Board Meeting of April 7, 1998
Statement by Juan L. Cariaga

Rwanda – Country Assistance Strategy

Introduction

We would first of all express our appreciation to staff for this very well prepared CAS describing the main developments occurring in Rwanda during recent years and its current situation, as well as the remaining challenges ahead. This is extremely valuable in view of the difficult situation described and allows us to more adequately address it.

More importantly, we welcome the clear assessment of the obstacles Rwanda faces in recovering from the genocide and civil war that destroyed the country’s social fabric, its human resource base, institutional capacity and economic and social infrastructure.

As noted in the report, the political and social events in Rwanda during 1994 have no precedents in recent history. Because of this, the role of the international community has become crucial in providing humanitarian assistance and for the reconstruction of the country.

Rwanda clearly is also a special case as described in the CAS, but our support -- while recognizing that this is so -- is possible because we also recognize the strong commitment shown by the government of Rwanda to national reconciliation and economic reform.

We are therefore able to endorse the Bank’s overall strategy, and are pleased to see that it evolved taking into account input from various elements of civil society and broad consultations with Rwanda’s authorities. However, we would also like to offer some specific comments on this CAS that we hope will be useful.

Economic Considerations

Economic growth in the last two years has been remarkable, but we are concerned that, even if the economy were to grow at 7 percent per year in the next fifteen years, poverty would only be reduced to the level prevailing in 1985. This would still imply that 40 percent of the total population would most likely remain below the poverty line. Of even more concern is the information that, with a growth rate of 5
percent, per capita income would double only after 35 years. This is a somber scenario; it shows there is an overwhelming task to be faced.

Therefore, it not only becomes imperative that Rwandan authorities rapidly embark on rebuilding society, promoting political balance, and setting the conditions for economic growth, but also, and more importantly, we wonder what additional steps the international community should take, if any. In this regard, we urge staff and authorities to continue and augment their work together in order to speed up the economic reform process so as to alleviate the country’s current critical condition.

**Gender**

In Rwanda, 92 percent of the active labor force is in the agriculture sector, with women comprising its majority. As in other countries, women in Rwanda are inadequately rewarded for their participation in economic activities due to the lack of access to education and training, as well as land ownership and credit constraints.

As we know, gender is not only a matter of social justice, but also of development. The elimination of gender inequalities improves productivity, social benefits, and finally reduces poverty. Investment in women’s education also reduces child mortality and fertility levels. These two social indicators are very high in Rwanda and deeper measures are needed to solve them.

For these reasons, we urge Bank staff to continue to work closely with the authorities in order to modify the legal and regulatory framework to ensure equal opportunities, ensure macroeconomic stability, improve microeconomic incentives and redirect public expenditures towards investments that offer the highest social return.

**Risks to the Proposed Strategy**

In general we find that the proposed strategy for Bank support reflects what is possible, while recognizing that this is a high-risk environment. Certainly efforts need to continue to reintegrate refugees and promote national reconciliation. Another area for attention is that of revitalization of the rural economy, especially since Rwanda is an overwhelmingly agricultural country. Food and nutritional security, through sustainable increases in agricultural productivity will also contribute to restoration of social reconciliation.

Moreover, the Bank needs to focus its assistance through use of the modern concept of food security, with concentrated effort not only on the supply of food but also on access. Staff comments on this issue would be welcome.

Although we recognize the political risks that eventually could interrupt or slow economic reform efforts, we still think that Rwanda needs massive assistance from the international community through the transition period. We are pleased to note that the CAS calls for improved donor coordination and resource mobilization. In this respect we welcome the Bank’s efforts in working together with the IMF
and other international institutions by sharing the provision of financing in order to develop a track record for the HIPC.

We would add, however, that the CAS notes that the Bank, IMF and UNDP are well placed to provide leadership in assisting the economic reform process while the UN system and bilateral donors might be better placed to support political transition. While this may be a useful distinction to make for the purposes of the CAS, we hope that the complex inter-relation between the economic and political situation will encourage even greater donor coordination.

As pointed out earlier, Rwanda is a special case. Taking this into account, the CAS proposes a high level of lending of about US $80 million. Notwithstanding, we agree with the Bank’s strategy of monitoring very closely Rwanda’s economic performance in order to assess the pace of lending and reforms for the coming years.

In the pre-war period, as the CAS notes, the Bank and the donor community did not adequately evaluate the social and political risks in their assistance to the government. We would appreciate staff comments on how these risks will be assessed and dealt with in the future.

In spite of the high risks inherent in this situation and the impossibility of guaranteeing the outcome, we believe that the Bank has designed an appropriate strategy for a transition period.

Finally, we would again like to recognize the Government’s efforts in restoring peace and national reconciliation, and wish them success in the implementation of this essential program.