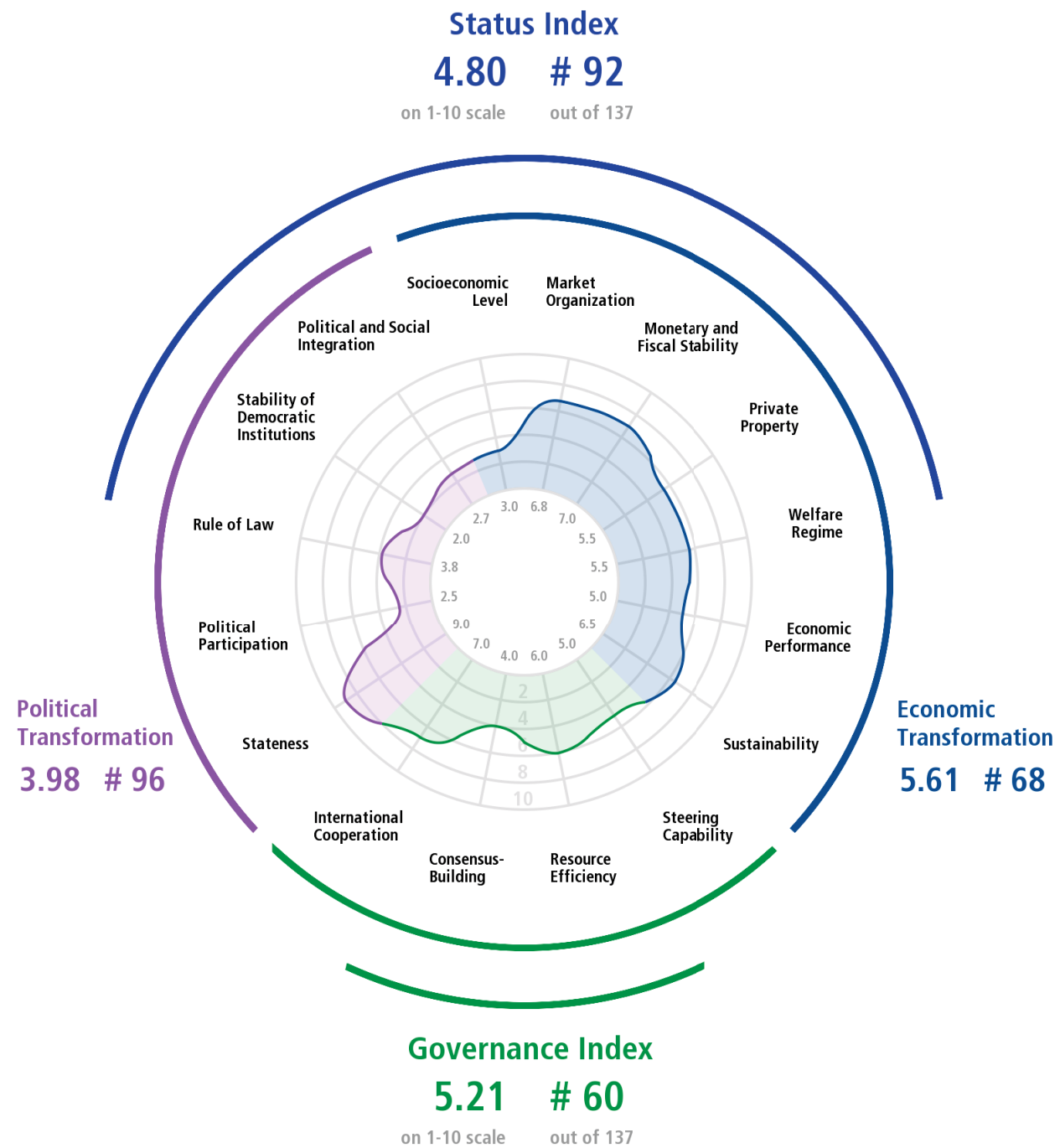


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Rwanda



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Key Indicators

Population	M	12.3	HDI	0.536	GDP p.c., PPP \$	2254
Pop. growth ¹	% p.a.	2.6	HDI rank of 189	157	Gini Index	43.7
Life expectancy	years	68.3	UN Education Index	0.457	Poverty ³	79.7
Urban population	%	17.2	Gender inequality ²	0.412	Aid per capita \$	102.3

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

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

The government of Rwanda has set up an efficient administration. The territorial administration has been strengthened and is exercising strict control over the people. In principle, the government of Rwanda pursues liberal fiscal and market policies. However, in recent years, a cluster of privileged enterprises under the control of the army and the dominant party have expanded their influence on the market. The peasants are economically controlled by the state through cooperatives managed by the local administration. Consequently, the role of the state in the economy has increased.

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. But the economic transformation is in its early stages and the alleviation of mass poverty is no better than that in neighboring countries. As a result, a third Economic Development and Poverty Reduction Strategy, a “Vision 2050,” is at present being prepared and the fulfillment of the promise to make Rwanda a middle-income country has been postponed to 2035.

Economic growth has been somewhat higher in Rwanda than in the other member states of the East African Community (EAC), primarily because Rwanda receives a greater amount of foreign aid, far above average. The development of industry, foreign direct investment (FDI) and tradable

non-state services has remained below expectations. The mining sector is being reorganized, but production is still low. The modernization of agriculture started with the consolidation of land tenure and a crop intensification program. Efforts to improve quality and increase production of selected crops by forcing smallholder farmers into a rather rigid agricultural command economy have so far seen only limited results. It remains to be seen whether the reforms imposed from above will have the expected results. So far, economic progress is far off the long-term objectives of the government of Rwanda.

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.

The country's foreign policy has been subordinated to economic progress. Integration into the EAC is actively pursued, but cooperation with neighboring countries is unfree from tensions and quarrels. At its western border, the regime had pursued since 1996 the aim to exercise political and economic influence over the eastern parts of the Democratic Republic of the Congo (DRC). Due to pressure by major donors, the government of Rwanda finally stopped its military involvement in 2013, but relations with the DRC remain fraught with conflict.

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

At independence, the already densely populated country lacked almost any modern infrastructure, but it had some agricultural potential because of the successful introduction of the cash crops tea,

coffee and pyrethrum, its moderate climate, and in some areas rich volcanic soils. There are only modest mineral resources (especially tin and methane) but abundant possibilities of waterpower. Subsistence livelihoods continued to predominate but a rapidly growing population resulted in soil degradation by overuse and increasingly smaller holdings. Exports brought only meager earnings insufficient for financing the increased demand for modern import products and the costs of a growing public administration. The economy lacked diversification and suffered from its landlocked position and conflicts in neighboring countries. Thanks to extensive foreign development aid and a relatively effective administration, the country nevertheless recorded modest economic growth until the early 1980s. But later the economy began to falter on account of the decreasing world market prices, rising public expenditures and the servicing of its debt. The regime's legitimacy was damaged by the poor economic performance, and the fragile social fabric began to show rifts. When French President Mitterrand announced in July 1990 that future French development aid would be conditional on democratic reforms, President Habyarimana, so far strongly supported by France, had no choice but to give way to internal demands for political liberalization.

Meanwhile, Tutsi refugees in Uganda, who had joined the rebel force of Uganda's later President Museveni, managed to fund a rebel force of their own, the Rwandan Patriotic Army (RPA). They forged together with Rwandan renegades a political liberation movement and called it the "Rwandan Patriotic Front" (RPF). The rebels invaded Rwanda in October 1990 and succeeded, little by little, in gaining control over parts of the country's northeast. The defense by government forces was weakened by state bankruptcy and the collaboration of parts of the internal opposition with the RPF. President Habyarimana finally had to consent to an internationally mediated peace treaty (Arusha Treaty), which foresaw multiparty government, the integration of RPF politicians into state structures and the integration of rebel armed forces into the Rwandan army. The latter concession was especially resented by officers of the national army. Growing internal violence and opposition stalled the implementation of the agreements. The event that triggered the final phase of the civil war was the shooting down of Habyarimana's airplane on April 6, 1994. This was followed by the genocide of 500,000 to 800,000 Tutsi and the murder of political opponents by the presidential guard and Hutu militias. Eventually, the RPA conquered the rest of the country and took over the government. The perpetrators of genocide, many officials, the army and approximately two million peasants fled to neighboring countries. The genocide 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 RPF and RPA utilized the Arusha Agreement as legal basis for a transitional government. This meant to include parties, formerly opposed to the Habyarimana regime, into a multiparty coalition although some of their leaders had been involved in the genocide. Throughout the rest of the 1990s, the RPF consolidated its political supremacy. Hutu politicians were one after another forced into exile, assassinated or prosecuted for allegations of corruption, complicity in the genocide or of sowing ethnic hatred.

From November 1996 onwards, the RPA supported a liberation movement in the neighboring Zaire, today the Democratic Republic of the Congo (DRC), with the aim of forcing the population

who had fled Rwanda to return and destroying the relics of the former Rwandan National Army and militias. Most of the refugees returned, but the RPA stayed on to gain control over the rich natural resources of eastern Congo.

In 2000, Vice-President Kagame ousted President Bizimungu, a Hutu. He assumed the presidency disregarding the transitional constitution. This act and Rwandan involvement in eastern DRC led to increasing criticism from major international supporters and donors. To reassure them as well as to gain legitimacy among its citizens the government decided to customize the constitution and to elaborate a vision of its socioeconomic future. After an extensive consultation process, a new constitution was drafted. Although the draft failed to meet international standards for democracy, since it included a legal framework for the massive repression of any opposition under the guise of protecting national unity and abolishing ethnic hatred, it was approved by referendum. 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 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 its desire to radically transform Rwandan society in their eyes justified authoritarian rule and repression, up to the limit where it might 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.

Initially reforms to modernize the economy appeared 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, after international debt relief also, by new borrowing. 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 small and densely populated territory facilitates tight control of the population, which is efficiently executed by a strong police force, security services and armed forces. Therefore, public safety is high. There are rarely incidents of violence. Rebel groups formed after the mass flight of the Hutu population to the neighboring DRC no longer represent a major security threat for the present regime, although new reports of them combining forces with the Rwandan National Congress (RNC) in eastern DRC and in Uganda may create 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. 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. Among young people, the ethnic divide plays a lesser role in self-identity. Instead, the alienation between the upper and middle strata on one side and the poor masses on the other has become increasingly relevant.

Rwanda is a secular state. The diverse religious groups are tolerated as long as they do not question or disturb the authority of the state. To counter the potential threat of Islamic radicalism and terrorism the government has embarked on a small-scale deradicalization program in some Muslim communities, primarily in Kigali. The Catholic Church has lost the privileged role it enjoyed under the past regime.

There is no discrimination of LGBTI people and the government of Rwanda has signed the UN statement condemning violence against LGBTI people, together with a further nine African countries.

Question Score

Monopoly on the
use of force

9



State identity

9



No interference of
religious dogmas

10

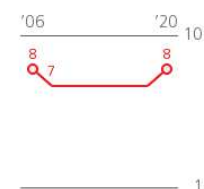


The administration is functioning well nationwide.

The replacement of former municipalities with new territorial units and the reform of their functions have granted the dominant RPF party a strong presence from the central government down through provincial, district and sector administrations to the village level. 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-Saharan Africa, Rwanda, along with South Africa, Namibia, Botswana and Mauritius, is considered to have a particularly efficient administration. Access to education and health care is excellent compared to other countries in the region. Access to clean drinking water and sanitation has also improved significantly.

Basic
administration

8



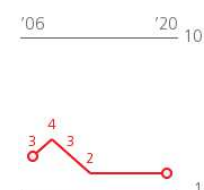
2 | Political Participation

While National Assembly and the presidential elections are direct, the electoral system for local elections up to the level of the Senate is indirect.

Local elections of cell counselors (utugari) – the administrative level above village councils - took place in February 2017. Cell counselors elect sector counselors (imerenge), who elect district counselors (akarere). Due to the exclusion of competing candidates and political parties other than the RPF, the local councils and committees do not function as organs of political participation, inclusion or power-sharing.

Free and fair
elections

2



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

The last presidential election took place on August 4, 2017. President Kagame was re-elected to a third term in office with 98.79% of the vote. This was made possible by an amendment to the constitution allowing him to stand for re-election, approved by a referendum on December 18, 2015. The presidential election was contested by two other unknown candidates who lacked resources. A third candidate, considered a more serious contender, was excluded from the election.

The Chamber of Deputies is elected by a system of proportional representation for a five-year term. In the last parliamentary election on 3 September 2018, the Rwandan Patriotic Front (RPF) and the smaller parties under its control won 40 out of 53 elected seats. The two other parties of the coalition won 9 seats. For the first time two new oppositional parties were admitted, who won four seats between them. 27 seats were allocated to the organizations representing women, young people and disabled people, most of them selected by the RPF. Thus, the RPF maintained a considerable

majority. Originally, the most viable opposition party was the Democratic Republican Movement (Mouvement Démocratique Républicain, MDR) whose leaders played a significant role in the 1993 Arusha Agreement and the first transitional government, but in 2003, the party was forced to disband. A new party founded by former MDR members in exile tried to participate in the elections of 2010, but its leader was arrested for terrorism in that same year and only freed after the 2018 election, together with 2.000 other political prisoners.

Candidates outside the ruling party have very limited media access. Though the direct elections are formally free, Rwandans cast their ballots in the absence of true alternatives and in a climate of intimidation. They fear reprisals and discrimination if they do not vote. Rather than representing genuine democracy, the elections contribute more to the consolidation of the authoritarian personal rule of President Kagame. Nevertheless, since the power of President Kagame and the RPF is no longer seriously questioned, the government has allowed a little more political competition.

The authoritarian Rwandan regime is presented by the ruling circle as a “consociational”

power-sharing consensus democracy, justified by the need to surmount ethnic division and the requirement for accelerated development. However, the constitution grants 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 power of the president relies on the loyalty of key actors (e.g., high-ranking officers in the army and secret service, presidential aides, some cabinet members and provincial governors). The Senate and the National Assembly with their large RPF majorities rarely use their constitutional competencies to develop initiatives of their own. They are allowed to discuss issues and proposals as long as they are not related to state power, state security and the prestige of the president. Generally, they approve unanimously the government’s proposals.

Contrary to other African countries, substantial discussions are seldom held between the parliament and foreign donors on issues of development and public finances. Domestically the regime has sufficient legal and forceful means to silence any open critics, who 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,

Effective power to govern

2

'06 '20 10

2

1

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.

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

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. Both state-owned and private media outlets, therefore, practice self-censorship to avoid government interference.

Since the current regime came to power, critical journalists have been constantly harassed, facing arbitrary arrest and intimidation. Several journalists have fled the country, while 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.

On the other hand, the government does not filter internet content or foreign radio transmissions, and government media services comment on international criticism of Rwandan politics. Approximately 50% of the population use the internet and can inform themselves without difficulties of the international response to Rwandan politics. However, the intolerance of criticism against the political system and the party in power can affect foreign media operating inside the country: the BBC was suspended from broadcasting in the local Kinyarwanda language in 2014 after airing a film that questioned official accounts of the genocide. 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.

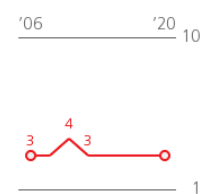
Association / assembly rights

3



Freedom of expression

3



3 | Rule of Law

The constitution provides for a separation of powers, but the parliament's counterbalancing power is weak, since it has a biased composition, arranged by the executive. The central administration reaches all the way down to local level. The president has decisive power as chief of the administration and security forces.

The organization, powers and functioning of the judiciary is not regulated by the constitution, but by a normal law. The president has the final decision of the appointment of the supreme judges who in turn play the determining role in the High Council of the Judiciary, which appoints the other judges. Although the constitution provides for an independent judiciary, in practice, the courts are susceptible to government influence and manipulation. Additionally, military courts under the authority of the minister of defense may try crimes of genocide and crimes against humanity, as well as crimes against state security committed by members of the military and civilians.

An independent judiciary would require the participation of - or at least approval by - an independent and representative parliament in the appointment of its top officials. Instead, candidates are politically scrutinized and judges may be dismissed for political reasons.

Under President Kagame, these fundamental features are unlikely to be rectified.

The Rwandan judiciary has an important political function. Critics and opponents, considered dangerous by the regime, face fabricated charges of genocide, revisionism, genocide ideology, corruption, terrorism and immoral behavior. The judiciary is the tool by which the government perpetuates authoritarian rule by prosecuting opponents and critics.

Trying the numerous perpetrators of the genocide asked too much of the newly built up judicial system. Before 1998, only 1,300 perpetrators had been tried, some in the absence of solid evidence. The total prison population reached approximately 130,000 in spite of thousands of deaths due to the extreme overcrowding and life-threatening conditions of the prisons.

Thousands awaiting trial were arbitrarily arrested. To solve this problem the government of Rwanda devised a novel judiciary for trying genocide cases named Gacaca. Judges without prior legal training, elected by the population, were to try cases in front of members of the local community, who were expected to speak out about what they knew regarding the defendant's action during the genocide. About 12,000 Gacaca courts with 250,000 judges were established. Between 2002 and 2012, one million cases involving about 400,000 defendants or 14% of the adult Hutu population were heard. Nearly 66% of the cases concerned thefts and property

Separation of powers

3

'06 '20 10



Independent judiciary

4

'06 '20 10



damages, while the remaining involved accusations of planning and organizing genocide, sexual assault and murder. Some 25% to 30% of the defendants were acquitted, a minority were sent to prison. The total number of prisoners was reduced to 40,000. The Gacaca system was a great success in processing a large number of cases with the participation of local communities. It was a step forward in coming to terms with the genocide and ending impunity for murder and mass killings.

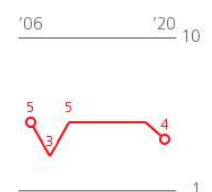
However, some international observers have questioned the extent to which the Gacaca court system advanced the goals of reconciliation and inclusion. Some of the legal advice provided to defendants was faulty and intimidation and corruption resulted in several unfair trials. The Gacaca system did not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

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

Officially, abuse of office and corruption are thoroughly investigated and prosecuted. International and national donors acknowledge these efforts. However, abuse of top government officials, high functionaries of the RPF and security forces often goes unquestioned. For example, the involvement of officers in the illegal exploitation of mineral resources in the adjacent provinces of the DRC until 2013 was obviously tolerated, as was revealed in legal proceedings against renegade top officers. The proceedings showed that authorities were aware of defendants' illegal business activities but sought prosecution only when the officials were no longer politically in favor. Law enforcement and judicial institutions rarely investigate or prosecute abuses by the security forces. When they do, proceedings are undertaken to protect rather than punish perpetrators.

Prosecution of
office abuse

4



Theoretically, the constitution guarantees all standard civil rights but, in practice, tight restrictions on freedom of speech, press, assembly and association remain in place. The government restricts and harasses local and international NGOs, as well as foreign-funded media and human rights programs that once 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 have been shut down or rendered ineffective by government pressure. Political critics have been imprisoned for speaking out against government programs, the government's targeting of political opponents and human rights advocates, the disregard for the rule of law among security forces and the judiciary and restrictions on civil liberties. A frequently used argument for convicting them is the accusation of "divisionism."

Recently the government of Rwanda identified a new target group that is evading its efforts to create a new society: fundamentalist churches. Approximately 25 % to 35% of the population is affiliated to these communities. Congregations grow steadily, which disturbs the government, since they constitute the last open space for daring to imagine a future beyond technical progress. Under the pretext of lacking safety and hygiene in their assembly rooms and churches and of committing noise violations, the government has shut down more than 700 mostly Pentecostal churches in Kigali and detained some pastors, accusing them of conspiring to rally other clergy in defiance of the government's orders.

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

The violations of civil rights by security forces and civilian officials are prosecuted only in a selective way. The majority of Rwandan people recognize the challenges of surviving in such an environment. To benefit from any government or foreign-funded aid, they must demonstrate their loyalty to the president and its party. Resistance to politically sensitive matters will only aggravate their situation.

Civil rights

4



4 | Stability of Democratic Institutions

The government is anxious to show the outside world a well-functioning parliamentary and judiciary system rather than its monopoly of power. But the inner circle around the president efficiently directs and controls the official administration from top to bottom, with the assistance of a ubiquitous secret service. A second chain of control is exercised by RPF structures down to the local level. Officers, deputies, senators and higher officials – particularly those outside the FPR – are under close supervision. Political debates are filtered in advance within the NFPO and are only permitted if they do not harm 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 president's 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's power, the Hutu soon lost their offices.

After 1994, MDR politicians were needed to legitimize the transitional government but were systematically removed during the following years. The attempt by Victoire Ingabire Umuhoza to create a truly oppositional party in 2010, the Unified Democratic Forces (UDF), was immediately shut down. She was accused of “conspiracy against the country through terrorism and war” and “genocide denial” and sentenced to 15 years imprisonment. The primary evidence of her alleged genocide denial was her statement that current political policy was insufficient to bring about reconciliation. She noted as an example that the genocide memorial did not acknowledge Hutus who were killed during the genocide and she stressed that those who committed genocide, as well as those who committed other war crimes and crimes against humanity, should be brought before the courts.

The inclusion of two new parties in the last parliamentary elections was permitted 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.

Performance of democratic institutions

2

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2

1

Commitment to democratic institutions

2

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2

1

5 | Political and Social Integration

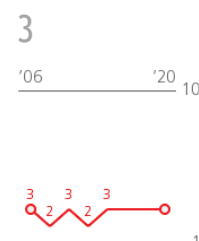
The RPF dominates the political scene. Other parties' political activities were restricted to the national level until 2007, enabling the RPF to become the only political organization present in the whole country and dominant at the local level. Its organization and financial resources are superior to all other parties. The nucleus of the party is composed still of refugees or their descendants, who returned after 1994 to Rwanda. Membership in the party today is attractive for many people, being favorable for careers in public administration and 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.

The activities of interest groups are restricted, but the activities of a large number of cooperatives and similar groupings are not questioned. However, most of these groupings are part of the land consolidation process and related programs, which have an exclusively economic and social character. Generally, religious groups are more diverse but are very careful to avoid remarks that could be interpreted as political, since the government does not accept outright criticism from them. Trade unions do not play a major role. All interest groups and NGOs are obliged to participate in state-controlled umbrella organizations. They lack sufficient space for independent initiatives and actions.

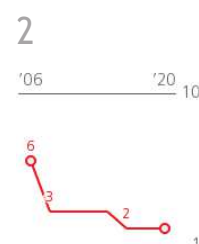
Reliable opinion polls cannot be conducted in Rwanda. The last nonrepresentative survey on democratic norms was commissioned by the Senate in 2009. In this survey, almost half of respondents were in favor of a democratic system and the participation of all political, social and ethnic groups in the government. The Rwanda Governance Board conducts an annual nationwide survey on citizens' satisfaction with government and administration performance. A closer look at the responses suggests that the purpose of this survey is to demonstrate the regime's popularity to the domestic and foreign media rather than to provide the government with the real opinion of the citizens and to take it into account for its future policy.

As a result of the genocide, the Gacaca trials, the land conflicts and the strict political control, there is very little trust between the poor rural and urban Hutu, middle-class Hutu, returned Tutsi refugees and their descendants and those who survived the genocide. The gap between the poor and the new administration increases the feeling of powerlessness and general passivity among the vast majority of the poor population. Many see themselves increasingly excluded from economic participation because of agricultural reform, discriminatory treatment of small traders and casual workers or strict state regulations on housing, sanitation and other sectors. However, the narrowing inequality gap between Hutu and Tutsi at the community level because

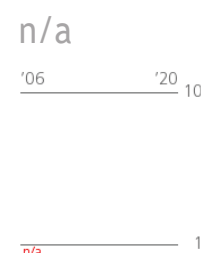
Party system



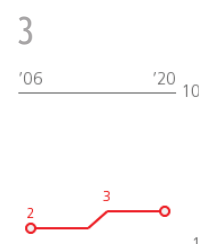
Interest groups



Approval of democracy



Social capital



of the government's development programs over the last 15 years has helped improve interethnic relations, especially in rural areas.

In order to counter the growing mistrust of the population and to demonstrate its commitment to poverty reduction especially to the most important donors, the government of Rwanda has concentrated above all on improving health care and offering countrywide educational opportunities. A social aid program has been introduced for the extreme poor (Vision 2020 Umurenge Program, VUP). Its basic idea is to offer the poor incentives and opportunities to increase their economic participation and build social trust. The program supports the poor by employing them in public works (cash for work), granting microfinance loans and directly supporting the poorest and most in need families. The costs of the program were offset to a considerable extent against international financing, in particular from the World Bank.

However, efforts to reduce extreme poverty through this initiative met with only limited success. The program reached only half of the Rwandan villages, granted only a very limited number of small loans and remained dependent on foreign funds. VUP is an example of an initiative driven by the elite to counter potential political unrest and is therefore closely intertwined with the political legitimacy of the regime. It is typical of how top-down initiatives encounter internal administrative difficulties and eventually disappear.

II. Economic Transformation

6 | Level of Socioeconomic Development

Rwanda is one of the smallest but most densely populated countries in Africa. The population grew from 2.1 million in 1950 to 7.1 million in 1990. It reached 12.1 million by 2018 and is now almost six times larger than 60 years ago during the final years of colonial rule.

80% of the population still live in rural areas. Agriculture remains the dominant economic sector. As the population density reached 467 inhabitants per square kilometer, the government deemed that farms had become too small. Its goal is therefore to bundle as many participants into cooperatives as possible and to increase their productivity and thus their income through the use of modern technologies. However, this is likely to result in fewer agricultural jobs.

Alternative employment opportunities in commercial enterprises on state-owned land, in agriculture and in mining will only partially compensate for this. 20% of the population live in the capital and other cities. Jobs in light industry are slowly

Question
Score

Socioeconomic
barriers

3

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emerging and are mainly created by foreign private investment. The majority of people work in social services, transport and trade, construction and utilities, finance and real estate. Most economic activity is concentrated in the booming capital Kigali.

Only about 3.1 million Rwandans over 16 years of age find work in relatively productive occupations. 650,000 are in education or training. For a further 800,000 their age or disabilities prevent them from working. This leaves approximately 600,000 unemployed, representing 16% of the labor force. Another 1.7 million - or 25.8% of the labor force – are classified by Rwandan statisticians as “food producers:” people capable of work who have no prospect of permanent, paid work and who therefore rely on casual or informal employment. To make matters worse, the government is trying to restrict informal employment and even criminalize it. Emigration to neighboring countries offers no solution as these face economic challenges of their own. The situation is becoming more challenging due to the high birth rate in the country: every year between 200,000 and 250,000 young people increase the number of job seekers. In 2018, the government faced a scenario in which over 2 million people lacked jobs with incomes that could adequately support them. This figure will increase in the coming years. Overpopulation and underemployment as sources of poverty and inequality will remain the main socioeconomic challenge for the next decade.

Nevertheless, there has been a slow but steady decline in poverty from 39.1% in 2013/14 to 38.2% in 2016/17, and extreme poverty from 16.3% to 16.0% over the same period. 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 160 since 2005.

There is a small upper and middle class, representing about 10% of the population, consisting of civil servants, soldiers, party officials, professionals and business leaders. This class has an ethnic bias that emerged from the 1994 upheavals and that has benefited and will continue to benefit most from government policies.

The country is far from achieving the Vision 2020 goals and becoming a regional center. Progress has been similarly slow in neighboring Tanzania and Uganda. The government of Rwanda has therefore decided to postpone the deadline for the Vision 2020 targets to 2035. The structural social and economic exclusion of large population groups without prospects could lead to severe frustration, with the risk of violent outbreaks. 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 class.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	8277.6	8475.7	9135.5	9509.0
GDP growth	%	8.9	6.0	6.1	8.7
Inflation (CPI)	%	2.5	7.2	8.3	-0.3
Unemployment	%	1.1	1.0	1.0	1.0
Foreign direct investment	% of GDP	2.7	3.1	3.0	3.2
Export growth	%	6.3	12.9	33.6	0.8
Import growth	%	34.8	-1.1	10.1	9.4
Current account balance	\$ M	-1267.3	-1352.5	-709.5	-746.9
Public debt	% of GDP	29.7	32.9	36.5	40.7
External debt	\$ M	3452.0	4318.7	4825.3	5488.4
Total debt service	\$ M	184.7	223.0	241.3	257.0
Net lending/borrowing	% of GDP	-2.4	-2.1	-3.1	-
Tax revenue	% of GDP	13.7	14.8	13.6	-
Government consumption	% of GDP	14.6	15.1	15.2	14.9
Public education spending	% of GDP	3.8	3.5	3.2	3.1
Public health spending	% of GDP	2.2	2.3	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.3	1.3	1.2

Sources (as of December 2019): 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

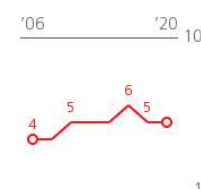
Modernizing the economy is one of the government's priorities. This includes expanding the formal sector of the economy. At present, approximately 70% of the workforce operate in the informal sector. The government of Rwanda is committed to the principles of a market-based and competitive economy, which it considers key to sustainable development. These include respect for property rights, currency convertibility, the reduction of bureaucratic obstacles for enterprises, regional integration, trade liberalization and the attraction of private foreign investment. The government is particularly interested in foreign investment and has successfully removed obstacles to it. Rwanda scores very well in the "Starting Business 2018" report on costs (44.6%) days (4.0) and procedures (5). The country is ranked 29th worldwide and 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 party at the center of the economy. It empowers the president to determine who gains 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 of - and, if necessary, intervention by - the local administration mean there is little competition in the market for agricultural products.

For its remarkable improvements in the regulatory environment for private business, Rwanda has been internationally commended as a leading reformer in East Africa. The privately organized party- and military-led enterprises, holdings and banks so far seem not to have constituted an obstacle to other domestic or foreign investment. While the primary market is open to all investors, the investor base remained dominated by commercial banks that account for 80% of total holdings. Larger and longer-term financing is still limited to a small section of businesspeople. The government attaches great importance to promoting FDI and therefore, as mentioned above, to the "Doing Business" index. Although this has had little effect on the volume of FDI, it is important for the country's economic image and exerts a positive influence on the attitude of the country's administration.

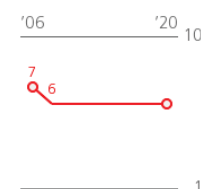
Market organization

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Competition policy

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Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). EAC enjoys the benefits of the United States African Growth and Opportunity Act (AGOA) and has a full quota and duty-free access to the European Single Market. The weighted mean tariff rate was 7.3% in 2016, according to the World Bank. Rwanda is also a strong supporter of an African free trade area. In preparation, an African Free Trade Agreement (AfCFTA) was signed on March 21, 2018, in Kigali.

The banking system is free, dynamic and meets international standards. It has grown in size in recent years, and its stability, structure and efficiency have improved significantly as a result of central bank enforcement rules. The authorities are actively taking measures to improve access to finance and encourage the creation of new financial institutions. The banking system is highly concentrated but competitive. In order to reach the population efficiently the number of branches has increased significantly, and 50% of Rwandans now have a bank account or a mobile money service provider. According to the World Bank, the share of non-performing loans was 7.7%. The bank capital to assets ratio in 2017 was 14.8%. These figures fulfill international requirements.

The number of Savings and Credit Cooperatives (SACCOs) with banking services increased to approximately 500. Microfinance institutions (MFIs) have also grown rapidly in number, although many still suffer from a lack of capacity to finance and develop new products or extend their reach to rural customers. International and regional banks have joined as shareholders and competitors. So far, the banking sector consists of 12 commercial banks, three microfinance banks, one development bank and one cooperative bank. All commercial banks have international correspondent banks operating in major cities of the world. The banks are largely private and partly owned by foreign investors. Other assets are held by the government, the ruling party and the national army.

8 | Monetary and fiscal stability

The government is committed to the stability of the national currency and prices. The Rwandan franc floats freely against the dollar. While it depreciated slowly from 2010 to 2015 against the dollar, there was an alarming fall of almost 10% in 2016. This depreciation was slowed in 2017 to 3.1% due to improved external balances that enabled the National Bank of Rwanda (BNR) to accumulate official foreign exchange reserves. The BNR - formally independent - calls for budgetary discipline and for a reduction of the foreign trade and current payments deficit. Since monetary and fiscal policy are strictly overseen by the IMF and World Bank, the government rarely attempts to influence the decisions of the central bank. Consumer price inflation increased to 8.3% in 2017 due to higher costs for imports. Rwanda's modest

Liberalization of foreign trade

7



Banking system

9



Monetary stability

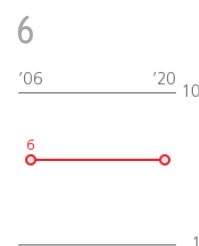
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integration into the global markets means international conjuncture has limited impact. As part of a strategy to deepen regional integration and development Rwanda created in 2013 with the other member states of the EAC the East African Monetary Union (EAMU) providing a set of primary convergence criteria, i.e. a reserve cover of 4.5 months of imports and limits on inflation, the overall deficit and gross public debt.

The government has attempted to maintain a tight fiscal stance aimed at achieving fiscal and debt sustainability, reducing the external current account deficit, supporting the reliance on external financing and meeting the EAMU-convergence criteria. Despite this, the budget deficit rose to approximately 16% in spite of substantial budget support from international partners. The level of the budget deficit could only be maintained through budget aid and other transfers, since the increase of export was modest and FDI and remittances of expatriate Rwandans remained below expectations. This means that the country continues to be financially highly dependent on donor aid and that foreign debt, being waived in 2006, has again grown to 39% of GDP. Since further investment in infrastructure will be necessary to sustain economic growth, debt service could once again become a heavy burden. The risks are even higher than in the past. The macroeconomic stability of Rwanda also depends on political developments, since the limited potential of the country could be blocked by political insecurity in the region and internal unrest.

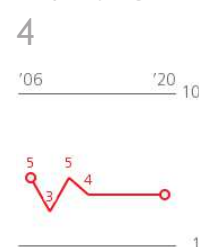
Fiscal stability



9 | Private Property

The constitution and laws guarantee property rights. However, in practice, this applies only to the titled property of urban and rural land in the hands of the small elite and urban middle class. Agricultural non-titled land was traditionally property of the state, the assignment of land to the small subsistence farmers being regulated by local traditions. As a result of the massive refugee movements of the 1960s and 1990s, in which hundreds of thousands of people lost or left their land while others illegally took possession of it, rural land ownership became highly intricate. The government decided therefore to introduce land registration and titling combined with land consolidation by a land act passed in 2005. The project was completed in 2014. The fertile marshlands remain state property. The hillsides are assigned to the farmers on leases of 99 years. The minimum size of an assigned unit was fixed to one hectare and the holding cannot be divided further. Farmland deemed to not be properly cultivated can be reappropriated by the administration. Through these regulations, the government aims not only to settle conflicts over ownership and to stop the further fragmentation of the land but also facilitate its program of agricultural modernization. The project is de facto a program of state-controlled social engineering and runs counter to the right of disposition of the large majority of small farmers, discouraging their individual responsibilities and initiatives.

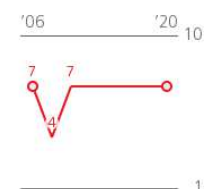
Property rights



In principle, private companies can be established and can act freely. In particular, privatization of formerly state-owned companies has contributed to progress. However, the small middle class owns at best only a fractional share of private companies. Holdings that incorporate their finances and objectives with those of the ruling party and the army are able to combine investment by Rwandan funds, foreign private stakeholders and development funding. They are active in civil work, communication, security services, property development, financial services and increasingly in mining and commercial agriculture.

Private enterprise

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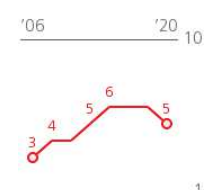


10 | Welfare Regime

19% of the labor force is employed in agriculture and approximately 7% in the other sectors. The labor law ensures the protection of basic labor standards while facilitating the flexibility of labor contracts with the aim of increasing the international competitiveness of the Rwandan economy. For the underemployed, comprising mainly small farmers, craftsmen, traders and casual laborers, there are no special regulations and safety nets to counter the risks of accidents, illness and old age. Since traditional family and neighborhood solidarity have been weakened by poverty, the growing need for social protection has been taken up by the government of Rwanda with a general health insurance providing basic health services, prevention of malaria and HIV/AIDS as well as the treatment of other fatal illnesses. Since the government insists that childbirth takes place in health care centers, life expectancy at birth has improved in the last decade to 66.7 years (2015).

Social safety nets

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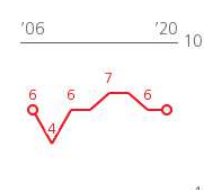


The compulsory health insurance scheme covers 74% of the population. Despite amendments in the premium schedule to assure the financial sustainability of the scheme, it requires large budgetary subsidies from the government, foreign donors and NGOs. The poorest families receive food aid, the provision of which is aided by international donors, to reduce malnutrition, especially in children. The government has also launched the VUP - as mentioned above - for the poorest and most vulnerable people. Although these programs are selective and do not attack the causes of mass poverty, they have led to a decrease in the rate of poverty. However, poverty remains twice as high in rural areas as in cities, which underscores the fact that economic opportunities and welfare provision are still primarily concentrated in urban areas, especially in Kigali.

Education for all is a priority for the government. The literacy rate for those aged 15- to 24-years has reached 86.5 %. The primary net enrollment rate is now 99.0% for boys and girls. However, the average pupil attends secondary school for just 3.3 years – a low figure, as in many other African countries – and the status of Rwanda in the UN Education index of 0.450 has stagnated over the past few years. In response, the government has expanded the free basic education program to six years of secondary education. Higher education enrollment has also increased sharply, with 663,000

Equal opportunity

6



young people over the age of 16 currently attending educational institutions. 9.5% of the state budget is spent on higher education.

There is, however, a concern that the recent rapid expansion in education has led to a decline in quality. Pupils and students in rural and poor urban areas still face difficulties in gaining access to higher education. Nevertheless, progress in public education is the most visible evidence that the regime cares for equal opportunities for all citizens.

In the institutions that are important for keeping the regime in power, only applicants who are judged to be trustworthy are preferred. Hidden discrimination along political and ethnic lines therefore continues in the security forces, the public administration and in the private firms under the control of the army and the ruling party RPF.

11 | Economic Performance

There are high barriers to the government's goal for Rwanda to achieve a self-sustaining economic equilibrium of a middle-income country. The composition of Rwanda's GDP has not changed sufficiently in recent years. To achieve this goal, agricultural reform, industrialization, commercialization, mining and the rationalization of the service sector would need to significantly improve the balance of trade and labor productivity, including the creation of 250,000 to 300,000 new jobs annually. Only such progress would make it possible to take advantage of the country's demographic dividend.

The contribution of agriculture to GDP increased by two percentage points to 31% between 2016 and 2017. Domestic agriculture supplied the growing population with 80% of the staple foods required. The production of coffee and tea could be increased, since these crops are important pillars of the export.

The contribution of tourism to GDP is indicated in publications as a maximum of 12.7 %. It is said to generate \$390 million in foreign exchange and employ 132,000 people. However, these figures are not confirmed by official statistics. In fact, the World Bank calculates that tourism makes a relatively small contribution to economic performance, but is important for the country's reputation.

Overall, however, progress of agricultural reform has slowed. Through the land registration and consolidation described above, the government of Rwanda not only aimed to settle ownership conflicts and stop further fragmentation of holdings, but intended to facilitate agricultural modernization by creating creditworthy units that enable modern cultivation methods. To this end, the government introduced a resource-intensive priority crop program that supports contract farming, land sharing and cooperatives, irrigation, terracing, mechanization, improved seeds, and increased use of fertilizers, pesticides and insecticides. In 2017, while 80.7% of farms

Output strength

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participated in erosion control, only 22.6% of farms were participating in the crop intensification program and 37.5% used chemical fertilizer.

Manufacturing and construction represent 6% of GDP each, mining and electricity, water and waste represent 2% each. Services contribute to more than half of GDP. Growth has taken place primarily in information technology-activated shared services and business process outsourcing. These services have been prioritized as a means for Rwanda to become a regional hub that offers lower costs for quality products. This also applies to shared services that attract banking with service centers for the establishment of international operations in Rwanda. The corresponding services and public administration have grown considerably. However, to this point growth has had very little effect on exports and the balance of payments.

Due to strong competition returns on export of cash crops has remained more or less at the same level even though export volume increased from 2011 to 2017 by 35% for coffee and 16% for tea. Returns on mineral exports declined due to lower volumes and falling international prices, but the government expects that reforms to the mining sector initiated a few years ago, including commercialization, mechanization, development of new deposits and improved production, will lead to significantly higher export revenues and effectively reduce the trade deficit. Opinions differ as to whether these expectations are realistic. In any case, the increased reliance on exports of mining products constitutes a return to the mainstream of African foreign trade policy.

The foreign exchange balance with regard to services remains negative despite recent growth. This also includes private tourism and conference tourism, both of which are heavily supported by state investment.

In summary, over the past decade the trade and services deficit has fluctuated around 20% 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 39% of GDP.

Therefore, foreign aid has macroeconomic weight in Rwanda, like in no other sub-Saharan country. Aid amounts to approximately 13% of GDP and contributes approximately 20% to the budget. If aid were to be curtailed substantially, the Rwandan economy could collapse. This threat became obvious when foreign aid in 2012/13 was temporarily withheld due to Rwanda's involvement in the conflict of the neighboring Kivu-Region of the DRC. GDP growth fell immediately by 50%.

For the foreseeable future, the equilibrium of external accounts, budget and debt service, as well as the necessary investments in infrastructure, will continue to depend on a constant inflow of foreign aid resources. This is despite the praise from the international development community for the rise of economic output by an average of 6% in recent years, called Rwanda's "miracle growth." Rwanda's neighbor

Tanzania has similar indicators to Rwanda's HDI ranking, GDP per capita, and poverty rate amongst others and has remained the same over recent years. Despite government initiatives, Rwanda remains one of the least transformed countries in Africa.

12 | Sustainability

Population density dynamics and the distribution of land resources - which have resulted in soil degradation, deforestation, biodiversity depletion, hillside erosion and pollution – increase the environmental challenges that threaten economic development. To modernize agriculture, the government follows the conventional path of introducing better seeds, promoting increased use of chemical fertilizer and the terracing of hillsides. Productivity has increased, but it remains to be seen whether these measures are sustainable. In other fields, such as the provision of energy, water management and waste disposal, the government follows a policy of environmental conservation. In recognition of its good intentions, Rwanda became a pilot country of the U.N. Poverty and Environment Initiative (UNPEI) and receives substantial funding from donors for environmental pilot projects.

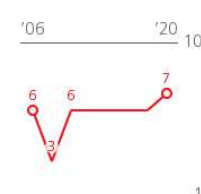
Education and technical training are priorities for the government. Expenditure on education and training has increased year-on-year to represent 5% of GDP at the beginning of the decade. However, in the last few years expenditure has been reduced to 3.5% of GDP due to the growing difficulties of financing the state budget.

In 2016, the primary school net enrollment rate increased to 97.7%, but academic performance in rural primary schools remains low. While the authorities were committed to delivering education to the poor, rural primary schools are unfortunately delivering a poor-quality education. The frustration of the poor is visible in the primary school completion rate: there was an alarmingly decline from 78.6% in 2011 to 65.2% in 2016.

Enrollment in secondary schools has doubled, and the number of teachers has almost tripled. The government's goal is to reach 40% enrollment in upper secondary education. 25% of students eligible for tertiary education will receive a government scholarship, while others will be eligible for loans. A further priority is the increase in the number of vocational training schools. Strengthening technical and vocational education will ensure that the labor market offers the right skills required by a modern economy. In the last five years, the number of students in Tertiary Technical Institutions increased, a modest but promising beginning. 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. Just as in tertiary education, where the number of expensive places at private institutions has significantly grown while the number of places at state institutions remains stagnant,

Environmental policy

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Education policy / R&D

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there is a danger of a growing bias in favor of the upper class. 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.

Since 2007, Rwanda has considerably improved its educational system. The U.N. Education index rose from 395 in 2007 to 450 in 2017. It is one of few African countries with a program of R&D. Recently a National Research and Innovation Fund (NRIF) was launched.

Governance

I. Level of Difficulty

The structural constraints acting on the development of the country are grave. Before 1994, the predominantly rural population lived under precarious conditions, which through the accelerated post-independence population growth continued to deteriorate. The civil war, the mass exodus to the DRC and Tanzania, the HIV/AIDS epidemic and difficult years of reconstruction for the new state added further burden. The new regime underestimated the constraints and announced a far-reaching technocratic reform program called Vision 2020, transforming the country to a thriving regional trade and investment hub based on knowledge-based services, a vibrant middle class of entrepreneurs and a productive and market-oriented agriculture. However, it has become clear that agricultural exports cannot be increased sustainably because of rising domestic demand, that the results of the services sector are difficult to market internationally and that hundreds of thousands of jobs need to be created for a growing workforce that is no longer required in a more productive agricultural sector. 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 fierce international competition.

However, there is no alternative to the continued modernization of agriculture and the search for productive non-agricultural employment, supported by appropriate education and training.

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

In the last two decades, the current regime completely reshaped the territorial structure and cut the links between the former elite and the rural population. While it pretended to mobilize the local population for development efforts in the context of its decentralization policy, de facto popular “participation” is guided and controlled by the local administration and the dominant party. Local representatives are subject to strict control by the central bureaucracy through the detailed personal performance contracts with the president (imihigo). Projects that meet the wishes and expectations

Structural
constraints

9



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Civil society
traditions

9



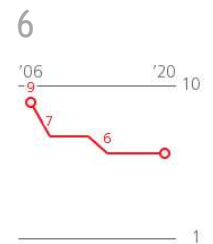
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of the local people and offer them a sense of ownership are therefore rare. The degree of social trust amongst the rural and urban poor is difficult to assess and may differ from sector to sector. Independent NGOs exist only at the national level and react to the government's distrust by adherence to the administrative guidelines and plans. Therefore, they have little innovative impact.

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

Rwandan society remains conflict-laden, which is a major obstacle for 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

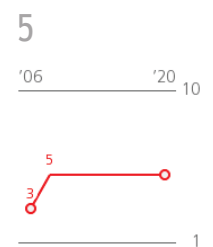
14 | Steering Capability

The objectives of the Vision 2020 roadmap will not be achieved. The promise to make Rwanda a middle-income country therefore has been postponed to 2035. Despite this, the authoritarian government will not change its fundamental course, since its legitimacy is primarily based on achieving sustainable economic progress.

It 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 and the expansion of education and health care. Additional projects include the expansion of Kigali into a center for international meetings, the Kigali Convention Center, the new airport and the expansion of the national airline, the establishment of the special economic zone and countrywide electrification and road construction. It is, however, an open question whether these efforts are the right answer to the country's pressing problems.

Question
Score

Prioritization



Without a doubt, the most notable advance is the reduction of the exorbitant population growth in the last years from an annual average of 3.5% before 1990 to 2.4%. This means that population pressure could be stabilized at a high level in approximately ten years' time and the labor market would be under less pressure.

But reform to agriculture has appeared to stall. The reforms aim to convert agriculture into a productive economic sector, in order to secure the country's own food supply and increase high-quality export products. It was a high priority for the government of Rwanda, which continued to pursue land consolidation and land protection, encouraging farmers to join savings and credit cooperatives, to use fertilizers and construct terrace hillsides. Although the resettlement in villages and the erosion control by terraces represents good progress, only one third of smallholdings participate in land consolidation, crop intensification, use of chemical fertilizer and insecticides. The increase in productivity has therefore remained far below the predictions.

This may be partially due to the top-down approach of the strategy. It does not only follow economic priorities, but may also be determined by power interests. Farmers feel unduly coerced and feel they are victims of arbitrary state action and hidden elite rent-seeking since the system indeed enables rent-seeking and exploitative activities. Cooperatives and commercial farms provide opportunities for the accumulation of wealth for local managers and for trading or processing firms under control of the army or the ruling party.

Decades of experience have made Rwandan peasants highly sensitive to how the fruit of their labor will go to actors higher up the agricultural chain. The malaise of the peasants is also the result of the pressures of having to feed too many jobless members of the family.

It would also appear that rent-seeking is manipulated by the elites. The president and the elites must provide opportunities to those whose support is necessary for staying in power (e.g., to big business, officials of the national and decentralized administration, army officers, cadres of the RPF, etc.).

The inappropriate use of power is to be found not only in the agricultural system but also regarding the industrial firms and conglomerates under the control of RPF and the armed forces. Ulterior priorities of the government were probably also the motive for the support of rebel movements in the neighboring DRC. It wasn't until donors interrupted aid to Rwanda in 2012, which caused serious financial difficulties, that the government of Rwanda agreed to abstain from supporting the rebels. At present, the government seems to have abandoned direct interventions. The future will show whether President Kagame and his inner circle will definitively abstain from political and military involvement in the eastern DRC.

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

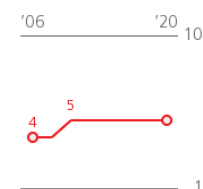
The government ambitiously pursues its progress with great persistence in a top-down bureaucratic way. However, after a fulminant start difficulties and frictions have arisen. Considerable progress has undoubtedly been made, but some programs are based on hypothetical assumptions, especially regarding the reform of agriculture. Experts have serious doubts as to whether the government's strategy can be successful. In addition, current employment schemes appear to be only a superficial solution and it is unclear what alternative livelihood options will be available to the emerging landless class. It is at present unforeseeable whether the EAC will become a powerful engine of further substantive economic development.

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 significantly above-average development aid and a considerable susceptibility to political unrest in neighboring countries and possibly adverse developments in the global markets. Much depends on whether or not the government will conduct foreign, fiscal and development policies in a way that will see donors and private investors continue to provide the necessary assistance.

As far as economic matters are concerned, the government is following a course as agreed with the World Bank and the IMF. The sensitivity of the government to the social consequences of its policies is limited due to the preference for a top-down economic and social engineering approach. There is a pragmatic willingness to experiment in technical and organizational questions, especially with regard to agriculture and manufacturing. Important strategic decisions are questioned, new solutions are introduced, withdrawn, changed and implemented again. In general, there is a preference for a top-down approach, and a belief in some scientific reports, schemas, tables and diagrams.

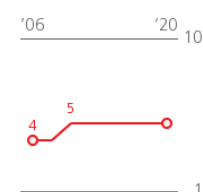
Implementation

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Policy learning

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15 | Resource Efficiency

The government uses most of its available financial resources efficiently. However, domestic financial resources are scarce and human resources are politically filtered. There is fierce competition to find employment in government services, and the applicants from privileged strata will often have better chances.

The state budget is balanced, with 37% being spent on development projects. The collection of taxes, in particular VAT, has been significantly improved. 65% of funds come from domestic sources, 17% are foreign development aid and a further 17% are financed through loans. The financing of the prestige projects in the capital Kigali has, however, placed a considerable burden on the budget and increased 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. It may be provided by the U.S. government, by the U.N. as reimbursement for the participation of Rwandan contingents to AU and U.N. peace missions or last but not least by the transfers from the army-led commercial firms.

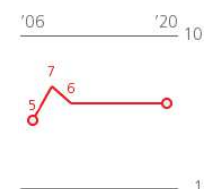
The inner circle of power headed by President Kagame coordinates politics in a hierarchical manner and without noticeable internal deviation. Public statements by government representatives are always aligned with the official policy of the presidency. Due to the hierarchical structure and mentality,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

The fight against corruption is a government priority. This policy 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 this petty corruption continues to be an issue, albeit significantly less than elsewhere in Africa.

In the context of rivalries and power struggles within the upper political and military elite, charges of corruption play a role. A good example were the purges of high-ranking military renegades between 2010 and 2014. The charges of corruption were most probably justified, but the malpractice had already been known and tolerated at the time the defendants held office. A formally legal reward for high-ranking officers or functionaries would be to appoint them to lucrative positions in the network of army and RPF-owned businesses.

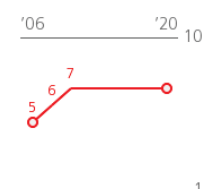
Efficient use of assets

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Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

According to the official analysis of the Rwandan authorities, the constitution of 2003 has created a favorable environment for civil society and free mass media, instituted a forum where political parties can deliberate, and empowered people at the grassroots. The authorities insist that political pluralism and power-sharing have been entrenched in Rwanda's political culture and are driven by the search for social cohesion, national development and economic prosperity. Since there is no internal political opposition or independent public opinion and any critical voices risk being accused of "divisionism," it cannot be judged to what extent this interpretation of the political system is shared by the majority of people.

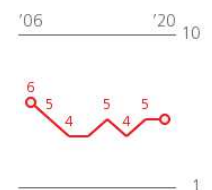
It is unlikely that there is, beyond the desire for peace and security, a consensus between the lower, the middle and the ruling class. With the Gacaca and Abunzi courts, strong bureaucratic chains down to the local level, land consolidation and regrouping and an improved education system, the RPF is about to form a new societal and political structure, characterized by a cowed peasantry, a landless proletariat, small traders and a limited number of employed workers, which can be easily controlled and manipulated. But the regime can count on adaptable and opportunistic reactions of the middle class, state and business employees. The regime hopes to gain legitimacy by improving economic opportunities and has opted for a seemingly free market economy, which involves close cooperation with the World Bank, the IMF and the major Western donors. But the principle of market economy is only applied to the small modern and formal economy, whereas agriculture is regulated by the administration and the poorest strata exposed to the daily struggle to survive.

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

The influence of the military is very high. Internal and external security and the military's privileged status are their top priorities, to be maintained at all costs. Consequently, a mixed style of military and entrepreneurial leadership dominates politics with an authoritarian tone. Defections of high-ranking officers have revealed frictions within the ruling circle, but have been motivated by power struggles rather than pro-democratic convictions.

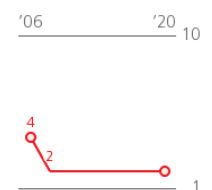
Consensus on goals

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Anti-democratic actors

2



During the reporting period, there was no risk of cleavage-related violence on Rwandan territory. Hutu militias in Congo are decimated, but may carry out isolated terrorist attacks in the border area.

But the activities of opposition Rwandans in exile show that the conflict caused by ethnic identities is still alive, although an important segment of the middle-income Hutu has moved into line with the RPF rule. By doing so however, they have weakened their moral and traditional influence on the rural and urban poor.

The growing number of the very poor are culturally uprooted, but they are exclusively Hutu, which provides a possible breeding ground for future violence. The RPF's mode of governance with its strong belief in managing, monitoring and controlling the population may in the short term strengthen its power, but in the long term, it may be counterproductive, because it antagonizes ever-increasing numbers of Rwandans.

Segments of civil society, such as organizations of women, youth or disabled persons, are officially integrated into the polity via additional seats in parliament. However, they appear to be more like parastatals. Actors, such as genocide victims, profit from close relationships with government officials. The government openly criticizes the notion of civil society as a counterweight to government and insists that national and international NGOs must be effective partners in service delivery for development. Development NGOs are therefore increasingly forced to integrate their activities into the institutionalized development machinery. In the countryside, community-based and non-governmental organizations have little space for their own initiative activities and are therefore weak.

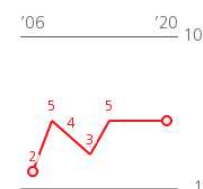
The president and his top aides see themselves as trustees of the commemoration of the genocide 1994 and the reconstruction of the new Rwanda, having outgrown the division of the society and providing for all citizens security, justice and dignified living conditions. For the sake of justice, in the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

The re-election of President Kagame in 2010 and the approval of the prolongation of his mandate in 2017 with the consent of over 98.79 % of registered voters are interpreted by the government to mean that all Rwandans have full confidence in the president and that reconciliation was successful.

However, there is no data on the genuine perceptions of the reconciliation process. Neither the electoral results nor public opinion surveys provide a reliable picture. Two relevant institutions of the government, the National Unity and Reconciliation

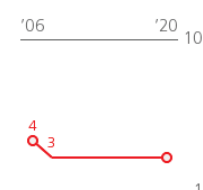
Cleavage / conflict management

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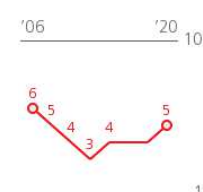
Civil society participation

3



Reconciliation

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Commission and the Rwanda Governance Board, conclude that the majority of respondents judge the reconciliation process as positive. But people would likely complain about the new cleavages, the gap between rich and poor, the increasingly difficult access to land and housing, the absence of opportunities to be listened to by those who make the laws, as well as the arrogance and demonstrated omnipotence of the administration. Covert behind these grievances could still be the reference to the ethnic cleavage since almost all the poor and landless people are Hutu.

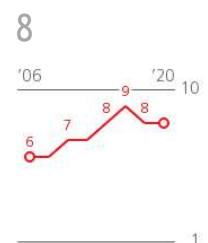
It could be assumed that 25 years after the civil war, the history of a large segment of the population without personal memories or those of family elders, particularly of the 300,000 persons convicted as perpetrators, will fade and the official narrative will predominate. If this is not the case, it is because the Gacaca trials were all too often marred by false accusations, corruption and difficulties in calling defense witnesses. Additionally, the quest for truth has been one-sided. Crimes of the RPA during the civil war and after the victory of 1994 in Rwanda and during the Congo War of 1996 among the Rwandan refugees and the local population have not been cleared, although the death toll exceeded one million.

Last but not least, there are the contradictory attitudes of the government. On the one hand, the RPF's reconciliation rhetoric is based on the downplaying of ethnic identities and the interdiction of all ethnic references; on the other hand, it officially dubbed the 1994 tragedy a "genocide of the Tutsi" in a constitutional amendment in August 2008. All of this contributes to a marked policy of institutionalized ethnic preference. The suppression of a minority by a majority has been replaced by the rule of the minority over the majority. For all these reasons, the reconciliation process in Rwanda is far from being a positive case model as it has been described by some observers and analysts.

17 | International Cooperation

Emerging from the civil war in the decade after 1994, Rwanda received significant foreign financial contributions for its post-conflict reconstruction. The new regime originally had little understanding of the country's economic situation, especially since the war with the DRC – via the illegal trade in raw materials through the army – brought considerable funds into the country. Only on the persistent request of the larger donors and the international organizations and bilateral supporters, such as the United States and Great Britain, did the regime consider creating an appropriate development strategy. After 2000, the new elite began an intensive discussion on the economic and social future of Rwanda, culminating in the program of the "Vision 2020." It echoed the U.N. Millennium Development Goals, the "New Partnership for Africa's Development" (NEPAD) and the conclusions from U.N. conferences on science and knowledge. It stipulated as a goal, that Rwanda, poor in natural resources but rich in people, should become a center concentrating on knowledge-based

Effective use of support



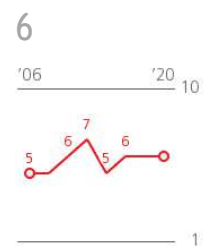
technology. In July 2006, the government of Rwanda modified the strategy by a Development Assistance Policy that drew heavily on the principles of the Paris Declaration and the related international process. The government insisted on unrestricted budget support followed by sector budget support and support for stand-alone projects. The government also insisted that donor resources should be pooled rather than earmarked for individual projects. This resulted in almost 50% of the national budget being financed by foreign aid. From 1995 to 2015, Rwanda received \$17 billion net in foreign aid and from 2015 to 2017 \$3.425 billion (\$1.146 billion annually). Per capita aid amounted to \$103 annually. The share of official development aid (ODA) of GDP is approximately 13%. Among African states Rwanda is, together with Namibia, the top recipient of foreign aid. Rwanda's neighbors receive \$40 to \$45 per capita by comparison.

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

International donor agencies were highly satisfied with Rwanda's economic cooperation. They commended the government for its commitment to good governance, market policy, financial transparency and efficient management and were willing to ignore Rwanda's involvement in the DRC and the upper- and middle-class bias of the vision 2020. Meanwhile, they highlighted that in view of the labor market, agriculture and industrialization as well as the negative balance of payments should receive more attention from the government.

In line with their deep and prestigious involvement in Rwanda's reconstruction, the IMF, the World Bank, the United States, the United Kingdom and the EU until recently preferred either to ignore the country's democratic deficiencies and human rights violations or to express their concerns only privately and diplomatically. President Kagame's straightforward style and ability to define preferences have won him credit in international economic cooperation, although occasionally he does not hesitate to embark on harsh polemics against the United Nations, human rights organizations and the aid agencies of Western donors. He insists on sovereignty and demands that Rwanda is considered equal by international actors. But his reputation has suffered from his decision to be re-elected as president in 2017 for a third term. Also, some experts question whether measures and projects once lauded by external actors are, in fact, adequate to address extant problems, as some of these measures seemed primarily suited to strengthening government power and its control over society. Nevertheless, in the absence of any promising alternative, international actors decided to put their faith in the idea that at a later stage, democratic

Credibility



improvements would follow economic development. A substantial cut in development aid, as in 2013, when the Rwandan government supported a rebel movement in eastern Congo, could again weaken Kagame politically. It would discredit decades of support and cooperation with him and endanger political stability in East Africa. In recent years, the regime has been more careful not to further jeopardize Rwanda's reputation as a model of sustainable and successful development in Africa, which has developed over many years, especially because this could mean a risk of reducing the high level of aid, vital for the country.

Due to the efforts of the British government, Rwanda has become a member of the Commonwealth. More important for the prospects of its economic strategy was the accession to the East African Community (EAC) in July 2007. This step was long overdue. Rwanda profits from this customs union, since substantial parts of the country's trade are either imports from Kenya or are transited through the ports of Kenya and Tanzania. It remains unclear whether efforts to turn the EAC into a common market and monetary union will prove successful. However, such a development would mitigate Rwanda's economic problems.

The EAC region is Rwanda's most important trading partner: the EAC accounted for 26% of Rwanda's total exports. Rwanda is also 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). Rwanda is one of the strongest proponents of the African Continental Free Zone, which it considers 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. Even now, the difficult relations with Burundi, Uganda and especially with the DRC are not conducive to its economic development. Relations with Burundi are poor due to the present orientation of the latter's regime. The desired cooperation with the DRC will depend on its future political development under the new president. The tense relations with Uganda are more likely to have emotional reasons. Uganda accuses the Rwandan leadership, which it decisively helped 25 years ago to seize power, of being ungrateful.

A cornerstone of Rwanda's political and economic strategy was to strengthen its international image and prestige as an active member of the U.N. and AU and other international organizations, as a provider of contingents to U.N. and AU military missions, 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

7



Strategic Outlook

The concept of the Rwandan development strategy “Vision 2020,” which was elaborated around the turn of the millennium, is coming to an end. Significant progress appears to have been made. In and around the capital Kigali, but also in other parts of the country, electricity grids and communication infrastructures have been installed, schools and hospitals expanded and homes improved. But the main objective, to attain the status of a lower-income middle level country, has not been realized. The ruling elite underestimated the obstacles, and some programs proved to be not only unnecessary, but detrimental. Currently a complementary “Vision 2050” strategy is being discussed that will set out the course Rwanda will pursue to realize the ambitions of its rulers. 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.

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 a supreme leader 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.

Beyond the political rhetoric, which is cultivated with high professionalism by the politicians, it is in fact difficult to comply politically with the country’s economic and social challenges. 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, it is necessary to produce more internationally tradable goods, services and industrial products. Possibly increased mineral mining and export of processed minerals will be available. Specialized agrarian goods will continue to have a place in exports, although Rwanda’s potential in this area is limited due to growing demand for crops from its own population.

The government’s rhetoric overstates the speed and persistence 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.

The most urgent task is to create as many productive new jobs as possible. An improvement of the present strategy would be a close and trusting cooperation with Rwanda's neighbors. Rwanda could become a crossroad of the transport corridors to the Indian Ocean and a hub of trade and processing for the products of the neighboring Kivu region in DRC, which is rich in potential. In collaboration with its neighbors, Rwanda could jointly develop regional tourism beyond the present numerically-limited luxury tourism sector. 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.

Unfortunately, Rwanda is highly vulnerable to external threats, commodity price fluctuations, diminishing aid, rival elites that threaten the regimes legitimacy abroad and political unrest in neighboring countries. There are looming additional risks. Uganda's "big man," president Yoweri Museveni, now in office for 32 years, will someday be replaced. The future development of the DRC after 19 years of President Joseph Kabila's dictatorship is uncertain and Burundi is in turmoil. The big donors are reconsidering their priorities. Thus, foreign aid to Rwanda may be reduced in spite of the foreseeable negative consequences. But even if the high level of aid is maintained, donors must be aware that the structural obstacles for the future of Rwanda will persist. While it is without doubt very difficult to design alternative scenarios to the government of Rwanda's agenda of reforms, donors should be mindful of the medium- and long-term consequences of a possible full or partial failure of the current strategies.