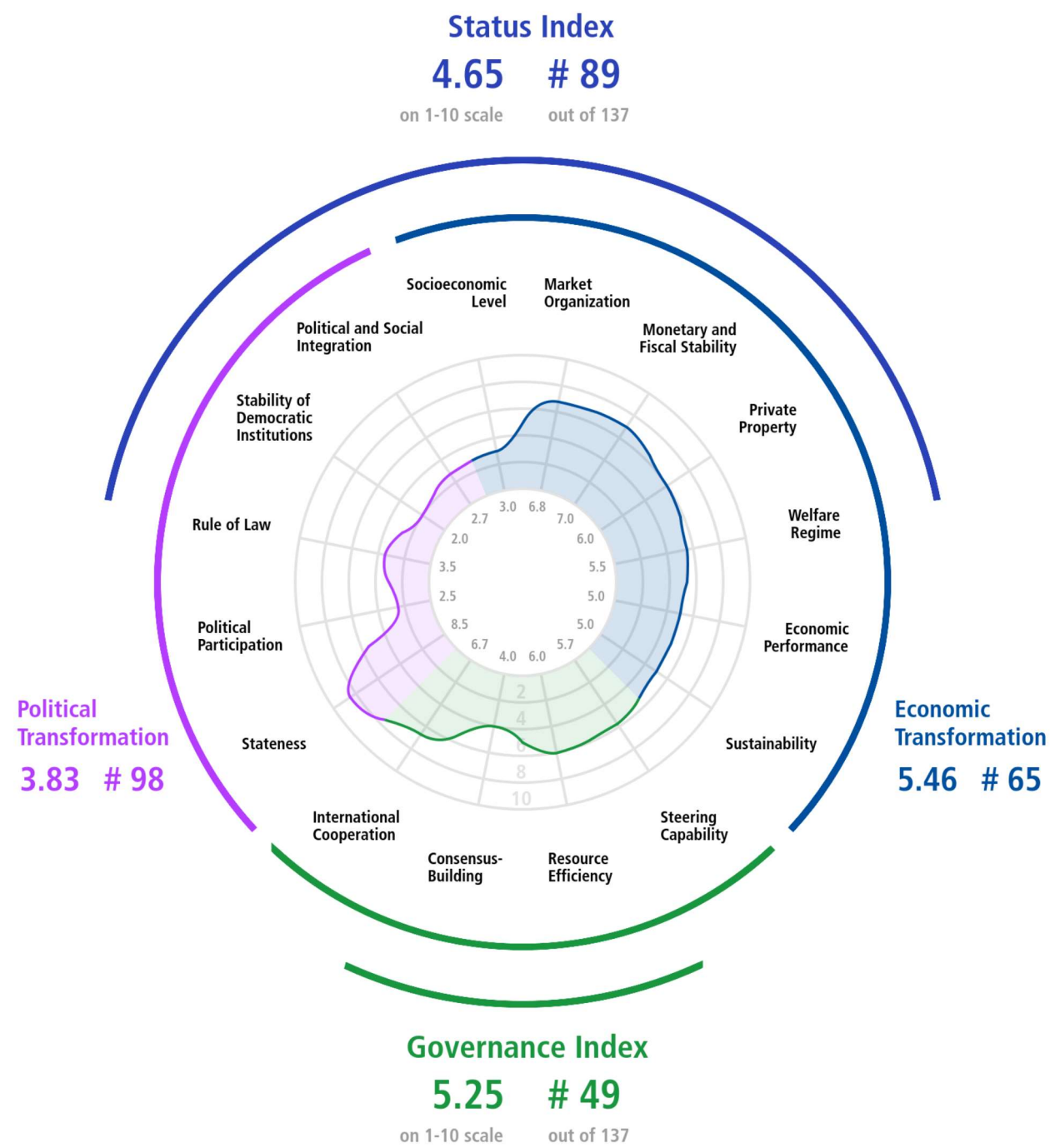


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Rwanda



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Key Indicators

Population	M	13.0	HDI	0.543	GDP p.c., PPP \$	2214
Pop. growth ¹	% p.a.	2.5	HDI rank of 189	160	Gini Index	43.7
Life expectancy	years	69.0	UN Education Index	0.458	Poverty ³	% 80.2
Urban population	%	17.4	Gender inequality ²	0.402	Aid per capita \$	94.3

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Rwanda continued to enjoy political stability and general security, low levels of corruption with liberal legal frameworks in place. The ruling Rwanda Patriotic Front Party continued to dominate the country with robust authority and tight control over civil society. These factors along with Rwanda's weak opposition indicate that significant political and social unrest remains unlikely in the foreseeable future. The president and the circle of his top aides stand for an authoritarian developmental state. The ruling team is kept together by unquestioning loyalty and discipline in the tradition of the rebel movement, with which they once gained power. Defectors are not tolerated. There is generally very little room for power-sharing, an independent and vital civil society and freedom of expression.

A regional conflict occurred between with Uganda and Burundi, but escalation into war was deterred. However, a significant improvement of relations with the Democratic Republic of Congo (DRC) improved the prospects for peace in the country and region.

Administrative structures function throughout the country. The territorial administration has been strengthened and is exercising strict control over the people. The role of the state in the economy has increased. The Rwandan government generally pursues liberal fiscal and market policies. However, a cluster of privileged enterprises under the control of the army and the dominant party have expanded their influence on the market. Agricultural and rural workers are economically controlled by the state through cooperatives managed by local administrations politically loyal to the ruling party.

Economic growth has been somewhat higher in Rwanda than in the other member states of the East African Community (EAC), primarily because Rwanda receives larger sums of foreign aid, far above average. The development of industry, foreign direct investment (FDI) and tradable non-state services has remained below expectations. The national economy was in the last two decades guided by the long-term strategy, "Vision 2020," which set the goal to transform Rwanda into a

middle-income country and an East African hub with modernized agriculture, knowledge-based industry and services. So far, the country has performed well in education, health care and curbing population growth. The mining sector is being reorganized, but production is still low.

The Rwandan government was in the middle of an economic boom prior to the COVID-19 outbreak in early March 2020. In 2019, economic growth exceeded 10%, driven mainly by large public investments in implementation of the national strategy of transformation. Strong economic growth was expected in 2020, but this was affected by the outbreak of the pandemic. The pandemic disrupted the flow of goods and services. GDP growth for 2020 is expected to be less than 2%.

Rwanda's main structural defects continue: a constant deficit in the balance of payments, increasing foreign debt, very modest industrialization, a small formal sector, high unemployment or underemployment of at least 40% of the labor force, insufficient progress of labor-intensive enterprises, increasing inequality between the upper 10% and the rest of the population (although inequality has decreased at the community level and across the ethnic divide) and high dependency on foreign aid.

History and Characteristics of Transformation

From 1922 until its independence in 1962, Rwanda was administered as part of the Belgian colony Ruanda-Urundi (comprising present Rwanda and Burundi). With the support of the departing Belgian administrators, the new "Hutu"-elite prevailed, followed by widespread pogroms against the old "Tutsi"-elite. About half of the Tutsi noblemen and their clientele, at that time approximately 150,000 persons or 7% of the population, fled to and settled in adjacent countries. From then on, the country was ruled at first by a small Hutu elite from the southern region, and later by soldiers from the north. Both regimes had difficulties balancing rivalries between the regional elites.

At independence, the already densely populated country lacked almost any modern infrastructure, but it had some agricultural potential because of the successful introduction of the cash crops of tea, coffee and pyrethrum, its moderate climate and the rich volcanic soils found in some areas. There were only modest mineral resources (especially tin and methane) but abundant water-power possibilities. Subsistence livelihoods continued to predominate but the country's rapidly growing population led to the overuse of agricultural space and thus soil degradation. Exports brought only meager earnings that were unable to finance the growing demand for modern import products and the costs of growing public administration.

The regime's legitimacy was damaged by the country's poor economic performance, and Rwanda's fragile social fabric began to show rifts. When French President Mitterrand announced in July 1990 that French public development aid would be conditional on democratic reforms, President Habyarimana, had no choice but to give way to internal demands for political liberalization.

Growing internal violence and opposition stalled the implementation of reforms. The event that triggered the final phase of the civil war was the shooting down of Habyarimana's airplane on

April 6, 1994. This was followed by the genocide of 500,000 to 800,000 Tutsi and the murder of political opponents by the presidential guard and Hutu militias. Eventually, the Rwandan Patriotic Army (RPA) conquered the rest of the country and took over the government. The perpetrators of genocide, many officials, the army and approximately two million peasants fled to neighboring countries. The genocide did not only cost the lives of hundreds of thousands of people but destroyed the country's social and economic fabric.

To obtain international recognition, the new government now dominated by the Rwandan Patriotic Front (RPF) and the RPA drew upon the Arusha Agreement as the legal basis for a transitional government. The transitional government was supposed to include parties formerly opposed to the Habyarimana regime and form a multiparty coalition, despite the fact that some of their leaders had been involved in the genocide. Throughout the rest of the 1990s, the RPF consolidated its political supremacy. One by one, Hutu politicians were forced into exile, assassinated or prosecuted for allegations of corruption, complicity in the genocide or of sowing ethnic hatred.

In 2000, Vice President Kagame ousted President Bizimungu, a Hutu. He took over the presidency disregarding the transitional constitution. This and the involvement in the eastern DRC drew growing ire from major international supporters and donors. To reassure these critics, but also to gain legitimacy among its citizens, the government decided to customize the constitution and to elaborate a vision of its socioeconomic future. The following elections were won by Kagame and the RPF by disabling the opposition. The politicians and top officials of the former regime were largely replaced. The RPF now clearly dominated the political landscape; other parties were only admitted if they recognized the RPF's supremacy. In the following years, the government began a process of socioeconomic modernization. Its deep distrust of the former elites and the will to radically transform Rwandan society in their eyes justified authoritarian rule and repression, even if this were to jeopardize cooperation with the international donor community. The high price to be paid for this strategy was the absence of political competition, restrictions on personal freedom and the state's heavy intervention in societal structures.

But, initially, reforms to modernize the economy seemed to progress well. They were accompanied by social reforms, especially in the health sector. Financially they were enabled by exceptionally high bilateral and multilateral development aid and, in the wake of international debt relief, by incurring new debts. In recent years, doubts have grown as to whether the pronounced goal of a self-sustaining middle-income country can be achieved.

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

Transformation Status

I. Political Transformation

1 | Stateness

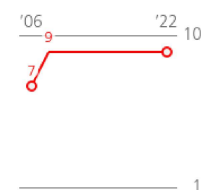
The president and his top aides hold the monopoly on the use of force. Rwanda's densely populated territory is tightly controlled by strong police forces, security services and armed forces. The state is in total control throughout the country's entire territory. Therefore, public safety is high. There are rarely incidents of violence. Rwanda does not have rebel groups based on its territory. However, there were incidents of attacks in Nyungwe Forest in 2019. Since then, there is a heavy military presence there to curb attacks. For some years, rebels have infiltrated the country through border regions to attack the civilian population. Furthermore, some of the former rebel groups in the DRC merged with the Rwanda National Congress (RNC) in both eastern Congo and southern Uganda. The RNC receives support from the government of Uganda. These groups may pose a new rebel front against the government in Kigali.

Rwanda has a pre-colonial history as a monarchy. The legitimacy of the post-independence nation-state has never been questioned. Furthermore, the majority of the population accepts the Rwandan state as legitimate. Everyone enjoys the right to acquire citizenship without discrimination. Nevertheless, Rwanda's monolingual society has been deeply divided between socioeconomic groups interpreted to be ethnically different. Fighting between elite groups for the control of the state has led to large and repeated emigration in the 1960s and 1970s and again during and after the civil war of 1990 to 1994. The mass killings of Tutsi in 1994 and the revenge perpetrated by the RPA further sharpened societal antagonism. Currently, especially among the young, the ethnic divide no longer plays a major role in identity. Instead, alienation between the upper and middle class, on one side, and the masses of the poor, on the other, has become prominent.

Question
Score

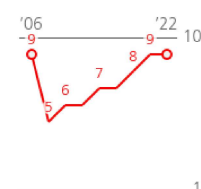
Monopoly on the
use of force

9



State identity

9



The state is secular. Religion and state are separate, and diverse religious groups are tolerated as long as they do not question or disturb the authority of the state. Consequently, religious dogmas do not have an influence. Actually, the state is in total control of religion. To counter the potential for Islamic radicalism and terrorism in the country, the government has embarked on a small-scale deradicalization program in some Muslim communities, mostly in Kigali. The Catholic Church has lost its privileged role, which it enjoyed under the former regime. Consequently, there is also no discrimination against LGBTQI+ people and the government of Rwanda has signed the U.N. statement condemning violence against LGBTQI+ people, joining nine other African countries.

No interference of religious dogmas

10



1

The state has implemented basic administrative structures across the country. Administrative services and regulations are well coordinated. Services related to tax collection, the judiciary, sector administrative entities and law enforcement are decentralized across the country. Government officials are bound by a detailed personal service agreement with the president of the republic (imihigo), which reflects the strategic objectives of the central government. The system has proven to be an effective performance management tool and a top-down approach to socioeconomic transformation. In Sub-Sahara Africa Rwanda, along with South Africa, Namibia, Botswana and Mauritius, is considered to have a particularly efficient administration. However, infrastructural challenges remain in rural areas in matters related to accessing clean water, health centers and schools. Citizens and school age children, have to walk significant distances to access health services and schools, respectively. The COVID-19 pandemic has not disrupted the basic infrastructure tremendously.

Basic administration

6



1

2 | Political Participation

The election system from the village level to the Senate is indirect. Elections for the National Assembly and the president are direct. Kagame has been a president since 2000. The last presidential election took place on August 4, 2017. He was re-elected with 98.79% of the vote. His re-election was made possible by an amendment to the constitution approved by a referendum on December 18, 2015. The amended constitution effectively exempts Kagame from term limits up to 2034. During the last elections, there have been two other unknown candidates; a serious third one was excluded. The next presidential election should take place in 2024.

Free and fair elections

2



1

The last local elections for cell counselors in villages took place in February 2017. These are conducted through public lineups. Cell counselors elect the counselors for the sector, and these elect the district counselors. Due to the absence of competing candidates and the presence of parties other than the RPF, the local councils and committees are far from being organs of political participation, inclusion or power-sharing. The next local elections, for mayors, will be held in February 2021.

The Senate has 26 members. Twelve senators are elected by the district councils, two of these by university staff. A further 12 senators are appointed by the president and four by the National Consultative Forum of Political Organizations (NFPO).

The Chamber of Deputies is elected by a system of proportional representation for a five-year term. In the last parliamentary election on September 3, 2018, the Rwandan Patriotic Front (RPF) and the small parties under its control won 40 out of 53 elected seats; the two other parties of the coalition won nine seats. For the first time, two new opposition parties were admitted, winning four seats. Twenty-seven seats were allocated to the organizations representing women, youth and disabled persons, most of them selected by the RPF. Thus, the RPF retained a considerable majority. Formerly, the most viable opposition party was the Democratic Republican Movement (Mouvement Démocratique Républicain, MDR) the leaders of which played a significant role in the 1993 Arusha Agreement and the first transition government. But in 2003, the party was forced to dissolve. A party founded in exile by MDR members tried to participate in the elections in 2010. Its leader was arrested on terrorist conspiracy charges in 2010 and only freed after the election in 2018 together with 2,000 other political prisoners. Presidential, legislative and local elections are properly conducted. Rwandans cast their ballots in the absence of true alternatives and in a climate of intimidation. The RPF controls and dominates all electoral campaigns. Moreover, Rwandans fear reprisals and discrimination if they do not vote. The elections contribute, therefore, more to the consolidation of the authoritarian rule of President Kagame than to democratization. Lastly, there is no free and independent media; civil society remains weak; and electoral commissions do not seem to be independent. This definitely means there is no fairness in the whole electoral processes. Nevertheless, since the power of President Kagame and the RPF is no longer seriously questioned, the government has allowed a little more political competition than previously.

The constitution gives the president unlimited power over security and foreign policy. He appoints the prime minister and the members of the cabinet. Although he is obliged by the constitution to give a share of ministerial posts to all parties represented in the parliament, he can select within the parties the people of his choice. Furthermore, he appoints his personal advisers, the senior army officers, the top administrators, the chief judges and a quarter of the senators. The system is, to a large extent, a skillfully designed institutional facade. The ruling party and president himself have influence over most public and civil servants, which undermines democratic procedures.

The power of the president rests, however, on the loyalty of key actors (e.g., high-ranking officers in the army and secret service, presidential aides, some cabinet members and provincial governors). The Senate and the National Assembly with their large RPF majorities rarely use their constitutional competencies to develop initiatives of their own. They are allowed to discuss issues and proposals as long as

Effective power to govern

2

'06 '22 10

2

1

they are not related to state power, state security and the prestige of the president. Generally, they approve unanimously the government's proposals. Contrary to other African countries, substantial discussions are seldom between the parliament and foreign donors on issues of development and public finances. The regime has sufficient legal and forceful means to silence any open critics. They risk being accused of "divisionism" and condemned to long prison sentences. The members of the inner power circle are bound by absolute loyalty. Any detractor or dissenter can be considered a dangerous traitor and may be demoted, jailed or forced to seek refuge abroad. Even overseas, renegades may be further harassed by requests for extradition or by the Rwandan secret services, which, as some cases prove, do not refrain from ordering assassinations of people considered to be a threat to the regime.

The constitution guarantees freedom of assembly and association; however, assemblies require police permits and are subject to government restrictions. Opposition, groups or people suspected of not supporting the government rarely are accorded the rights to exercise freedom of assembly. Over the past years, government intimidation, harassment, obstruction and threats have significantly emasculated independent organizations. NGOs and Community Service Organizations (CSOs) are politically and socially sidelined by the government and allowed by the government primarily as a necessary concession to its international reputation and as sources of additional funds. All non-governmental (NGOs) and human rights organizations must become members of the National Civil Society Platform. The COVID-19 pandemic put further restrictions on the rights of movement and assembly. Throughout 2020, places of worship, schools and higher educational institutions remained closed.

COVID-19 restrictions on assembly and association rights were non-discriminatory in character and met the requirements of legality, necessity and proportionality. For example, under the COVID-19 restrictions when measures were in place to contain the spread of the virus, citizens were allowed to attend churches, weddings, meetings and to travel. From January 4 – 18, 2021, travel between Kigali and other provinces and districts of the country was not permitted, except for essential and tourism services. Vehicles transporting goods were exempted from the restrictions as long as they carried a maximum of two people. As of January 18, 2021, a lockdown was introduced in Kigali to combat the spread of COVID-19 within Kigali city and the rest of the country and movement between districts was also banned. The COVID-19 restrictions are revised every 15 days by the cabinet.

Association /
assembly rights

3

'06 '22 10



Freedom of press and information, although stipulated by the constitution, is in fact limited by the regime's interpretation of "national unity." Any criticism of the president and high-ranking officials is considered to be a violation of this principle. Information explaining internal government discussions is rudimentary. As a result, both state-owned and private media outlets practice self-censorship to avoid government interference.

The government interferes with or poses restrictions on individuals and media outlets calling certain issues into question. This normally entails blocking media outlets or access to finances or targeted harassment. Over the years, journalists critical of the government have endured constant harassment including arbitrary arrests and intimidation. Several journalists have fled the country, others have been arrested. This has led to the emergence of a practice of self-censorship for fear of government retaliation, a serious flaw in the alleged freedom of the press claimed by the government.

However, the government does not filter internet content or foreign radio transmissions, and government media services comment on international criticism of Rwandan politics. The limitations on criticizing the political system and its masters likewise apply to foreign media. Non-RPF politicians and functionaries arouse suspicion if they communicate too frequently with the countryside. Their telephone calls may be bugged. Most people fear those in power and public institutions and, therefore, avoid publicly expressing their views.

In relation to COVID-19, access to information was restricted and the information flow was top down. Journalists, especially those working in private media and on online platforms were arrested on the grounds that they had violated COVID-19 measures. A tendency to discriminate against independent media houses were observed.

3 | Rule of Law

Legally, a clear separation of powers is established. However, the executive holds all the power. Neither the legislature nor the judiciary challenges the executive. The central administration adheres to a top-down approach, with the president as chief decision-maker at every level.

The powers, functioning and organization of the judiciary are regulated by normal law. The president appoints the supreme judges who in turn appoint other judges. According to the constitution, the judiciary is independent. However, the courts are susceptible to government influence and manipulation. It is unlikely that this system will change in the near future as President Kagame has secured power until at least 2036.

Freedom of expression

3

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1

Separation of powers

3

'06 '22 10



1

Beginning on March 15, 2020, the Rwandan cabinet, drawing on orders from the executive, imposed strict COVID-19 measures, which were aimed at curbing the virus (a state of emergency was not declared). However, excess force and heavy punishments were employed against those who did not respect the measures. These were subject to review every two weeks. Overall, the measures, imposed by the executive and legislature, met some requirements of necessity although some were discriminatory.

The Rwandan judiciary has an important political function. The judiciary is perceived as largely independent and fair, pro-poor and inclusive, with the ability to interpret laws and to review legislation and policies. However, there are signs of political influence, which may indicate that the judiciary's apparent independence is not calculated for effect.

Critics and opponents considered dangerous by the regime are prosecuted on fabricated charges of genocide revisionism, corruption, terrorism and immoral behavior. The judiciary is the tool by which the government perpetuates authoritarian rule by prosecuting opponents and critics of the state. Challenges also remain regarding the required training and support for local mediators (abunzi), limited access to quality legal representation, and limited public awareness and understanding of legal processes, rights and dispute resolution mechanisms.

Public office holders who abuse their positions are thoroughly prosecuted and penalized. In 2019, several mayors and other local officials resigned or were dismissed for corruption and other misconduct around the lack of transparency on finances.

In addition, in 2020, other key officials, for example, the former minister of education, were prosecuted on the grounds of corruption along with other high-ranking officials in the Ministry of Finance and Economic Planning and Infrastructure, who have already been tried and are serving their sentences.

Civil rights are codified by law, but not respected and protected. There are tight restrictions on freedom of speech, press, assembly and association. The government restricts and harasses local and international NGOs, as well as foreign-funded media and human rights programs that have reported on the regime's repression or policy failings. Programs run by Transparency International, Lawyers without Borders and the Rwandan League for the Promotion and Defense of Human Rights were shut down or became powerless under government pressure. Political opponents are often targeted and those who engage in targeting are never prosecuted. Nor are the cases investigated. There have been accusations of the police torturing people in so-called safe houses across Kigali. Despite the outcry over their existence, the government has never admitted they exist or addressed the violations committed in them.

Independent judiciary

4

'06 '22 10



Prosecution of office abuse

4

'06 '22 10



Civil rights

3

'06 '22 10



A severe human rights problem is the arbitrary or unlawful killing of opponents both inside and outside the country. According to Human Rights Watch, in 2019, three members of the unregistered Forces Démocratiques Unifiées (FDU) Inkingi opposition party were reported missing or found dead. In September 2019, the party leader was stabbed to death. In 2014, Colonel Patrick Karegeya, a government critic, was found dead in Johannesburg. During the trial to investigate his murder in 2019, a head magistrate asked why no arrests had been made, even though the names and passport numbers of four suspects were known to police. South Africa's special investigative unit said in written testimony that Karegeya's murder and attacks on Rwanda's former army chief of staff, General Kayumba Nyamwasa, "were directly linked to the involvement of the Rwandan government."

Violations of civil rights by security forces and civilian officials are prosecuted only in a selective way. The majority of Rwandan people are aware of the limited political space in such an environment. To benefit from any government or foreign-funded aid, they must show their loyalty to the president and his party. Resistance in politically sensitive matters only aggravates their situation.

4 | Stability of Democratic Institutions

Even though the government tries to show to the outside world that there is a well-functioning parliamentary and judicial system in place, these do not exist. The official administration and orders come from "above" with the help of a ubiquitous secret service. A second chain of control is exercised by RPF structures down to the local level. Officers, deputies, senators and higher officials – particularly those outside the FPR – are under special supervision. Political debates are filtered in advance within the NFPO and are only permitted insofar as they do not tarnish the image of the president or call his power into question.

There are no more relevant actors to contest the current authoritarian rule. The president is formally and de facto the most powerful actor. Possible opponents of the power base are co-opted or coerced into the system so that they have no actual influence on decision-making. If they become too outspoken or are simply no longer useful to the system, they are removed. During the civil war, Hutu politicians who had fallen out with the Habyarimana regime were used to demonstrate the multiethnic and "democratic" character of the RPF, but after the consolidation of the RPF, they lost their offices. The inclusion of two new parties in the last parliamentary elections took place because it did not pose any threat to the power of the system, although it is significant that the Democratic Green Party – which the government had previously tried to thwart – secured its first ever parliamentary seats in the 2017 elections. The president used his position to further consolidate his authoritarian rule by means of the measures imposed to circumvent the spread of the COVID-19 pandemic.

Performance of
democratic
institutions



Commitment to
democratic
institutions



5 | Political and Social Integration

The party system is fairly stable. However, the RPF dominates the political landscape. Even though there are other political parties, the organizational structures and financial resources available to the RPF are superior to all other parties. Party membership is attractive to many people who see it as favorable to careers in administration and doing business. At the national level, all registered parties are obliged to take part in the consultations of the NFPO. The forum is an instrument of control, to avoid open confrontation between the parties and in the parliament.

Generally, elections in Rwanda are well organized. The results since 2003 have remained the same and stable, with the RPF party winning the majority of votes at over 90%.

In post-genocide Rwanda, the RPF is socially rooted and dominant. Polarization around parties is limited.

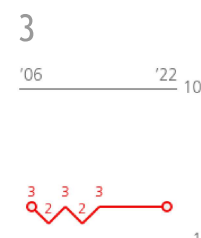
There is a range of interest groups in the country. Most of their activities are restricted. The majority of the interest groups focus exclusively on economic and social but not political changes. If religious groups are seen as political, the Rwanda Governance Board (RGB) intervenes. This was evidenced in 2020 when the leadership of the Pentecostal church was forced to step down and the RGB installed a new leader. The constitution provides for the rights to form trade unions, engage in collective bargaining and strike, but collective bargaining and strikes are limited by binding arbitration rules and non-functional in practice.

All interest groups and NGOs are obliged to participate in state-controlled umbrella organizations. They lack sufficient space for independent initiatives and actions and there is no cooperation among them.

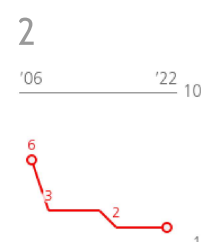
Citizens' understanding of democracy has changed over time. A "consensual democracy" narrative has been promoted to connote power-sharing across different political parties as ensuring inclusivity due to the country's historical context of ethnic representation. For the most part, public approval of the police, the military, the president and state bureaucracy is high, and the public shows little preference for a specific form of government. However, a closer look at the annual national surveys of citizen satisfaction regarding the government and administration shows that the survey does not capture public opinion per se, but instead seeks to demonstrate the popularity of the RPF Party and the president. The COVID-19 pandemic did not change this. The majority of the population expressed its satisfaction with how the executive was able to contain the spread of the virus.

However, these survey results must be taken with a grain of salt as there is no data regarding public attitudes toward democratic or autocratic forms of government.

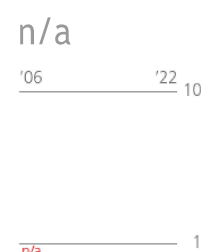
Party system



Interest groups



Approval of democracy

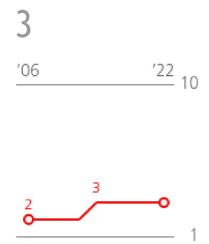


Twenty-six years after the genocide, ongoing land conflicts and the Gacaca trials are still grounds for a fairly low level of trust among the different groups of society (Hutu, Tutsi and those who survived the genocide). Reasons for this low level of solidarity and trust are – among others – that only a small number of cases was tried by the International Criminal Tribunal for Rwanda and that the court was unwilling to prosecute war crimes and crimes against humanity committed by the RPF during and after the genocide. Furthermore, there is also concern that the country’s economic growth is failing to benefit its poorest citizens as they continue to be excluded from basic administrative structures, advanced agricultural programs and access to education. Lastly, there is still a strong perception that the government is a “Tutsi” government and that key positions are held by Tutsi and that access to public benefits or land favor Tutsi over Hutu.

To regain trust, the government targeted improving health care and education and introduced a social protection program (Vision 2020 Umurenge Program, VUP). Improving health care included the introduction of a decentralized health system. By the end of 2018, each of Rwanda’s 15,000 villages had a least four community health workers who are responsible for the health of their villagers. The trust in community health workers helped to strengthen trust within villages and in the health system overall. Another aspect of the health care program is offering universal access to a range of medical treatments, including HIV prevention and antiretroviral treatments. The VUP aims to assist the poor by employing them in public works projects, offering microfinance opportunities to foster off-farm productive capacities and providing landless households with direct support.

These efforts certainly helped to increase trust and solidarity among the citizens on a local – community – level. Especially during the COVID-19 pandemic, surveys show that the population had very high levels of confidence in hospitals, health clinics and vaccination programs. However, a low level of trust remains toward the central government as the gap between rich and poor is constantly increasing and the measures to prevent the spread of COVID-19 excluded the majority of the rural poor population from economic participation because of strict state regulations on housing and sanitation.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Rwanda is one of the smallest but most densely populated countries in Africa. The population is still growing, from once 2.1 million in 1950 to 13.1 million in 2021. More than two-thirds of the population lives in rural areas. Thus, the majority of the population, as well as the economy, still depends on agriculture. The government clusters as many people as possible in cooperatives to increase agriculture productivity. The government also promotes the use of modern technology in the agricultural sector. However, this latter measure leaves increasing numbers of farmers unemployed.

Alternative employment opportunities in commercial enterprises on state-owned land, in agriculture and in mining will only partially compensate for this. The population living in the capital and other cities is increasing. The implementation of Vision 2020 (now Vision 2035) is a slowly-moving one. Light jobs in industry have emerged, mainly created by foreign private investments. In the cities, especially in the booming capital Kigali, the majority of the people work in social services, transport and trade, construction and utilities, finance and real estate. There are small upper and middle classes, about 10% of the population, consisting of civil servants, soldiers, party officials, professionals and business leaders, a class with of mostly one ethnicity, the bias for which emerged from the 1994 upheavals and that has benefited and will continue to benefit most from government policies.

Poverty rates continue to decline. The most recent poverty data dates back to 2017. In 2017, poverty was 37% (compared to 60% in 2001). Extreme poverty declined too (16.0% in 2017). However, this decline is mainly due to developments in the capital Kigali, which has a poverty rate of only 13.8%. Rwanda has the highest inequality rate in East Africa. The income of the richest 10% is 3.2 times higher than that of the poorest 40%. Although there has been social progress, such as improvements in health care, literacy rates and gender equality, the HDI rank has stagnated at around 0.5 since 2005.

The structural social and economic exclusion of large population groups without prospects could lead to severe frustration with the risk of violent outbreaks. There is a genuine effort by the government to promote inclusion and to fight inequality across the spectrum by enacting pro-poor policies and putting emphasis on human security needs. It is hoped that the government will dismantle existing social barriers and recognize that new jobs for less skilled people in the formal sector are as important as the development of a knowledge-based economy for the middle and upper classes.

Question
Score

Socioeconomic
barriers

3

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COVID-19 had a significant impact on those with limited resources due to strict lockdown measures. Furthermore, poverty, youth unemployment in the transportation sector, women's unemployment in informal trade, unemployment in the hospitality industry and among everyone who depends on jobs in the informal sector increased due to COVID-19 prevention measures. Thus, inequality will increase.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	9253.1	9640.3	10356.0	10334.0
GDP growth	%	4.0	8.6	9.5	-3.4
Inflation (CPI)	%	8.3	-0.3	3.3	9.9
Unemployment	%	1.1	1.0	1.0	1.4
Foreign direct investment	% of GDP	3.0	3.8	3.7	-
Export growth	%	43.3	10.3	19.9	-9.2
Import growth	%	5.8	8.1	18.0	-3.4
Current account balance	\$ M	-861.5	-978.4	-1253.7	-
Public debt	% of GDP	41.3	44.9	50.2	60.1
External debt	\$ M	5076.1	5681.1	6514.9	8193.4
Total debt service	\$ M	244.7	263.0	325.0	283.7
Net lending/borrowing	% of GDP	-3.1	-2.9	-4.3	-
Tax revenue	% of GDP	13.5	14.2	14.6	-
Government consumption	% of GDP	15.0	14.7	15.8	16.1
Public education spending	% of GDP	3.1	3.1	3.4	3.4
Public health spending	% of GDP	2.3	2.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.3	1.2	1.4

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

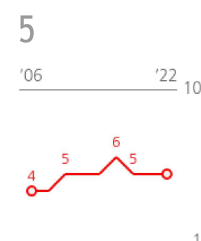
The government's main objective is to continue the modernization of the economy. As almost two-thirds of the population is employed in the informal sector, one goal is to expand the economy's formal sector. Generally, the government of Rwanda is committed to the principles of a market-based, competitive economy, considered to be the most suitable for sustainable development. These principles include respect for property rights, currency convertibility, the reduction of bureaucratic obstacles for enterprises, regional integration, trade liberalization and attracting private foreign investment. The government is particularly interested in foreign investment and has successfully removed obstacles to it. The Starting a Business 2020 report cites costs (0%), days (4.0) and procedures (5) as good. Rwanda's ranking is 38th worldwide (down nine places compared to 2018) but still second in sub-Saharan Africa after Mauritius.

However, the regime has retained some state control through the promotion of party- and military-led enterprises to ensure the priority of economic transformation while safeguarding its power base. The use of party and military enterprises places the ruling circles at the center of the economy. It empowers the president to determine who may accrue economic power, which in turn undermines the ability of opponents to raise money and at the same time enables a legal and hidden form of reward for the most important aides. Market competition is also challenged by the reform of agriculture, which is the pillar of exports. In order to increase the export of higher quality processed agricultural products, small landowners are forced into cooperatives, which significantly restricts their own decision-making. The government's requirements for the companies and the control and, if necessary, the intervention of the local administration, mean that there is little competition in the market for agricultural products.

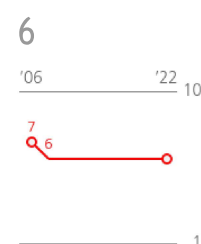
Rwanda remains the lead reformer in East Africa. The government continues to make improvements in the regulatory environment for private businesses. Foreign and domestic investments remain at a high level. The market is open to all investors. However, it is dominated by commercial banks, which account for 80% of all holdings. Long-term and large-scale financing are limited to a small section of businesspeople.

Implementation of new laws and the removal of remaining regulations that impede competition remain challenges. The World Bank acknowledges that the government has made efforts to adopt the Rwanda Inspection and Competition Authority (RICA) and to make it work. Nevertheless, the authors of the World Bank study conclude that it is not operational yet and, therefore, the competition law has not been enforced. The way Rwanda has turned key infrastructure sectors, such as telecommunications and electricity, into private public partnerships (PPPs) has not encouraged competition, although the situation is expected to improve with the recent adoption of the PPP Law.

Market organization



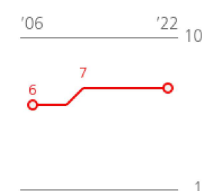
Competition policy



Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). The EAC enjoys the benefits of the United States' African Growth and Opportunity Act (AGOA) and has a full quota and duty-free access to the European Single Market. According to the World Bank, the latest weighted mean, in 2018, was 4.08%. Rwanda is also a strong supporter of the African free trade area, which was implemented on January 1, 2021. Rwanda's foreign trade is liberalized in principle but largely state controlled. A study conducted by the World Bank in 2019 concluded that there are still barriers to trade and investment, which typically stem from the discretionary administration of laws and regulations and the inconsistent application of rules. Investor surveys point to recurring concern over the inconsistent application of investment-related laws and regulations.

Liberalization of foreign trade

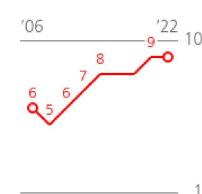
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The banking system is free, dynamic and meets international standards. It has grown in recent years, and its stability, structure and efficiency have improved significantly as a result of central bank enforcement rules. The International Trade Association jointly with the U.S. Department of Commerce estimated that the banking system is highly concentrated, but increasingly competitive as foreign banks enter the country. Currently, the banking sector is stable and well capitalized with an industry capital adequacy ratio of 21.4%, above the 15% central bank regulatory requirement. Rwanda's banking industry is composed of commercial banks, development banks, cooperative banks and microfinance banks. All commercial banks have international correspondent banks operating in major cities of the world. The banks are largely private, partly owned by foreign investors. Other assets are held by the government, the ruling party and the national army. The national bank of Rwanda regulates commercial banks and has implemented a fixed capital requirement of five billion Rwandan francs (\$5.8 million) for them. According to the World Bank, the share of non-performing loans was 4.8% in 2019. The bank capital assets ratio in 2019 was 15%. These figures fulfill international requirements.

Banking system

9



COVID-19 has already created several challenges for banks in Rwanda. The national bank relief measure of RWF 50 billion (\$535 million) fund for distressed commercial banks was implemented to support liquidity. There is still a need to have this increase due to demand and to support longer term liquidity.

8 | Monetary and fiscal stability

The government is committed to the stability of currency and prices. The Rwandan Franc floats freely against the dollar and was at RWF 963 to \$1 in December 2020. The National Bank of Rwanda (BNR) calls for budgetary discipline and to reduce the foreign trade and current payments deficit.

The exchange rate recorded most recently for this report was RWF 987.07 to \$1 (March 10, 2021).

The IMF and the World Bank monitor the country's monetary and fiscal policies. Consumer price inflation stood at 9.5% in 2020 as a result of low levels of commodities production (e.g., beans and rice crops damaged by flooding) during the first agricultural season of 2020. The decrease was also caused by a shortage of commodities as shown by an increase of 17% in prices for food and non-alcoholic beverages. The transport sector also experienced a decline since curbing transport to counter the spread of COVID-19 reduced the number of bus passengers. As part of a strategy to deepen regional integration and development, Rwanda created in 2013 with other EAC member states the East African Monetary Union (EAMU), with a set of primary convergence criteria, including a ceiling on inflation, a reserve cover of 4.5 months of imports, a ceiling on overall deficits and a ceiling on gross public debt.

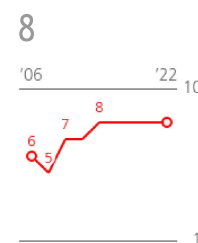
The government's budgetary policies promote fiscal stability, debt sustainability, reducing the external current account deficit and supporting reliance on external financing. The International Monetary Fund estimated Rwanda's budget deficit for FY2020 – 2021 at 8.5% of GDP. The decline is forecasted, despite a sharp increase in revenues driven by a second round of IMF emergency financing under the Rapid Credit Facility (RCF). The IMF says the increase in revenue has been swallowed up by increased expenditures, including those generated by the COVID-19 pandemic. In 2020, the current account balance for Rwanda was -\$1.7 billion compared to -\$0.9 billion in 2019, according to the World Bank.

This means that the country continues to be financially highly dependent on donor aid. The majority of Rwanda's debt is external (83.3%) and predominantly composed of concessional loans, mostly provided by multilateral institutions. Domestic debt is mainly composed of government securities, especially Treasury Bills and Bonds. The government continues to concentrate on infrastructural projects. Debt is likely to become burdensome again.

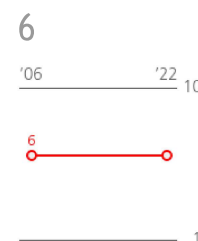
The government has sourced money through a mix of debt and grants. Total IMF COVID-19 support to Rwanda has reached \$220.46 million.

Further, a concessional loan of \$97.675 million was granted by the African Development Bank to strengthen the health system so as to contain the spread of COVID-19, safeguard economic resilience and mitigate the pandemic's impact on vulnerable sectors of the population. There are no indications of a return to debt sustainability and fiscal consolidation in the medium term.

Monetary stability



Fiscal stability



9 | Private Property

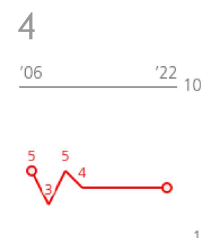
Property rights are granted by the constitution in Articles 29 and 30. According to Article 29, every person has the right to private property, whether owned personally or in association with others, which right is inviolable. According to the constitution, the right to property may not be interfered with except in cases involving the public interest and only in accordance with specific circumstances and procedures determined by law that are subject to fair and prior compensation. Article 30 further states that private ownership of land and other rights related to land are granted by the state. The law also specifies the modalities of acquisition, transfer and use of land. Thus, property rights and the regulation of acquisitions, benefits, as well as the use and sale of property are well defined and constitutionally guaranteed.

All that said, the right to own land and property remains de facto with the government and a small group of the elite and the urban middle class. Property and land titles are highly politicized and one can lose the right to ownership under the public interest statute. The state has supreme power to manage all land situated on national territory, which it exercises in the general interest of all with a view to ensuring rational economic and social development. Not properly cultivated farmland can be withdrawn by the administration. Expropriation by the state for public interest projects such as roads, energy and other public infrastructure projects has also led to various challenges, including limited consultation with landowners, undervaluation of property, lack of information and delays in payments. These problems indicate that while property rights may be defined by law, they are not fully protected.

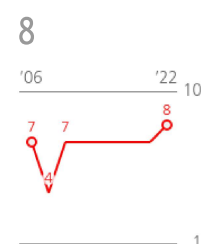
Since 1996 it has been possible to establish private companies that are free of government interference. Private companies are viewed as engines for economic production and laws govern privatization that are consistent with the market principle. Ownership of private companies still remains in the hands of the upper middle class and the elite. Private enterprises that work for the government or the army receive financial benefits or development funding. Most private enterprises work in communications, security services, property development and financial services, and also increasingly in mining and commercial agriculture.

Beginning in 2018, according to the International Trade Association, the government introduced reforms to decrease the bureaucracy involved in obtaining construction permits, improve the timely provision of electricity and reduce customs processing times for exporters. The government also introduced online certification processes for certificates of origin and phytosanitary approvals, all aimed at improving the investment climate.

Property rights



Private enterprise



10 | Welfare Regime

Overall, the welfare system is improving in Rwanda. The labor law ensures, on the one hand, the protection of basic labor standards. On the other, it facilitates flexibility in labor contracts with the aim of increasing the international competitiveness of the Rwandan economy. The majority of the population is employed in the agricultural sector. Poverty remains high. Thus, the government has instituted general health insurance covering treatments for malaria, HIV and other fatal illnesses. Life expectancy at birth is increasing (68.7 years in 2018).

Health insurance became mandatory in 2008. To date, the scheme covers two-thirds of the population. In 2017, governmental expenditures on health were 2.3% of GDP. Consequently, to assure the financial sustainability of the scheme, heavy budgetary assistance and subsidies are required from foreign donors and NGOs.

To decrease the number of people living in extreme poverty, the government has set up a program – VUP – to support the poorest and the elderly through cash transfers and public works payments. These programs do not attack the roots of poverty and poverty, especially in rural areas, remains high.

Generally, the welfare nets are concentrated in Kigali. Food programs, cash transfers and hygiene measures to prevent the spread of COVID-19 and counter its economic fallout, have also been concentrated around the urban centers and, especially, in Kigali.

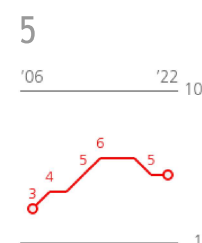
Education for all is a major objective of the government. The primary net enrollment rate is 99% for boys and girls. Universal primary education led to a steady increase in the literacy rate. The literacy rate of people aged 15 and above was 73.2% as of 2018.

The government provides scholarships for students eligible for tertiary education. The female enrollment rate is low compared to male students (0.8 of male) and needs improvement. Furthermore, there is a gap between urban and rural access to schools. On average, pupils attend secondary school for less than four years. In the U.N. Education Index, Rwanda decreased slightly in recent years.

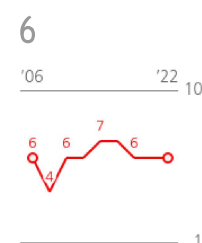
There are significant challenges for pupils and students in rural and poor urban areas to gain access to higher education. Nevertheless, progress made in public education is the most effective evidence that the regime cares about equal opportunities for all citizens. Hidden discrimination along political and ethnic lines continues in the security forces, the public administration and in the private firms under the control of the army and the ruling RPF. Differences in quality between public and private schools have diminished.

According to the National Institute of Statistics Rwanda's Labor Force Survey 2020, employment was higher among males (55.2%) than females (38.5%) with the unemployment rate higher among females (20.3%) than among males (15.9%).

Social safety nets



Equal opportunity



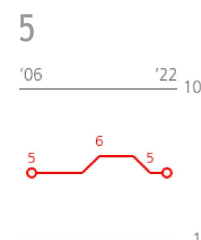
11 | Economic Performance

There are high barriers to the government of Rwanda's goal that the country achieves the self-sustaining economic equilibrium of a middle-income country. The composition of Rwanda's GDP has not changed sufficiently in recent years. In 2019, the share of agriculture in Rwanda's gross domestic product was 24.07% (31% in 2017). Industry contributed approximately 18% and the services sector contributed about 49.2%. Agriculture remains the backbone of the economy, with 89% of rural households practicing small-scale farming, according to the New York Times. However, poor rainfall, drought, floods and the limited amount of land that is suitable for agriculture, alongside pests and diseases, continue to pose risks to food security. To ensure food security and to make agriculture more resistant to environmental changes, agricultural reforms were implemented. Through land registration and consolidation, the government of Rwanda not only aimed to settle ownership conflicts and stop further fragmentation of holdings but attempted to facilitate an agricultural modernization program by creating creditworthy units that enable modern cultivation methods.

Growth has taken place particularly in information technology-activated shared services and business process outsourcing. This is part of an effort to turn Rwanda into a regional hub that offers quality products at low costs and shared services that attract banking with service centers for the establishment of international operations in Rwanda. Corresponding services and public administration have grown considerably. But so far this growth had very little effect on exports and the balance of payments.

Due to international pressure and strong competition, returns on exports of cash crops have remained more or less at the same level even though export volume has increased since 2017 by 3.8% and is now 40.6%. According to the International Trade Association, the increase in value was attributed to good performance in non-traditional exports and re-exports, partly offsetting a fall in traditional commodity exports (coffee, tea, minerals, pyrethrum, hides and skins) largely driven by declining global prices. Commodities, particularly gold, tin, tantalum, tungsten, tea and coffee, generated over 57% of Rwanda's export revenue, according to the National Institute of Statistics Rwanda (NISR). Rwanda earned \$86.3 million from tea exports in 2019, a 4.6% decrease from 2018. Over the same period, coffee accounted for \$69.2 million worth of exports, up 0.2% from the previous year. The value of Rwandan exports of mineral products decreased by 31.3% between 2018 and 2019. Tourism is the country's leading foreign exchange earner, with total revenues estimated at \$438 million in 2017, according to the Rwanda Development Board. The increased reliance on exports of mining products means a return to the mainstream of African foreign trade policy.

Output strength



According to the Asian Development Bank (ADB), the current account deficit was 16.5% of GDP in 2020 compared with 9.3% in 2019. Low exports and reduced foreign direct investment contributed to the high account deficit in 2020.

The foreign exchange balance with regard to services remains negative despite growth. This also includes private and conference tourism, heavily supported by state investments.

Over the last 10 years, the trade and services deficit has fluctuated around -14.31% of GDP. The deficit was covered by development grants and loans, remittances and borrowing. Since the international debt relief in 2006, public external debt has risen steadily to almost 51.4% of GDP. According to the National Institute of Statistics of Rwanda (NISR), the unemployment rate hit its highest point, 22.1% in May 2020 since 2016 due to COVID-19 but declined to 16.0% in August 2020.

Foreign aid has macroeconomic weight in Rwanda, as in no other sub-Saharan country. Aid amounts to about 16.7% of GDP and contributes around 20% to the national budget. If aid were curtailed substantially, the Rwandan economy could collapse.

For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as necessary investments in infrastructure, will continue to depend on a constant inflow of foreign aid resources, despite praise from the international development community for the increase in economic output by an average of 6.6% in recent years, called Rwanda's "miracle growth." Despite all the initiatives by its government, Rwanda is still one of the least transformed countries in Africa. According to a survey by Ernst and Young, it is expected that, due to the COVID-19 pandemic, the economy will only register 2% growth in 2020, a sharp decline from a growth of 9.4% in 2019. Economic growth is expected to rebound to 6.3% in 2021 and increase to 8% in 2022.

Unemployment rates remain very high. Around three million Rwandans over 16 years of age find work in relatively productive occupations, while 600,000 are in education or training and 800,000 are too old or disabled to work. The unemployment rate stagnated in recent years at around 16% of the labor force. Around 26% work in the informal sector. However, they cannot find permanent, paid work. It is incomprehensible that the government tries to impede the work of or even criminalizes people who earn their living through informal trade. The number of young people who enter the labor market increases every year. The number of people who do not have life-sustaining jobs continues to increase. This situation was intensified by the COVID-19 pandemic as it led to a slowdown in economic production and the creation of new jobs. Overpopulation and underemployment as a cause of poverty and inequality will remain the main socioeconomic challenges for the next decade.

12 | Sustainability

The increasing population, population density and the use of land resources resulted in soil degradation, deforestation, biodiversity loss, erosion and pollution. These pose severe environmental challenges.

For its policy of environmental conservation, Rwanda was a pilot country for the U.N. Poverty and Environment Initiative (UNPEI). The UNPEI contributed to the government making environmental sustainability, climate action and poverty reduction top priorities in its National Strategy for Transformation (2018 – 2024). The strategy aims to “promote sustainable management of the environment and natural resources to transition Rwanda toward a green economy.”

The new Environment and Climate Change Policy adopted in 2019 is an upgrade to the 2003 policy. Its purpose is to prepare the country for new opportunities and challenges related to management of the environment and the climate crisis. Beyond this, the updated policy is in line with Rwanda’s National Strategy for Transformation, the EAC Vision 2050, the Africa Union Agenda 2063, Sustainable Development Goals and the Paris Agreement on Climate Change, as well as the Kigali Amendment to the Montreal Protocol.

Despite all the efforts made and initiatives taken, the 10-year EPI record decreased (-1.5). Rwanda ranks 137th out of 180 countries. Thus, on paper, Rwanda ranks high regarding its commitments to environmental protection, sustainability and climate change mitigation. However, the practical implementation remains wanting and inconsistent. Economic needs are perceived as more important than environmental concerns.

Education and technical training are a priority for the government. Expenditures for education and training stood at 3.1% of GDP in 2018.

An education policy is in place but there are serious gaps when it comes to the quality of education and competitiveness levels.

In 2020, the primary school net enrollment rate increased to 99% (97.4% completion rate), but the level of knowledge in rural primary schools is rather low. While the authorities were committed to delivering education to the poor, the rural primary schools unfortunately deliver a poor education. Frustration at this situation among the poor is visible in the primary school completion rate. The drop-out rate in rural areas is almost 40%. The World Bank estimates that in 2019, only 61% of rural children finished primary education. As of 2018, the literacy rate was 73.2%.

Enrollment in secondary schools has doubled, and the number of teachers almost tripled. Reaching an enrollment of 40% in upper secondary education is the goal. Of students eligible for tertiary education, 25% receive a government scholarship, while

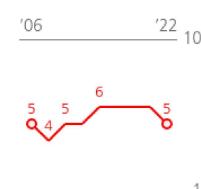
Environmental policy

5



Education policy / R&D

5



others are eligible for loans. Increasing the number of vocational training schools is likewise a priority. Strengthening technical and vocational education will ensure that the labor market offers the right skills required by a modern economy.

Improvements in education and research are seen by the government as indispensable prerequisites for the modernization of the country. The quality of university education is being improved by private initiatives, such as branches set up by international universities and international student exchange programs. Just as in tertiary education, where the number of expensive private institutions has significantly grown, the number of student places at state institutions remains stagnant. There is a danger of a growing bias in favor of the upper and privileged strata – although changes to the scholarship system introduced as part of the Ubudehe social protection program in 2013, which have extended scholarships into rural communities, may begin to address this.

The U.N. Education Index declined from 0.462 in 2007 to 0.458 in 2019. Research is still not developed and there seem not to be any genuine efforts to improve the research sector, even though countries like Sweden have been supporting Rwandan students in pursuing various areas of research. However, it is one of the few African countries to have a program of R&D (0.7% of GDP in 2016).

Governance

I. Level of Difficulty

The structural constraints on development remain grave. The consequences of the genocide 26 years ago remain and to a larger extent constrain governance capacity. The civil war, the perennial mass exodus to the DRC and Tanzania, the HIV/AIDS epidemic, COVID-19 and difficult years of reconstruction for the new state added further burden.

Vision 2020 (now Vision 2035) is supposed to transform the country into a regional trade and investment hub (a lead player in East Africa), which is based on knowledge-based services, entrepreneurial spirit and a productive and market-oriented agriculture. However, the economic and political development did not accelerate as anticipated. Therefore, the government extended its timeline to implement Vision 2020 to the year 2035. Even though extreme poverty has declined over the past few years, it became clear that labor-intensive industrialization can only be developed gradually and the export of minerals, even if new deposits can be successfully identified and exploited, will face significant international competition. To fight international constraints, first, the country has to concentrate on increasing non-agricultural employment supported by appropriate education and training. Rwanda is a land-locked country far from the sea. Its location results in high transportation and production costs, and hence low regional competitiveness.

Widespread poverty and unemployment among youth in a context of extreme land fragmentation, diminishing land resources, low agricultural productivity, severe environmental degradation, rapid population growth and now the COVID -19 pandemic severely limit political and economic transformation.

The civil war and genocide terminated the long-term presence of civil society and NGO public engagement. Since then, community service organizations, civil society and NGOs in Rwanda have been weak and constrained.

Since the 2000s, the government and local administrations have regulated the functioning of civil society both nationally and internationally through the Rwanda Governance Board. Projects that meet the wishes and expectations of the local people and offer them a sense of responsibility are therefore rare. The degree of social trust of the rural and urban poor is difficult to assess and may differ from sector to sector. Independent NGOs exist only at the national level and must react to the government's distrust by adherence to the administrative guidelines and plans. Therefore, they have little innovative impact.

Structural
constraints

8



1

Civil society
traditions

9



1

The Rwandan society remains conflict-laden, which is a major obstacle to the reforms pursued by the government. The long duration of authoritarian rule is aggravating conflict management. In short, the strict control of the population minimizes any danger to the ruling circles and contributes to the general security and stability of the country. However, many young people, especially from the urban underclass, are increasingly reacting with quiet rage against permanent state paternalism and harassment.

Conflict intensity



II. Governance Performance

14 | Steering Capability

The government sets strategic priorities. The objectives of the Vision 2020 roadmap were not met. Therefore, the government pledged to achieve the status of a middle-income country by 2035. The fundamentals of the Vision 2035 remain the same: social transformation, economic transformation and transformational governance. The strategy will continue its far-reaching reforms, building on the results of the policies and projects launched after the turn of the millennium, the streamlining of the administrative structures, the sectoral reforms, the expansion of education and health care. The legitimacy of the autocratic system still rests on the success of sustainable economic progress.

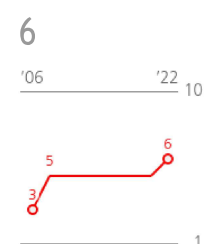
Population growth remained constant over the last decade, showing an annual growth rate of 2.58%. This could have a positive impact on a rather tight labor market, particularly if more jobs are created for younger generations.

But agricultural reforms seem to have slowed. The government aims to convert agriculture into a productive economic sector. Securing the country's food supply and increasing high-quality export products had a high priority for the government, which continued to pursue land consolidation and protection, causing farmers to join savings and credit cooperatives, to use fertilizers, further terrace hillsides, etc. But, although there has been progress in terms of resettlement in villages and erosion control by means of terraces, only one-third of small holdings participate in land consolidation, crop intensification, and use of chemical fertilizer and insecticides. The increase in productivity remained far below estimations.

Slow economic growth in all sectors is also due to rent-seeking behavior among those who are in power or have a monopoly on agricultural cooperatives. This is, moreover, manipulated from the top. The president and the top circles need to provide opportunities to those whose support is needed to stay in power (e.g., big business, officials in the national and decentralized administration, army officers, cadres of the RPF, etc.).

Question
Score

Prioritization



Due to the COVID-19 pandemic, some policies have been delayed. Some large public National Strategy of Transformation (NST1) investments predating COVID-19 contributed to the high economic growth of 9.4% achieved in 2019. Due to the effects of the pandemic, which upended these projects, GDP was about 2% in 2020, which signals the negative impact of COVID-19 on the Rwandan economy.

The government started an Economic Recovery Fund (ERF) to revive businesses and priority was given to the service sector, which was more impacted by COVID-19 than other sectors. However, recently, the government announced that the recovery fund is going to be expanded from 100 billion Rwandan francs (about \$102 million) to 350 billion Rwandan francs (about \$358 million). The main target is supporting the recovery of businesses severely affected by the COVID-19 pandemic, prioritizing sectors such as tourism and hospitality, manufacturing, transport and logistics, agro-processing, education, and small and medium-sized enterprises (SMEs) linked to domestic and global supply chains.

The government of Rwanda has been effective in implementing its own policies as long as it takes into consideration the expectations of its power base, the elite, high-level functionaries, army and police officers, party officials and businessmen regarding economic and social status. Tolerating a certain degree of rent-seeking activities is unavoidable but the Rwandan leadership endeavors to limit them to the extent that they do not endanger the designed modernization process.

The government ambitiously pursues its progress with great persistence in a top-down bureaucratic way. The implementation of policies remains difficult and frictions have occurred. Reform of the agricultural sector is especially problematic. Experts have serious doubts as to whether the government's strategy can yield success. Also, thus far, the new employment programs are only a temporary solution and it is not clear what alternative livelihoods the emerging landless class are meant to take up, especially the young cohorts who join the labor market annually.

While the internal risks are manageable, such as growth and debt levels, diversification of traditional and non-traditional exports and tourism, there is a strong dependence on above-average development aid and a considerable susceptibility to political unrest in neighboring countries and possibly adverse developments on the world market. Much depends on whether or not the government will conduct foreign, fiscal and development policies in a way that donors and private investors will continue to provide the necessary assistance.

Due to the COVID-19 pandemic, the implementation of some policies has been delayed. Rwanda had a high economic growth of 9.4% in 2019 before COVID-19 as the result of large public investment in implementing the (NST1), while GDP was about 2% in 2020, which signals the negative impact of COVID-19 on the Rwandan economy. Trade, transportation and tourism services are the most affected sectors. The government formulated the Economic Recovery Plan in response to COVID-19

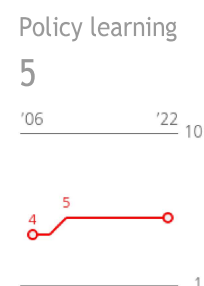
Implementation

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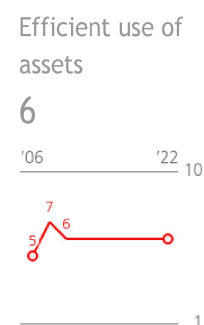
to rebuild the economy as resilient and green, consistent with the country's NST1, Agendas 2030 and 2063 and an overall macroeconomic framework (see World Bank 2020).

The government continues to follow the course agreed upon with the World Bank the IMF. It prefers a top-down economic and social approach and, therefore, the social consequences of its policies and actions are considered to be low. The new National Agriculture Policy released in 2018 for agriculture takes into consideration the Sustainable Development Goals (SDGs), as well as environmental protection and settlement patterns among others. In the agricultural sector, the government is experimenting with new technologies and chemicals to boost productivity. However, it is not really taking environmental consequences into consideration. Important strategic decisions are questioned, new solutions are introduced, withdrawn, changed and tried again. The top-down model of policymaking limits the flexibility of learning.



15 | Resource Efficiency

The Rwandan government makes efficient use of most of its available human, financial and organizational resources. The office of the auditor-general has been effective in making both national and local institutions accountable by proposing reforms and modernizing public institutions. However, domestic financial resources are scarce and human resources are politically filtered. There is competition to find employment in government services, and the applicants from privileged strata often have better chances.



The state budget is balanced, with 37% being spent on development projects. The collection of taxes, in particular VAT, has been significantly improved. Of the funds, 61% come from domestic sources, 15% are foreign development aid and a further 24% are financed through loans. The financing of prestige projects in the capital, Kigali, increases the burden on the budget and public debt accordingly. Expenditures for the large army and other security forces, as disclosed in the budget, are very low, and therefore their additional funding from outside the budget must be assumed. There is a need to improve transparency in terms of the state debt and in certain sectors such as the military. The focus of the national budget is economic recovery from the COVID-19 pandemic as well as safeguarding lives, jobs and business and industrial recovery.

The government coordinates politics hierarchically and without noticeable internal deviation. Public statements made by the local administration and government representatives are aligned with the official policy of President Kagame. But due to the government's hierarchical structure and mentality, strict political control and the fear of taking on responsibility, coordination between ministries remains opaque.

During the coronavirus pandemic, however, coherence and coordination among different government organs were mutually contradictory and this created confusion among citizens. There seems to have been significant pressure to stop the pandemic and make the economy function at the same time. This led to uncoordinated directives.

The fight against corruption remains a priority for the government of Rwanda. Doing so serves at least three functions, namely fighting negative economic impacts, removing personnel who are out of line politically and improving the country's international reputation. Consequently, low- and middle-grade civil servants are prosecuted if allegations of corruption are brought against them. Despite these efforts, but definitely less than elsewhere in Africa, petty corruption continues to be an issue, especially among traffic police and then, in second place, the public sector.

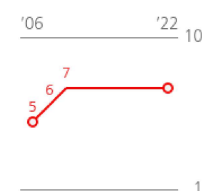
There are a number of institutions that were established, including the Office of the Ombudsman, the Rwanda Public Procurement Authority (RPPA), the Office of the Auditor-General, the Anti-Corruption Unit in the Rwanda Revenue Authority and the Public Procurement Appeals Commission. A number of high-level authorities must disclose their assets.

The Office of the Ombudsman of Rwanda was established as the coordinating organ in the fight against graft, with investigation and prosecution powers and specialized chambers dealing with corruption in the Intermediate Court. A national-level advisory council against corruption and injustice was created to direct strategies and improve the sharing of information related to corrupt activities. In September 2018, Rwanda enacted a new law (No. 54/2018 of 13/08/2018) to fight corruption. It expanded the definition of corruption to include bribery, sexual corruption, embezzlement, making decisions based on favoritism, friendship or hatred, influence peddling, illicit enrichment, use of public property for unintended purposes, abuse of power, and demanding or receiving undue or excessive money.

Despite good results and policies around auditing state spending, online transparent public procurement system in place and conflict of interest rules, the independency of ombudsman's office is still questionable when citizens' participation is limited and media access to information is likewise limited, despite having a law that grants it.

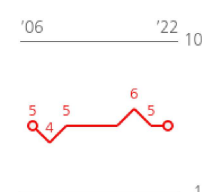
Policy coordination

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Anti-corruption policy

5



16 | Consensus-Building

According to the official analysis of the Rwandan authorities, the constitution of 2003 has created a favorable environment for civil society and free mass media, instituted a forum where political parties can deliberate, and empowered people at the grassroots. Major political actors agree on democracy as a strategy to forge the sustainable unity needed for transformation. There is a normative agreement among the key political actors that political pluralism and power-sharing are entrenched in Rwanda's political culture. However, there is no internal political opposition or independent public opinion and any critical voices risk being accused of "divisionism." Thus, it cannot be judged to what extent this interpretation of the political system is shared by the majority of people.

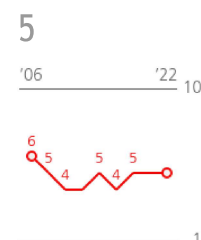
In relation to the market economy, Rwanda has prioritized an inclusive economic growth agenda, which involves close cooperation with the World Bank, the IMF and the major Western donors. This has permitted stable economic growth for the last 15 years. But the principle of a market economy is only applied to the small modern and formal economy, whereas agriculture is regulated by the administration and the poorest strata exposed to the daily struggle to survive. Furthermore, the top-down approach creates a societal and political structure among a small and selected group of employed workers which can easily be manipulated and controlled by the ruling circle.

Rwanda has only a few reformers within the ruling party. Outside the inner circles of power, there are no pro-democratic reformers with significant political influence in Rwanda. Potential reformers have preferred to go into exile. Non-democratic actors dominate all branches of government and public power.

The influence of the security forces and the military is very high. Internal and external security and the military's privileged status are their top priorities, to be maintained at all costs. Consequently, a mixed style of military and entrepreneurial leadership dominates politics with an authoritarian tone.

During the last two years, there were no reports of cleavage-related violence on Rwandan territory. Even though the Hutu rebels at the border region to Congo are reduced, there is still a fear that they may carry out terrorist attacks. The political leadership tries to prevent cleavage-based conflicts from escalating by establishing community-based conflict mechanisms and dialogs to moderate ethnic or land ownership conflicts. The growing number of poor people (most of them Hutu) is a breeding ground for violence. This risk is exacerbated by the economic shortfalls caused by the COVID-19 pandemic as it has increased the number of poor and unemployed people.

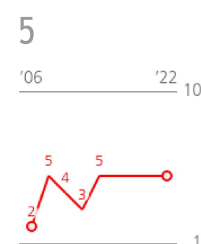
Consensus on goals



Anti-democratic actors



Cleavage / conflict management



The political leadership discourages civil society participation. A few segments of the society, such as women, youth and disabled people are integrated into the political landscape via pre-delegated seats in the legislature. The government openly ignores civil society actors and formulates its policies autonomously.

Development NGOs integrate their activities into the institutionalized development machinery if they want to remain active. In rural areas, community-based organizations are almost nonexistent.

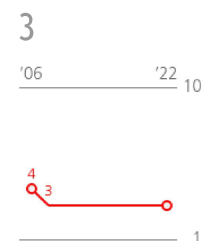
With regard to the coronavirus pandemic response, civil society organizations were asked to deliver food and other essential materials but were not involved in organizing response implementation.

There is a genuine effort by the political leadership to achieve reconciliation between the victims and the perpetrators of past injustices, especially the genocide. In 1996, the government established an institution to heal the wounds of the past with support from non-state actors and faith-based organizations. For the sake of justice, in the first years after the RPF's victory, hundreds of thousands of suspected organizers and perpetrators of and profiteers from the genocide were incarcerated and tried. From 2002 to 2012, the Gacaca court system ruled on another 1,000,000 cases. After finishing these trials, a campaign called "We are all Rwandans" was launched asking all "Hutu" to apologize once more, definitively, for the genocide, which was beyond a doubt an extraordinary institutional effort.

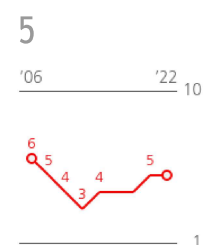
Even though reconciliation has produced positive results, it is still a process and it is necessary for many years in the future to invest energy in reconciliation. Also new challenges with regard to population cleavages are erupting. People complain about the increasing gap between rich and poor, increasingly difficult access to land and housing, the absence of opportunities to be heard by those who make the laws, as well as the arrogance and demonstrated omnipotence of the administration. The majority of the poor belong to the Hutu group, which makes concern regarding ethnic cleavages still present. Moreover, the government continues to restrict the freedom of expression of many Hutus as it believes that they still pose a threat. Furthermore, the crimes of the RPA, during the civil war and after the victory of 1994 in Rwanda and during the Congo War of 1996, have not been addressed, which fuels the divide between the ethnic groups. All of this contributes to a marked policy of institutionalized ethnic preference. There is only a thin veil masking the fact that the suppression of a minority by a majority has been replaced by the rule of the minority over the majority.

The quest for truth continues to be one-sided. Crimes of the RPA during the civil war and after the victory of 1994 in Rwanda and during the Congo War of 1996 among the Rwandan refugees and the local population have not been cleared, although the death toll exceeded one million. The government continues its contradictory approach. The RPF's reconciliation rhetoric is based on the downplaying of ethnic

Civil society participation



Reconciliation



identities and the interdiction of all ethnic references. The RPF officially dubbed the 1994 tragedy a “genocide of the Tutsi” in a constitutional amendment in August 2008. For all these reasons, the reconciliation process in Rwanda is far from being a positive model as it has been dubbed by some observers and analysts.

17 | International Cooperation

The government of Rwanda’s political leadership makes well-focused use of international assistance in implementing its long-term strategy. The government has articulated a comprehensive strategy, calibrated to achieve the Sustainable Development Goals by 2030 and move to middle-high income status by the year 2050.

The political leadership has a strong record of using aid effectively to achieve desired objectives and has produced desired results over the years.

More than 40% of the national budget is financed by foreign aid. In total, at \$1,024 million a year, Rwandans receive the largest amount of donor aid per capita in the region – \$85 compared to Uganda’s \$43 and Kenya’s \$60.

Rwanda’s post-conflict policies and institutions were made robust by embedding clear accountability tools, obtaining broad ownership of policies from within the population and maintaining clear goals. For the latter, goals were translated into pragmatic policy reforms. Rebuilding of institutions and society incorporated pre-colonial traditions and values, but also incorporated best practices and know-how from other countries, according to an IMF report from 2020.

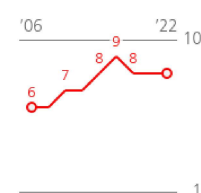
The government for the most part acts as a credible partner and shows notable engagement in international cooperation. The government’s close cooperation with the IMF and the World Bank has gained the country a reputation as a sustainable and successful development partner. President Kagame has become more careful in recent years so as not to jeopardize this position, since the annual budget relies to a large extent on international foreign aid. Nevertheless, international donors critically observe the country’s democratic deficiencies and human rights violations. Still, in the absence of any promising alternative, international actors decide to put their faith in the hope that, at a later stage, democratic improvement will follow economic development. The government is above average in complying with international commitments, such as climate change agreements, development agreements and ILO core labor standards. COVID-19 has not affected any government engagements.

The government of Rwanda cooperates well with development institutions such as the World Bank, African Development Bank, International Monetary Fund and others, as well as with key U.N. agencies.

There is limited cooperation with international organizations, especially those that promote human rights, such as Human Rights Watch and Amnesty International.

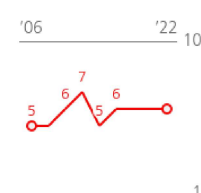
Effective use of support

8



Credibility

6



Rwanda is a member of the Commonwealth, the East African Community and is a member of other regional groups including the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS) and the Economic Community of the Great Lakes Countries (CEPGL). Being a landlocked country, Rwanda profits from the customs union, since substantial parts of the country's trade are either imports from Kenya or are transited through the ports of Kenya and Tanzania. Rwanda is one of the strongest proponents of the African Continental Free Zone, which it considers as an important step to transform its economy.

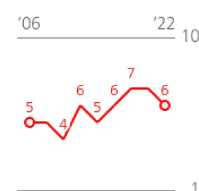
Rwanda's political and economic development has always been largely determined by the conditions in its neighboring countries.

Rwanda continues to experience political challenges lately with three out of six countries in the region. There have been bad relations with Uganda, Burundi and Tanzania. There have been, however, efforts and willingness to improve relations with the DRC after many years of problems. Even though the political leadership has the ability to improve some relations, especially between Uganda and Rwanda, there seems to be no willingness to improve to do so. This has negatively impacted the functionality and efficiency of the East African community and regional trade.

Rwanda is an active member of the U.N. and the African Union (AU) and other international organizations, as a provider of contingents to U.N. and AU military missions, and also as a venue for international conferences. The image as a pilot country for Africa's economic future, as well as a haven of political stability, and security are essential to its economic strategy and political standing.

Regional cooperation

6



Strategic Outlook

To drive economic development further, the government adopted its Vision 2050 in December of 2015. The agenda sets a new way forward in elevating the country's living standards to that of an upper middle-income country by 2035 and that of a high-income country by 2050. Drivers of the new strategy will include sustained human capital development, well-managed urbanization, competitive domestic enterprises, agricultural modernization and capable and accountable public institutions. The country will seek to develop export dynamism, promote regional integration and capitalize on regional and global opportunities.

However, three aspects might impede the implementation of the newly adopted vision: One question is whether the country's leadership will be able to control and, if necessary, limit or suppress the different interests of influential members of the upper and middle class in a partially liberalized economy. Experience has shown that this becomes increasingly difficult for leaders, the longer they remain in office. A second important question is whether the masses of the rural and urban population can be motivated to work ever more productively without political participation and significant economic and social opportunities and rights. Third, Rwanda continues to suffer from COVID-19 related challenges, even though it had adopted a decentralized approach to containing the virus, which included restricting travel between districts and the city of Kigali, among other necessary measures. These measures have had a positive impact in limiting the number of infections and deaths, though the country remains vulnerable in the absence of a regional approach to contain the virus, particularly given the fact that it is a landlocked country. In addition, Rwanda is highly dependent on the hospital industry and is thus hit hard by the pandemic. As a result, the country must grapple with high levels of inflation, high prices for essential goods and large numbers of job losses.

Beyond the political rhetoric, which is cultivated with high professionalism by the country's politicians, the country finds it difficult to introduce the reforms needed to address the economic and social challenges it faces. Though some structural reforms have been accomplished, growth will remain dependent on international commodity prices and access to substantial foreign aid. The high level of economic growth in the preceding decades has been mainly due to the influx of previously unproductive rural labor into the urban economy and the government's high investment in prestige projects. In the coming years, there will be only limited scope for such public investment.

In order to reduce the large gap in the balance of payments, Rwanda will need to produce more internationally tradable goods, services and industrial products. Increased mineral mining and exports of processed minerals will potentially be made available. Specialized agrarian goods will continue to have a place in exports, although Rwanda's potential in this area is limited due to the growing demand for crops among its own population.

The government's rhetoric overstates the speed and strength of economic transformation. Rwanda's per capita GDP growth rate and GDP in absolute terms are only slightly higher than that seen in other countries in the East African Community (EAC). Much of Rwanda's performance will continue to be driven by high levels of foreign aid. Thus, it is important to push bilateral and multilateral cooperation as a means of improving broader regional cooperation and border trade with Uganda in particular, which will improve the livelihood of the country's poorest, particularly women.

Another urgent task is to create as many productive new jobs as possible. In collaboration with its neighbors, Rwanda could help develop regional tourism to accommodate larger numbers of tourists. Economic progress would involve a more active promotion of labor-intensive industrialization and manufacturing, embedding local firms into global value chains, promoting ICT development, business-process outsourcing, green technology, the development of new agrarian products, and supporting technical education. The results in this regard are so far unsatisfactory since the middle class is not sufficiently oriented to labor-intensive entrepreneurship. Given the context of an authoritarian, centralized political system and a deeply unequal society, it is unclear whether the dynamic business climate required to push reforms in the right direction will develop.

Stability and the sustainability of economic transformation in Rwanda requires a consolidation of democratic values in society that are characterized by the freedom of association, independent media, openness and the promotion of pluralistic and diverse ideas, as well as success in battling efforts to deny the historical fact of genocide.