensive budget support for the implementation of PRS amounting to app. 50 million • with 9<sup>th</sup> European Development Fund (EDF), consisting in total • 186 million. Support is also provided to capacity building and a host of other projects within infrastructure, justice and human rights etc. *EC* has taken the lead for Rural Development. In addition to this, the *EC* supports the relaunch of export promotion (tea and coffee) and diversification from the STABEX to a total of • 24 million. The *World Bank (WB)* has a large programme, mainly in the form of traditional projects in the sectors of education, health, infrastructure (including ACT) and agriculture (recapitalization of rural areas). In addition it supports at large multi-sectoral capacity building programme and the banking sector. Preparations are ongoing for a PRSC, likely to include the Education, Health, Energy and Water/Sanitation sectors. The World Bank has kept an unusually low profile in Rwanda and has not yet taken the lead in any specific area (although on paper they share a lead donor role with the *EC* for Rural Economic Transformation). The *IMF* has played a constructive and appreciated role in Rwanda, not the least through their local representative. The *UNDP* offers some support for capacity and institutional development, e.g. to the Ministry of Finance and the Human Rights and Electoral Commissions, etc. Also *UNICEF*, *FAO*, *WFP*, *WHO* and *UNFPA* are active in Rwanda.

# 9. Summary and Conclusions

Ten years after the genocide, Rwanda has made significant progress towards rebuilding the country. The transitional Government that led the country during the nine-year transition period, showed strong commitment to poverty reduction, economic development and to create and strengthen the public institutions. However, major challenges remain in the areas of human rights, democracy, to reconcile the population and in dealing with the underlying causes and results of the 1994 genocide.

Poverty is still widespread and composed by inter linked factors such as marginalization of the population from economic and political perspectives, land related issues (i.e. access and ownership), lack of resources, degradation of natural resources, weak governance, HIV/AIDS and not the least a divided society with traumatised people without trust for each other or the leadership. There are extreme inequalities in distribution of wealth and income, and the gap between urban and rural development is large. The need for successful poverty reduction and pro-poor growth and development is crucial for future peace and stability in the country. In this regard it is in particular important to improve the situation in the rural areas. Without rebuilding trust among the population and achieving a higher standard of living and more equitable conditions for the people as well as empowering people to participate in political decisions, there is a risk that frustration and discontent once again will lead to conflict.

The Government's priorities are to address the key challenges of reconciliation, security, good governance and economic transformation. The PRS is of high quality and the structures for its implementation are starting to be in place. However, limited capacity as well as financial resources, leading to a high dependence on external support, and inefficiencies within the government's own systems and structures risk to impede a successful implementation.

The economy, mainly based on subsistence agriculture, is highly dependent on external resources. The transformation to a market based agricultural sector is obstructed by land scarcity, degradation of land, isolation from markets, poor infrastructure and a weak financial sector. The long-term plan for growth, to transform the economy to an economy based on service and export, is not likely to happen in the near future.

There are reasons to be concerned about the situation when it comes to democracy and human rights. Limitations in terms of freedom of speech, assembly, press and public opinion has created a climate of fear and silence. There have however been some positive steps after the elections, for example regarding the situation of the media. The Government initiated a decentralisation reform in 2000 aiming at extending legal, administrative and financial autonomy to districts and towns as the foundation of community and rural development. The challenges to overcome are the severe lack of capacity on the local levels and to develop a modern public sector and administration based on democratic values. Strengthening of checks and balances between different institutions on all levels as well as the capacity within the systems and structures of the public financial management, are prerequisites for the development of a democratic administration. Corruption, today assessed to be low, risks to gradually spread without this being sufficiently addressed. So far, the executing power has been dominating and operating more or less without interference or even insight from the judicial and legislative branches. A deep distrust from the Government towards the civil society, including media, has further limited the control of the Government.

Regional development and integration is also crucial for Rwanda's future, dependent on its neighbours for both national and regional peace and stability but also for export and trade. The relation with neighbouring countries, especially DR Congo and Uganda, has improved and Rwanda, already part of COMESA free trade area, is aiming at becoming a full member of COMESA and EAC during 2004.

## **9.1 Conclusions for future Swedish support**

- Pro-poor growth and poverty reduction and is crucial for maintaining and reinforcing peace, stability and reconciliation in Rwanda. At the same time, peace, stability and reconciliation is crucial for successful poverty reduction.
- People's empowerment, participation and influence, through continued democratisation, improved governance and increased transparency, openness and respect for human rights, are fundamental for reducing poverty and for reducing the risk for future national and regional conflicts.
- While substantial progress has been made, continued normalisation of the sub-regional relations is imperative. All countries in the Great Lakes region are dependent of regional peace and stability as well as trade and economic co-operation and integration.
- As regards future development co-operation, the country analysis motivates:
  - A strong regional and national conflict perspective.
  - A rights-based perspective through accountability, participation and non-discrimination with special focus on children's- and women's rights.
  - Alignment, harmonisation and co-operation with other actors (Government and donors) to enhance the implementation of Rwanda's Poverty Reduction Strategy.

- Increased focus on prevention and mitigation of HIV/AIDS as a sub-goal in parts of the development co-operation.
- A continued focus on capacity building.
- Increased attention on pro-poor growth through rural development.
- It seems motivated to consider the following broad areas of co-operation in the coming 4 years as the main vehicles to support poverty reduction:
  - Peace, reconciliation and security
  - Democratic governance and human rights
  - Pro poor growth and socio-economic development
- It is motivated to consider:

*Budget Support* to support pro-poor growth and the implementation of the country's poverty reduction strategy. Such support should be medium-term to enhance predictability and to facilitate the Government's strategic planning and monitoring. It should be provided within an agreed harmonisation framework between the Government and budget support donors. Support to public financial management could form an integral part of the budget support.

*Capacity- and institution building as regards democracy, human rights, peace-building and reconciliation*, being important from a conflict- and rights perspective. There is a need to increase the political space and dialogue at the national level. The *civil society* needs capacity strengthening. *Media* is another important area. A continued focus on reconciliation and peace-building efforts is highly motivated.

*Support to rural economic development (RED)*. This is particularly relevant from both a conflict-prevention and a rights-based perspective. RED is given the highest priority in the Government's PRS. Rural economic development is necessary in order to generate growth. A comprehensive multi-sector rural economy strategy is being developed that will include the areas of decentralisation, infrastructure, agriculture, the private sector and environmental concerns.

*Decentralisation* is particularly relevant from both a conflict-prevention and a rights-based perspective and highly prioritised by the government. Effective local and central administration is a prerequisite for rural development.

*Support to IT* is mainly relevant from a conflict- and capacity perspective. The government of Rwanda has identified IT as an important sector for socio-economic development and for diversifying the economy.

*Support to the social sectors (education and health)*. Education is relevant from a capacity-, conflict- and rights perspective and receives high priority by the Government. A sector policy and strategy have been developed and a SWAP is well underway. Health is in particular important from a rights- and HIV/AIDS perspective. The sector is clearly under-financed and is currently relatively less prioritised both by Government and donors (with the exception of combating HIV/AIDS and malaria). A sector-wide approach (SWAP) is still lacking in this sector and donor co-ordination is weak.

*Research Co-operation* is relevant from a capacity building-, rights- and conflict- perspective. There is a need to gradually increase the political space in Rwanda and for political dialogue. Sweden's support to research is an important capacity-building effort in Rwanda within areas that determine the country's development. The support also can also contribute positively to create platforms for increased dialogue within Rwanda.



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