On behalf of my Rwandese authorities, I would like to extend my appreciation to the World Bank group as well as the international community for their valuable support to the Government’s continuous efforts to restore peace, put in place good governance, and develop the economy. In particular, they are grateful to Management and staff for the tremendous assistance they are providing Rwanda.

The events of 1994 damaged the social and economic infrastructure, impoverished the population and harmed the environment. The population of vulnerable groups increased substantially. The events decimated institutional capacity and the active labor force. The Government lost most of its experienced and qualified civil servants, who were killed or fled the country. The private sector also lost considerable human and physical capital.

When the Government of National Unity took office in July 1994, its immediate priorities were to: (i) foster national reconciliation and facilitate the return, resettlement and reintegration of the refugees and the victims of the genocide; (ii) rebuild the country’s institutions and capacities; and (iii) stimulate economic recovery and lay the basis for sustained growth and development. With growing confidence in the new Government’s commitment to national reconciliation and social and economic recovery, the international community participated in the relief effort. Although the Bank lacked alternative financing mechanisms for emergency operations, it participated timely in the international effort by providing Rwanda with a USD$20 million Special Emergency Assistance Grant. The grant financed the rehabilitation of social conditions and the resumption of agricultural activities in Rwanda. It helped resettle displaced persons and refugees inside Rwanda. Refugees and displaced people were slowly returning to their place of origin.

The Government recognized that national reconciliation was essential for the success of the recovery effort and for the sustainability of donor support. In this regard, a multi-party National Assembly was sworn in on November 1994. Furthermore, the Government issued a Declaration of Principles spelling out its
political and economic agenda for a “New Rwanda”. On the political side, the Declaration dealt with issues such as human rights and policy actions to stimulate the return of the refugees. On the economic side, it addressed issues such as size and scope of Government, the role of the private sector, the privatization of public enterprises, the trade and exchange regime, and the appropriate level of military expenditures. The Government was committed to a market-based economy, with a key role for the private sector and with a smaller but effective Government focusing primarily on delivering social and economic services.

In January 1995, the Board approved a USD$50 million Emergency Recovery Credit (ERC) to provide humanitarian and economic rehabilitation assistance to Rwanda. The ERC helped the Government to begin the restoration of key economic and social services. The rehabilitation of the National Bank of Rwanda, the Ministry of Finance and the Ministry of Planning started. As a result, the Government was successful in launching its economic policy reform, improving revenue administration, reinstating the budget and the PIP and resuming the compilation of basic economic statistics.

Over one million refugees returned to Rwanda in late 1996. The massive return of refugees put enormous pressure on the programs designed for the resettlement of the refugees. In response to the events, the Government of Rwanda, with the assistance of the World Bank and the UN, designed the Emergency Reintegration and Reconstruction Program (ERRP) to enable the country to move from humanitarian relief onto rehabilitation and development. Progress has been made in resettling the displaced persons and restoring peace. As the situation remained precarious the Government was forced to maintain a certain level of military expenditures.

In April 1997, the Government designed a policy document -- Post-Conflict Reconstruction: Framework for Economic Policies (FEP) which set out the macroeconomic framework and the policy and institutional reform measures to be undertaken in the 1997-98 in the context of the transition program. The Government shifted its policy from relief and humanitarian assistance to development. The FEP aimed at pursuing efforts to resettle and reintegrate all the returned refugees, laying the foundation of national reconciliation, consolidating and building on the progress made in the last two years on macroeconomic management, and initiating reforms necessary for sustainable growth and poverty reduction. Its key areas include the privatization of public enterprises, domestic resource mobilization, reform of the labor, tax and commercial codes, military demobilization and reform of the public sector. Implementation of the privatization program is underway. The rationalization of ministerial functions started. The demobilization program was launched, with the demobilization of a first tranche of 5,000 soldiers.
The FEP provided the basis for a Fund-supported program, a Fund Post-Conflict Emergency Assistance and an IDA second Emergency and Recovery Credit approved by Board on June 1997. The macroeconomic situation improved, with real GDP rising by an estimated 13 percent in 1997, following a 12 percent increase in 1996 and the domestic rate of inflation falling to 11 percent in 1997. Government revenue as a percentage of GDP rose to 9.7 percent in 1996 from 7.1 in 1995, and is estimated to 10.7 percent in 1997. The fiscal remains precarious, with the fiscal deficit before grants at 14 percent of GDP. To support the Government’s efforts to launch a reform program for high and sustainable growth aiming at improving social conditions while continuing to deal with the problems of reintegration and national reconciliation, the IMF and the Bank are preparing a PFP, which will encompass the Government’s development strategy.

Despite the tremendous efforts of the Government with the strong support of the international community, and the improvement in macroeconomic performance, Rwanda continues to face difficult social, financial and economic problems. The CAS, which presents appropriately the country as a special case, reinforces the continued Bank support for Rwanda in areas where it has a comparative advantage. It requests a firm commitment of the Bank for a level of support of USD$80 million in FY 1999 to finance the continued recovery of the economy, with an Economic Recovery Credit, an agriculture and rural infrastructure project, and a rural water project.

My Rwandese authorities and the civil society participated actively in the preparation of the proposed CAS. This first exercise has encouraged them to apply a participatory approach in their working relationship. The CAS supports the Government’s social and economic agenda. Therefore, the Government of Rwanda endorses the proposed Bank’s assistance strategy with a focus on the five themes listed in para. 50 of the CAS document: (i) continuation of the efforts to reintegrate refugees and to promote national reconciliation; (ii) revitalization of the rural economy requiring sustainable increases in agricultural productivity, the protection of natural resources, provision of social and economic infrastructure, and improved functioning of rural markets; (iii) investment in human resource development and capacity building to develop a skilled labor force and improve the welfare of the population; (iv) support to policy and regulatory reforms and selected infrastructure investments to promote private sector trade and investment, and improve Rwanda’s competitiveness; and (iv) improved donor coordination and resource mobilization.

Agriculture and Rural Sector. The revitalization of agriculture and rural sector is a key element of the Government’s program to reduce poverty and improve living conditions in rural areas. To this end, the Government is implementing a long-term agricultural strategy, which recognizes that sustainable growth and improvements in rural incomes can only come by raising productivity in small holder agriculture. A demand-driven, integrated agricultural extension and research services, involving public-private partnerships, will be established by 1999. Government will disengage from these activities and encourage the involvement of the private
sector, and continue to disengage from direct production, processing and marketing activities, eliminate state monopolies and create a conducive environment for private participation. As the productivity of women labor force has become critical to overall productivity growth, the Government is drafting laws to give women the same land inheritance and ownership rights as men. The proposed CAS will support the Government’s efforts in these areas.

Education. Despite the Government’s efforts to reinsert a significant number of returned qualified teachers in Rwanda, and to accelerate the training of existing teachers and the remove of unqualified and non-trainable teachers, the education sector is lacking trained teachers. In addition, there is a severe shortage of budget and instructional material. All these problems result in the low quality of education. The Government intends to raise gradually the budget allocated to education and is drafting a comprehensive strategy for the education sector with the assistance of the Bank and other organizations.

Health. The health sector is also affected by serious shortage in trained personnel, ineffective pharmaceutical distribution system and inadequate budget funding. To address these problems, the Ministry of Health is implementing a health sector strategy based on a decentralized district approach. The priorities are to end the increasing incidence of AIDS, to strengthen the provision of primary health care and to build capacity for the provision of health services.

Environment. The Government is conscious of the need for the resettlement process to be carried out in a way that does not damage further the environment. Its environmental institutions are being strengthened to assist in the environmental assessment in the resettlement process and define Government’s strategies. A national forestry policy is under preparation. This will help to protect and manage the nations endangered forestry resources. The Government will review and update the NEAP to provide long-term framework for environmental restoration, protection and management.

Housing. The Government will continue to support the construction of rural housing, to supplement those that are built under self-help schemes facilitated by agencies and national NGOs. Its immediate goal of the urban housing program is to assist families without accommodation and facilitate the return of houses to the rightful owners.

Justice and governance. The Government is convinced that the transition from war-to-peace requires a stable social environment. Consequently, it is strengthening the policing and judicial capacity at the communal level to promote reconciliation between the resident population and the returnees, and reinforce the capacity of the judicial system to carry out the genocide trials expeditiously. The UN and some bilateral donors are providing assistance to the Government in these areas.