Rwanda: The Search for Post-Conflict Socio-Economic Change, 1995-2001
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Abstract

Rwanda is recovering from the genocide of 1994, a human tragedy that has few, if any parallels. Since July 1994, Rwanda has been engaged in an effort to rebuild its devastated society and economy, and have taken some bold and innovative measures to that effect. A change to elected governments at all levels is expected by end 2003, realizing a goal that was set in the negotiations of the Arusha Peace Accord in July 1993, before the genocide, though about eight years later than planned in Arusha. This forthcoming change in governance would be the culmination of an ambitious transition process that involved the resettlement and reintegration of over 3 million refugees and displaced persons, dialogue at national and local levels to promote national reconciliation and build the consensus for change, the liberalization of the economy through a program of economic reforms, the decentralization of government with a series of local elections to that effect, and the establishment and reinforcement of other governance institutions. This paper reviews the efforts on the social, political and economic spheres to overcome the legacies of the genocide and endemic poverty, and lay the foundation for a stable future and improving living standards. The paper concludes that despite diversions such as the insurgencies from dissident exiles in the Democratic Republic of the Congo (DRC), Rwanda’s involvement in the war in the DRC as well as the conflicts with Uganda, and the other obstacles such as the weak human and institutional capacity, Rwanda has made remarkable progress in the transition. Future peace and stability however depend on the management of ethnic relations in the country, the improvements in the living standards of the population, and evolution of the conflicts in the Great Lakes region and the recovery of the economies. These in turn depend on the implementation of the governance agenda, the economic reform program and the institutional capacity building efforts, the active pursuit by Rwanda and other countries of peace and regional integration in the Great Lakes region, and the strong support of the international community for the peace process and broad economic recovery in the region.

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I. Introduction

A History of Violence

On April 6 1994, the plane carrying President Habyarimana of Rwanda and President Cyprien Ntayamira of Burundi was mysteriously shot down over Kigali and both presidents died. This event provided the pretext for launching a planned genocide. Extremists belonging to the governing party, Mouvement National Révolutionnaire pour le Développement (MNRD), with the support of the army, les Forces Armees du Rwanda (FAR) as well as a private Hutu militia, the interahamwe, began to execute the plan to exterminate the Tutsi population and eliminate moderate Hutu politicians and civic leaders. Within three months, up to a million people, mainly Tutsis were killed. About two million Rwandese fled to refugee camps in neighboring countries, and another one million were displaced internally. The United Nations eventually recognized the tragic events of 1994 as genocide.

This genocide was the culmination of years of violent conflict dating back to 1959. The seeds of conflict in Rwanda were sown during the colonial rule, with adoption and institutionalization by the colonial administrations of a rigid ethnic (Hutu/Tutsi) classification, based on the class distinctions that existed in the pre-colonial kingdom of Rwanda. Colonial policies accorded the minority Tutsi social and economic privileges, while creating an underclass of the majority Hutu. Religious, racial and historical factors, as well as physical appearance, were evoked to justify the classifications and the implied superiority of Tutsis over Hutus. As the colonial powers governed by indirect rule, the monarch and his mostly Tutsi chiefs essentially controlled the affairs of the state in both Rwanda and Burundi.

Hutus, estimated to be about 80 percent of the population, revolted against Tutsi domination in 1959 while the country was still under Belgian rule. In the ensuing riots, many of the Tutsi chiefs were killed or deposed and large numbers of Tutsis, including the reigning monarch, fled Rwanda. These events, as well as the independence movement that was sweeping through Africa with the establishment of elected governments in preparation for independence, persuaded the Belgian administration to change its colonial policies. A referendum in 1961 favored a republican system of Government and put an end to the Tutsi monarchy. Simultaneous parliamentary elections gave a large majority to the predominantly Hutu party, Mouvement Democratique du Republic (MDR) and its leader, Grégoire Kayibanda became President when Rwanda gained independence in July 1962.

At independence, Rwanda, like most newly established African republics, had no experience in democratic republicanism. Unlike most others however, Rwanda had centuries of tradition of organized statehood in the form of an oligarchy, with a king that was accorded divine status. However, neither the challenges of this transition from oligarchy to a democratic republican government nor the implications of the rigid ethnic structure that evolved during colonialism were factored into the design of the new structure of governance for independent Rwanda.
Further violent riots in 1963-64 and 1973 led to the killing and flight of more Tutsis from Rwanda. An attack on Rwanda in 1963 by a band of Tutsi exiles ignited the 1963-64 killings while the killings of Hutus in Burundi in 1972 was the pretext for the Kayibanda regime to foster anti-Tutsi violence presumably as a process to eliminate its enemies and consolidate its power in the country. The violence was ostensibly aimed at Tutsis but prominent Hutus, particularly those considered threats to the regime, were also attacked, engendering apprehension among Hutu political figures that were not part of the inner circle around the President. In July 1973, the Minister of National Defense, Major-General Juvenal Habyarimana organized a coup d'état, overthrew the government, established the Second Republic of Rwanda and assumed the office of the President.

Three important points on this cycle of violence are worth noting. First, in all the riots/killings, there was no effort to call people to account for the killings. This includes the first riots in 1959, when Rwanda was still under the rule of Belgium. This apparent official sanction for “ethnic”-based killing created an atmosphere of impunity of ethnic violence that might have encouraged the escalation of the killings in subsequent episodes of violence. Secondly, poor governance and socio-political instability in some of the other countries in the Great Lakes region, notably Congo/Zaire, Uganda and Burundi, sustained the instability and violence in Rwanda. The large numbers of restless Rwandese exiles in these volatile countries were threats to the security of the government in Kigali. Uganda, home to a large number of Rwandese Tutsi exiles, experienced political instability and civil war during the 70s and 80s. Burundi, with its restless Hutu population in the a context where the minority Tutsi group held on to power, also provided refuge to Tutsis from Rwanda. Finally, the real, contrived and imagined threats of invasion by these exiles were used to fan Hutu extremism and consequently escalate violence. The ruling elite maintained its hold on power by open exploitation of ethnic differences and the tolerance of impunity.

Nevertheless, despite the sporadic deadly violence, the threats by exiles, and underlying conflicts in the society, Rwanda enjoyed periods of peace, appeared to outsiders to be a well managed country, was favored by the donor community and received large amounts of external aid, and in the seventies and eighties, its economy thrived.

Objective of this Paper

Following the genocide of 1994, Rwanda faced a huge challenge of reinventing itself, healing the substantial wounds of the genocide, breaking away from centuries-old oligarchies with class and ethnic distinctions, building an effective and liberal democratic state, and improving the living standards of its people. The objective of this paper is to assess the socio-political and economic developments in Rwanda after the genocide, and the actions taken to deal with the emergencies and legacies of the genocide, and support socio-economic recovery. This review aims to provide useful lessons for continued development actions in Rwanda and for reconstruction and recovery in conflict affected countries in general.

To put the policy and institutional changes after the genocide in an appropriate historical context, section 2 reviews the pre-genocide governance and economic management and section 3 briefly reviews the issues leading civil war and agreement on the Arusha Peace Accord. Section 4 discusses the genocide, its aftermath and legacies, the economic consequences and actions taken by the Government and the international community to address the related emergencies.

In the post genocide period, 1995-2001, Rwanda implemented several socio-political and economic actions to enable the country recover from genocide and build a foundation for
national reconciliation and economic development. These actions have generally been overshadowed by the dramatic episodes of massive flows of refugees as well as the focus on Rwanda’s military involvement in the war in the Democratic Republic of the Congo (DRC) that captured the headlines. In 1998, Rwanda elaborated a vision (Vision 2020) for its future development. Subsequent policy actions were in the context of the pursuit of this vision.

Section 5 reviews the new governance structure and the Vision 2020 for the new Rwanda, and section 6 discusses the actions taken in the years following the genocide to facilitate the transition from emergency to development. The role of the international community in the emergency and transition periods is discussed in section 7. The efforts during this transition to build the foundations for long-term economic growth and poverty reduction, in the context of the vision for the New Rwanda, are discussed in section 8. This includes actions for national reintegration and national reconciliation, governance and policy reforms and macroeconomic management. Section 9 presents the summary and conclusions of this review, including assessments of the economic prospects and the risks to Rwanda’s development.

II. Social and Economic Management in the Pre-Genocide Era

Goveriance

The role and authority and legitimacy of the state in Rwanda, unlike that in most other African countries, was not imposed by a constitution designed with the colonial powers and launched at independence. Rather, it was a product of centuries of organized statehood, in which the King had divine status and the population accepted his authority without question. The citizens were accustomed to complying with the dictates of the central authority, thus the government installed in 1962, although without the same legitimacy as the King, would have expected the same respect for and compliance to its authority.

The motto of the ruling party in the first pre-independent government was “Hutu power”, implying the exclusive reserve of state power for the Hutus. The politics of exclusion was maintained by isolating people, with policies that limited rural-urban migration and other internal migration. The authorities maintained the colonial classification of Rwandese into “Hutu”, “Tutsi” or “Twa” on the identity cards of every citizen. The Tutsis as well as the Twas were marginalized and effectively excluded from political participation and leadership. The government used the threats of the return of the “Tutsi oligarchy” to maintain Hutu solidarity and support for its policies. Rwanda’s system of local administration, staffed and controlled by officials appointed by Kigali, enabled the center to exercise effective control of the country, ensuring the practice of exclusion at all levels of the society. Nevertheless, Rwanda maintained its participatory heritage, the existing mechanisms of consultations with the population were used, and community organs and participation remained strong. However, in a closed society as Rwanda was, participation was increasingly becoming a tool for reinforcing compliance.

The policies of exclusion of the minorities were continued after Habyarimana came to power in 1974 and were progressively institutionalized, with the use of quotas that discriminated against the Tutsi. Habyarimana established his own political party, Mouvement National Révolutionnaire pour le Développement (MNRD), and subsequently changed the constitution to make the MNRD the sole political party in Rwanda. This one party rule reinforced the policies of exclusion. Strong international pressure forced Habyarimana to
change and a plurality of parties was adopted in a new constitution of June 1, 1991. This not only allowed the opposition parties to organize and speak out on public policy issues, it enabled the extremist wings within the ruling party to develop and openly propagate anti-Tutsi ideology. The hate messages had more impact than before as this time the country was at war and the RPA occupied parts of the country.

The Government was the dominant player in the socio-economic affairs in Rwanda. The private sector in Rwanda was small and weak and essentially an extension of the government. Under Habyarimana, the governance of Rwanda was essentially corporatist, with the trade union leadership, the powerful Catholic Church, and the principal players in the private sector and the local NGOs on the team with the Government, under the leadership of the president. Elements of the corporatist model were institutionalized by legislation. The government established by legislation a Chamber of Commerce for the private sector and all private firms were required to join it. The state subsidized this chamber of commerce and appointed its officers. The labor laws were generous to the trade unions--generous annual leaves, minimum wages by skill categories, strong emphasis on job security, and mandatory annual pay increases.

The parastatal sector was relatively small, the parastatals were generally subject to the same rules the private sector, except the tax exemptions, and many of them performed relatively well. The corporatist approach provided an environment where both existing private and state institutions prospered by staying within the rules however, entry into this elite community was restricted. Rwanda did not experience the irrational predatory actions that were common among the leaders of contemporary Africa and arbitrary government interference in the affairs of the private sector and parastatals was generally avoided. Nevertheless, the corporatist environment was not inclusive, entry into the elitist community, including the formal private sector, was restricted by institutional practice.

Economic Management

The pre-genocide administration was, up to the late 1980s, a highly regarded, conservative, and prudent macroeconomic manager. Until the late 1980s, the results were impressive. Rwanda’s per capita income rose from US$70 in 1973 to US$380 in 1988, the highest in the Great Lakes region that includes Burundi, the Democratic Republic of the Congo (DRC), Tanzania and Uganda. In the 1970s and 1980s, Rwanda was able to maintain low inflation and stable and realistic exchange rates in a period when many countries in the region were teetering on the brink of hyper-inflation. The inflation rate between 1980 and 1990 was 3.9 percent, one of the lowest in the world. As a result of its good economic management, a perception of participatory practices and concern for the protection of the environment, Rwanda was regarded as a star performer by the international community and received large amounts of international assistance. The reputation for prudent economic management and its economic performance masked its social policies of exclusion while the large flows of donor funds masked the severe structural problems of the economy.

Rwanda’s economy experienced rapid growth of GDP and per capita incomes with economic stability in the 1960-70s. Growth rates began to decline in the 1980s as real GDP, which grew by 6.5 percent per annum between 1973-80 and by an average of 2.9 percent in 1980-85, declined by 0.8 percent per annum in 1986-90 and further by 1.2 percent per annum in 1988-93 as the economic situation deteriorated with a full-scale civil war in October 1990 that displaced people from their homes, increased insecurity throughout the country and interrupted economic activities. This declining economic performance resulted in the rapid increase in poverty, particularly in the rural areas that was also hit hard by the terms of trade.
losses. The GNP per capita declined from a peak of US$380 in 1988 to US$260 in 1993 and the proportion of households living below the poverty line increased to 53 percent in 1993, up from 40 percent in 1985. The external debt rose rapidly, from US$0.4 billion in 1985 to US$0.9 billion in 1993, even as economic activity declined. During the same period, Government revenues as a proportion of GDP declined from 12.2 to 9.1 percent, military expenditures rose sharply from 1.5 percent of GDP in 1985 to a peak of 6.2 percent in 1992. While access to education and primary health care services had improved after independence, the quality of services declined due to reduced government expropriations for the social sectors due to lower government revenues and increases in military expenditures.

Economic growth in the early years of independence had been driven by a combination of extension of land under cultivation, favorable terms of external trade, stable macroeconomic environment, and large inflows of external assistance. However, the significant decline in the terms of trade in the 70s and 80s drastically reduced government revenues and the incomes of the rural farmers. Demographic pressures and the related restrictions on labor mobility aggravated this decline in national income. With the population kept largely rural by strict policies of control of internal migration in the context of high population growth rates (over 3.5 percent), the rapid increase of rural population accelerated the fragmentation of farmland. The combination of the progressive extension of farming into less fertile and productive areas, smaller land-holdings by farmers, and the decline in the prices of export cash crops, impoverished the rural population.

In the face of these challenges to sustaining growth and incomes, there were limited pressures on the Government to act decisively on the required structural reforms. While the macroeconomic policies were generally adequate, the structural policies, such as those related to the marketing and exports of coffee and tea, were not sufficiently flexible to respond effectively to the global economic shocks. For instance, while the exchange rate appeared to have been flexibly managed, the producer price of tea did not respond to the changes in exchange rates. However, with a combination of a growing economy (at least in the early stages) and macroeconomic stability, life was generally good for the elite, even those with modest means, including medium-level civil servants and most urban dwellers. This elite that was in a way protected from the global external shocks were unlikely to press for reforms that would expose them to the shocks and imperil their living standards. Furthermore, as the economy appeared to be well managed in an era during which the major thrust of economic adjustment was on containing inflationary pressures and reducing macroeconomic imbalances, the need for change in Rwanda appeared less compelling to the donors than elsewhere.

Nevertheless, Rwanda could not escape the pressures to liberalize economies and reform public administrations that were sweeping through the continent of Africa. The Government successfully resisted IMF-World Bank supervised economic reforms until 1990 when it relented under the pressure of mounting fiscal requirements. Rwanda was reluctant reformer, with a government that did not want to engage its public on issues of economic reform. The Government requested that the dialogue on reforms with the Bretton Woods institutions be kept confidential and out of the Rwandan public. The President traveled to Washington in October 1990 to finalize discussions and ensure that the agreements were kept under wraps. The international development community, including the World Bank and the IMF, the European Union, and the African Development Bank as well as several bilateral donors, encouraged by seeming progress in the peace negotiations and to encourage a negotiated settlement to the conflict, committed about US$220 million to support the reform program.
The reform program however could not be implemented effectively as the country was in a civil war that destabilized public administration and undermined fiscal management and the capacity to implement reforms. The economy deteriorated further with the weight of continuing civil war, violence and political uncertainty. By 1993, the per capita income had fallen to US$260 per capita, from US$380 in 1988, and 53 percent of the population were below the poverty line, compared to 40 percent in 1985.

III. The Civil War and the Arusha Accord

Policies on the Return of Refugees

Although over the years, Rwandese exiles and their descendants moved out refugee camps and established sustainable livelihoods in the countries of refuge, they were not be integrated into the societies in these countries. Besides violent conflicts and political instabilities in the host countries victimized the Rwandan exiles. For instance, during the Obote regime in Uganda, the Banyarwanda were more often singled out and mistreated by the soldiers because of their Rwandese heritage. Thus, notwithstanding that the Rwandese authorities have rejected them, the desire of exiled Banyarwanda for the right to return to Rwanda remained very strong. The Kayibanda regime marginalized those Tutsis that remained in Rwanda and thus its appeals for the refugees to return were not credible. In 1986, the Habyarimana regime and its ruling party, the MRND, adopted the position that Rwanda was already overpopulated, ruled out mass repatriation of refugees and imposed conditions on the return of each individual refugee.

Invasion of Rwanda by exiles

Although exiles had been making sporadic armed incursions into Rwanda since the 1960s, it was not until 1990 that they made a significant breakthrough. In October 1990, the Rwanda Patriotic Army (RPA), the military arm of the exile movement, the Rwandese Patriotic Front (RPF), invaded Rwanda from neighboring Uganda. The RPA was a capable military force as many of its officers and soldiers served in the National Resistance Army (NRA), the rebel army headed by Yoweri Museveni that fought and defeated the Obote regime in Uganda. The invaders occupied a large portion of the country and fought the government forces to a stalemate. Intense international pressure forced both parties to the negotiating table. After a series of cease-fire agreements were made and broken, the Government and the RPF signed a definitive peace agreement in Arusha, Tanzania in August 1993.

The Arusha Accord

The Accord was a detailed framework for governing Rwanda in the period of transition to democratic rule, including the arrangements for the transition. The Accord would end exclusion, with provisions for broad power sharing, government by consensus and the recognition of the rights of all Banyarwanda return to the country if they wished. It provided for the mechanisms to promote national unity and reconciliation, resettle and reintegrate any Banyarwanda that returns from exile, institutionalize the rule of law and the respect for human rights, and establish a democratic government. The main features of the Accord were:

♦ the formation of a transitional coalition government with representation from six major political parties including the RPF;
the creation of a cabinet with 21 members, to be the decision-making organ of government with the authority for major decisions by consensus, including appointments to high government positions;

♦ each cabinet post was assigned to a specific party; President Habyarimana was to retain his position and the post of the Prime Minister was assigned to the MDR, the party in power in the first post-independence government. The most important position assigned to the RPF was Minister of Interior and Vice-Prime Minister;

♦ provided a detailed process for the integration of the Government army, the Forces Armées du Rwanda (FAR), and the RPA, the military wing of the RPF, and the reorganization of the Gendamerie;

♦ provided a framework for the return and permanent resettlement of all refugees;

♦ provided for the creation of commissions for national unity and reconciliation, human rights, and constitutional and legal affairs;

♦ established a transitional National Assembly of 70 members, with specified representation for all the political parties. The five major parties would have 11 members each and the smaller parties 4 or less. The members were to be nominated by their parties; and

♦ fixed the period of the transition was fixed as 22 months during which a new constitution would be written and democratic elections held.

The Arusha Accord attempted to address the fundamental problems behind the conflict—institutional exclusion in the country, the rights of Rwandese to return to Rwanda, and the transition process to an inclusive, democratic and stable Rwanda. It is a good model of power sharing and political transition but it lacked the incentives/sanctions for compliance by all the signatories and their political parties. The ruling elite did not have much incentive to comply. The Accord provided for President Habyarimana to retain his post, but for all practical purposes, it took away most of his powers. The cabinet, in which his party would have about 25 percent of the posts, was to be the powerful organ of government. For his close associates, particularly the members of the akazu, his kitchen cabinet, the Accord would have put an abrupt end to their privileged access to economic and political power. The officers of the then army—the FAR—would naturally been concerned about the loss of ranks/influence if the integration of the FAR and the RPA went ahead as envisaged in the Accord. Besides, the militant partisans of the MNRD did not trust the RPF’s willingness to share power as outlined in the Arusha Accord. Thus, there was little enthusiasm in the ruling regime to implement the Arusha Accord and it used every tactic available to delay implementation.

Furthermore, internal disputes within the MDR, the main Hutu opposition party, and the slow response of the UN in providing its support to the program added to the delay in the formation of the new coalition government envisaged by the Accord. The MDR, assigned the post of Prime Minister by the Arusha Accord, was sharply split into two factions and could not settle on a single candidate. While there was international pressure to reach a peace agreement, the international community neither put sustained pressure nor provided the resources for implementing the Accord. The UN troops that were to supervise the truce and facilitate the formation of the coalition government did not arrive on time. The tragic end of the power-sharing arrangement in Burundi, with the assassination of the elected Hutu President, Melchior Ndadaye in October 1993, by Burundian Tutsi soldiers was probably a decisive factor in killing the Accord. This event strengthened the opposition of Hutu extremists to power sharing with the RPF.
IV. The Genocide and its Aftermath

The details of this tragic and ignominious event that started on April 6, 1994 are well known. Estimates of the dead are in the range of 800,000-1,000,000, mainly Tutsis and moderate Hutus. This event was clearly orchestrated from the top of leadership of the provisional government that assumed power after the death of Habyarimana. Shortly after the killings began, the RPA launched an offensive against the FAR forces and their allies. Within three months, the RPA took control of Kigali and declared the war to be over. Another wave of Rwandese refugees (new case load refugees), this time, about 2 million Hutus, among them the defeated FAR soldiers and the interahamwe militias, fled to neighboring countries, primarily the Democratic Republic of the Congo (then Zaire), Tanzania and Burundi. About a million people were internally displaced. After the RPA had driven the then government and its army and militias out of Rwanda, international assistance began to flow into Rwanda and neighboring countries, concentrated on humanitarian assistance and support for refugees and displaced people.

A transition Government of National Unity (GNU) was formed in July 1994 in the framework of the Arusha Accord. The GNU faced the challenges of restoring peace, resettling the millions of displaced people and returned old case-load refugees, facilitating the return, resettlement and reintegration of the new case-load refugees outside the country, assisting the victims of genocide, bringing the perpetrators of the genocide to justice, building institutions and capacities, rehabilitating economic and social infrastructure and reviving the economy. This was clearly a large agenda for a coalition of disparate forces with little experience in government and very limited financial resources and technical capacity.

Return of Refugees

Following the RPF military victory and the formation of a new coalition Government an estimated 800,000 exiles of the 1959-73 conflicts (old-case load refugees) returned to Rwanda. For the 1994 refugees (new-case load refugees), the efforts of the Government to entice them back and of UNHCR to facilitate the return of those who wanted to go home to Rwanda, could not break the hold of the militants that effectively controlled the UN refugee camps in the DRC. While in 1995 and the first half of 1996, the return of new case load refugees was only a trickle at less than an average of seven thousand per month, extensive plans were prepared by the Government and relief agencies for their eventual resettlement. It took the deterioration of security conditions in Burundi in mid-1996 as well as the military action by the RPA in the then Zaire to break up the refugee camps to induce the return of the refugees to Rwanda. An estimated 1.3 million came back in 1996 from the DRC, Burundi and Tanzania. Between November 1996 and January 1997 about 1.1 million returned, creating an enormous resettlement crisis within Rwanda. According to UNHCR, this was the largest and swiftest repatriation in UNHCR’s 46-year history. It noted “over six days an estimated 600,000 people formed a 260-kilometre-long line streaming out of Zaire.” It was a made-for TV event.

The Government and the UN relief agencies managed this new crisis well. At that time, the Government had insisted on the immediate return of the refugees to their home communes and the avoidance of intermediate holding camps for the refugees. This appeared unrealistic and the international relief agencies accepted it with misgivings. However, with great resilience on the part of the returnees and the receiving communities, the logistical challenge of this operation was met, allowing the majority of the returnees to quickly resettle in familiar, though not necessarily hospitable, surroundings. The issue of return of the properties of the
returnees proved to be not as contentious as feared, because actions and dialogue at the local levels, supported by local authorities national and international NGOs, helped to diffuse tensions. However, these local actions were essentially stop-gap actions pending more permanent arrangements. The Government and international relief agencies provided returned refugees with survival packages including food and temporary shelter where necessary.

The success in relocating the returned refugees in their home communes created the impression in government and donor circles that the refugee emergency was largely over. The Government, anxious to move from addressing emergency problems to dealing with development issues, requested donors to switch emergency assistance to development aid. However, the massive return of refugees generated an equally enormous need for assistance to reintegrate the refugees into their communities and to build sustainable livelihoods. This required permanent shelter, social services and income generating activities. Furthermore, refugees continued to return in large numbers in 1998, 1999 and 2000, thus a continuing need for resettlement and integration. However, reintegration was like an orphan activity. In the division of responsibilities between the international relief and development agencies, the responsibility for providing assistance for integration of refugees was not clear, particularly in the large scale of the Rwandan operation.15

The work of UNHCR in Rwanda had already involved support for reintegration activities, partly from the insistence of the government and the communities that these issues be addressed. By end 2000, UNHCR had assisted in the construction of over 100,000 homes for returned refugees and other displaced and vulnerable households at an estimated cost of US$183 million.16 In addition, a number of international and local NGOs were already on the ground in Rwanda before the genocide and started to support resettlement and reintegration activities, including permanent housing, right after the genocide. However, by 1999, the support from donors for relief agencies and NGOs involved in reintegration activities dwindled and UNHCR began to phase out of its reintegration activities, particularly permanent housing and provision social service facilities.17 Some donors argued that permanent housing was outside the mandate of UNHCR.18

Concerns by donors and NGOs over the Government's policy requiring new settlements to be in the form of grouped settlements, as stipulated in the Arusha Accord, was also a factor in the decline of financial support for reintegration. Nevertheless, the premature reduction of emergency assistance risked jeopardizing the progress made in the resettlement and reintegration process and risked creating a permanent underclass of vulnerable people. The donors have recognized the need to fill this gap and the multi-donor Brookings Process was initiated in 2000 to address the outstanding resettlement and reintegration needs in conflict affected countries in the transition from emergency to development.19

The War in the Democratic Republic of the Congo (DRC)

The massive return of the refugees in 1996/97 did not consolidate peace in Rwanda as expected. The remnants of the ex-FAR and *interahamwe* militia had fled the invasion of the camps by the RPA, moving deeper into the DRC and taking non-combatants with them. These forces, allegedly with the support of the Mobutu regime in Zaire, made regular incursions into Rwanda, killing people, destroying property and disrupting economic and social activity, particularly in the two northwestern provinces of Gisenyi and Ruhengeri. The Rwanda Patriotic Army (RPA), in alliance with Uganda and Zairien rebel groups led by Laurent Kabila, carried the fighting deep into Zaire, and ultimately ousted Mobutu in May 1997 and installed a new government led by Laurent Kabila in Kinshasa.20 This led to another round of hope for peace in Rwanda and the Great Lakes region that proved to be short-lived. The
interahamwe soon escalated its incursions into Rwanda from bases in Zaire, now renamed the Democratic Republic of the Congo (DRC) by the new regime, and completely destabilized the northwest region of Rwanda.

These attacks continued well into 1998 and resulted in the death of 1500 people and the displacement of 650,000 people. It appeared that the new government in the DRC was either unable or unwilling to control the forces that made violent incursions into Rwanda and Uganda from bases in the DRC. The alliance broke up, apparently from the strains of these incursions as well as the failure of the President Kabila to build a broad and effective government in Kinshasa that would stabilize the DRC and reluctance to move on regional issues. A new round of hostilities in the DRC ensued, with Rwandan and Ugandan troops fighting alongside new rebels against the forces of the government in Kinshasa.21

Economic Impact of Civil Strife and Genocide

The civil war started in the context of an already stagnating economy. The start of the war coincided with the initiation in 1990, of structural economic reforms designed to halt the economic decline and resume economic growth. However, the insecurity of the war adversely affected the implementation and effectiveness of the reform program and the decline of living standards accelerated. The economic impoverishment of the rural population and increased unemployment, particularly among the youth, coupled with the insecurity in the country created an atmosphere that was receptive to messages of hate and genocide. In 1994, following the genocide, real GDP fell by 50 percent and the inflation rate rose sharply to 62 percent compared to 12.4 percent in 1993. Government revenues declined to 5.8 percent in 1995 from a low of 9.1 percent in 1993, thus Rwanda’s economic recovery depended on the generosity of external assistance.

Following the steep decline in 1994, the economy grew by 37 percent in 1995, and at an average of 12 percent in 1996-97, and 10 percent in 1998. This performance reflected a rebound from stagnation of 1990-93 and the steep decline of 1994, a typical phenomenon in post-conflict reconstruction situations. Growth of the economy returned to single digit levels in 1999 and 2000, with real GDP growth rates of 7.3 percent and an estimated 6.0 percent respectively. With the rebound, in 2000, the level of real GDP reached its 1990 level, six years after the genocide. With population growth, the per capita income in 2000 at about US$240 is considerably lower than the US$370 in 1990, and quality of life indicators (life expectancy, infant mortality, HIV/AIDS prevalence) remain much worse.

For Rwanda, the decade of the 1990s was more than a lost decade. The conflict, civil war and genocide of 1994 have cost Rwanda at least one million lives. The reduction in quality of life, with the destruction of essential domestic property, the disruption in economic and social activities, the destruction of human relations, and increased insecurity, is hard to quantify. The direct economic losses due to the disruption of economic activity and the destruction of social, human and physical capital are massive. Figure 1 provides a simple illustration of the economic losses since 1990.
It shows the difference between the actual real GDP and a counterfactual GDP representing a situation of a peaceful resolution of the conflict in Rwanda in 1990 and thus the avoidance of civil war and genocide. This counterfactual, (peace scenario) assumes a GDP growth of 4 percent per annum for 1990-2000. GDP in the counterfactual peace scenario is higher than the actual by 42 percent and per capita income, calculated on the basis of a 16 percent higher population in the peace scenario, is 22 percent higher in the counterfactual. Ceteribus paribus, the war and genocide, by destroying human and physical capital, would reduce the prospects for long-term development. Furthermore, the resources spent to deal with the legacies of the genocide, such as the war in the DRC, consume resources that would have gone to development. However, the tragedy and disruptions experienced by Rwanda also destroyed some dysfunctional institutions and provide the opportunity to build new, relevant and productive institutions. This was one of the main challenges that Rwanda faced.

V. Building the Foundations for a New Rwanda

Change of the Guard in Rwanda

Following the defeat of the Forces Armées du Rwanda (FAR) by the Rwanda Patroitic Army (RPA), the RPF issued a declaration renouncing any power sharing with the political parties and formations implicated in the genocide. Thus, the Government of National Unity was to be a coalition of the RPF and the political parties named in the Arusha Accord except the MNRD, the ruling party of the previous government. The declaration extended the term of the transition government from the 22 months to five years, and created the position of vice-president, which was not in the Arusha Accord. Pasteur Bizimungu, a Hutu and a longtime prominent member of the RPF became the President of the Republic and General Paul Kagame, the commander of the RPA, became vice-president and minister of defense. The latter was widely regarded as the “strongman” in the new government.

The RPF and these other political parties eventually signed a protocol endorsing the RPF declaration and agreeing to the sharing of the seats in the Transitional National Assembly. Each of the four major parties in the coalition nominated 13 members to the Assembly; the rest of the seats were distributed among the minor political parties, the army, the national youth council and the national council of women. The Constitution of 1991, the Arusha Peace Agreement, the RPF Declaration of July 1994, and the Protocol of Agreement between the RPF and the eligible political parties, formed the basis of the Transitional Fundamental Law for the governance of Rwanda.

The genocide redefined Rwanda. With the large loss of adult males, the population became predominantly female (54 percent), young and with large numbers of vulnerable groups including widows, orphans and children who lost their families in the stampedes to avoid the violence. The influx of relief agencies and a diverse group of international NGOs gave Rwandese the kind of contact with foreigners they have not experienced before. The influx of international NGOs into Rwanda fostered the creation of affiliated and independent national NGOs, outside the network of government influence/control. The most significant change was the replacement of the old elite, most of who fled into exile, by a new elite that consisted mostly of English-speaking returnees from Uganda, Tanzania and Kenya. English was adopted as an official language, in addition to Kinyarwanda and French, facilitating the transition for the returnees as well as the work of international NGOs and donors from the English-speaking world.
The Rwanda Patriotic Army (RPA), the armed wing of the RPF, replaced the FAR as the national army, with some elements of the FAR integrated into this new army. The most influential of the returnees to the New Rwanda, those from Uganda, had lived through the brutality of the Obote and Idi Amin regimes, and the transition of Uganda to liberal and open economic and social policies and economic revival. This experience undoubtedly influenced the thinking on social and economic policies for the New Rwanda. While the RPF did not have a monopoly on the top positions in the GNU and the National Assembly, it has been dominant in setting the agenda for change. The RPF came to the government with a vision for change in Rwanda and was well organized to promote and articulate it. In contrast, the other parties that existed in Rwanda before the genocide, none of which participated actively in the formulation of the Arusha Accord, were struggling to overcome the shocks of the genocide and resulting disorientation of their platforms and leadership.

**Government's Vision for the New Rwanda**

In December 1994 the Government of National Unity (GNU) issued a *Declaration of Principles* that spelled out its political, social and economic agenda for a “New Rwanda”. The Declaration included the Government's intentions to work in the framework of the inclusive Arusha Accord, allow the deployment of human rights monitors and UN troops; accept support for establishing an impartial judiciary-system, respect the property rights of new refugees; and substantially reduce the size of the army as soon as the security situation permitted. On the economy, the Declaration emphasized the Government’s commitment to a market-based economy with a limited role for government and the key role of the private sector, the privatization of public enterprises, the liberalization of the trade and exchange rate regime and the reduction of the level of military expenditures. Subsequent GoR policies and actions largely followed its commitments in the Declaration as it essentially adopted a dual-track strategy of transition from emergency to development, emphasizing both the short-term relief and humanitarian needs, and interventions to build the foundation for longer-term growth and poverty reduction, within an overall long term development vision.

**Long-Term Vision:** The Government developed in 1998, its vision of the New Rwanda (Vision 2020), that attempted to address the legacies of the genocide, and the structural social and economic constraints confronting Rwanda, and reflected the lessons from the years lost to civil strife. Consequently Vision 2020 emphasized the national reconciliation, the enhancement of national security, and the reduction of poverty as key development objectives. It identified human resource development, good governance and justice, decentralization and broad participation of the population in the affairs of the country, and regional integration as the crucial elements for realizing the goals and vision.

Vision 2020 envisages three main pillars of economic development, employment creation and poverty reduction as: rural development and agricultural transformation, the development of human resources and the integration of Rwanda into the regional and global economies, with emphasis on the exports of high value agricultural goods, services and light manufactures. To be successful, Rwanda would have to take advantage of developments in information and communications technology (ICT) to produce goods and services not heavily constrained by its high transport costs to global markets. The nationwide consultations on the poverty reduction strategy (PRS) held in 2000-2001 confirmed and legitimized the vision and goals of Vision 2020 and led to the development of a detailed strategy for putting Rwanda on the path to realizing Vision 2020.
VI. The Transition from Emergency to Development

The efforts on the transition from emergency to development were concentrated on addressing the consequences of the genocide and the institutional problems that were deemed responsible for the genocide. Internal dialogue started at all levels of the society soon after the genocide was initially quite difficult but became easier over time. The *Urugwiro Village Meetings* on the future of Rwanda, convened by the President of the Republic in 1997, brought together political and civil society leaders and resulted in concrete decisions toward implementing the socio-political reform agenda of the Arusha Accord. The decisions to establish the commissions for National Unity and Reconciliation (URC), Legal and Constitutional Affairs and Human Rights, and the agreements on the modalities for their operations, were among the outcomes of these deliberations. These discussions also identified specific priorities for the transition from emergency to development including the (i) acceleration of the trials of the genocide suspects; (ii) improvement of governance (iii) building human resources and (iv) and economic reform.

Rwanda’s transition from emergency to development was essentially on three tracks. The first track involved economic and social support to vulnerable groups to rebuild their lives, with targeted humanitarian assistance to individuals and communities, resettlement and reintegration, and the rehabilitation of social infrastructure and social services. The second track was to foster strong economic recovery and thereby improve living standards and reduce the dependence of the population on humanitarian assistance. This required the rebuilding of the institutions for economic management, the rehabilitation of productive infrastructure, and the reform of policies and institutions to sustain the economic recovery. The third track was the socio-political transition that required building the institutions for national reconciliation, security, good governance and peace in Rwanda and the Great Lakes Region. The year 2003 will mark the end of this transition, with the planned installation of an elected government.

The actions and outcomes from the various tracks are interlinked. Permanent resettlement and reintegration are essential to stabilize the lives of displaced people and communities that receive them. This enables the returnees to embark on economic activities and participate in social capital building activities in the communities. National reconciliation and good governance are intrinsically linked. As national reconciliation involves shared values and goals, without good governance, people have no faith in the in institutions of governance and thus with a public process of national reconciliation, progress would be unlikely. Without a credible process of national reconciliation, the continued lack of legitimacy of the governance institutions would engender arbitrary actions of self-preservation and poor governance. Progressive improvements in living conditions of the people would strengthen legitimacy of governance institutions and strengthen the credibility of the outcomes from governance related actions. Furthermore, worsening economic conditions of households would tend to exacerbate the perceptions of unfairness and injustice. Regional security, peace and economic development are recognized as critical to the development of Rwanda. The interim Poverty Reduction Strategy Paper (PRSP), completed in 2000, reflected the integration of the requirements for the transition into a long-term development framework.

National Reintegration

Reintegration was seen as a critical element of post-genocide socio-economic recovery. It is the process that ensures that the victims of the genocide, broadly defined to include people rendered vulnerable by the genocide (widows, orphaned and unaccompanied children, handicapped and socially traumatized persons), refugees and displaced people, are assisted to
become self-reliant and productive members of their communities. In its approach to national reconciliation and socio-economic recovery, the GoR took the position that dialogue and recovery could not be sustained unless the population was “stabilized”. This notion of stabilization went beyond humanitarian survival assistance to the provision of permanent shelter, social services, capacity building and income generating activities. These elements as well as appropriate use of humanitarian assistance were necessary for the reintegration of vulnerable populations into communities and for national reconciliation. Prior to the massive return of refugees in 1996/97 the strategy for the refugee problem was to quickly permanently resettle returning refugees in their original communities to facilitate reintegration. Local committees were established to assist refugees in resettlement.

In the view of the GoR, international support for the process of social recovery focused more on the problem of refugees and displaced people, with inadequate support to the other victims of the genocide. To address this imbalance, in 1997, the National Assembly established the Fund to Assist the Victims of Genocide (FARG), to be allocated 5 percent of the previous year’s tax revenue each year. The Fund would assist victims including widows and widowers, orphaned and unaccompanied children, sexually abused women and children, the elderly without the traditional social support, the handicapped and the homeless and landless to overcome the trauma and economic and social deprivation of the genocide. Among the aims of the Fund was to assist these victims, particularly the widows and orphans, to recover property that they should normally have inherited from their deceased relatives.

From 1994-99, over 3 million displaced Rwandese, were permanently resettled and mostly reintegrated into stable communities. However, Rwanda has continued to contend with continuing needs to resettle and reintegrate refugees, other displaced people, and vulnerable households, albeit with diminishing assistance from the international community since 2000. A 2001 survey of shelter needs found that 192,000 households were still living in temporary accommodation under plastic sheets or damaged housing. With the progress in the Lusaka Accord to end the war in the DRC, more returning Rwandese, including ex-fighters from anti-government armed groups, will need to be resettled and reintegrated. In 2002, the Government initiated a demobilization and reintegration programs supported by the World Bank and other development partners. This program planned to demobilize and reintegrate 20,000 from the RPA, and reintegrate 25,000 ex-combatants from members of armed groups that return from the DRC. The reintegration of prisoners liberated through the Gacaca process will pose new challenges for Rwanda.

Permanent housing, access to social services, and employment from income generating activities, are important elements of reintegration and sustainable livelihoods. A controversial element of the government’s reintegration strategy has been its program of grouped settlements as the preferred way of providing rural settlements. The Arusha Accord specifically required that resettlement of refugees be “modeled on the grouped ‘village’ type of settlement to encourage the establishment of development centers in the rural areas and break away from the traditional scattered housing.” An agreement with UNHCR to this effect was part of the package of the Arusha Accord. Some of the returnees and displaced and vulnerable groups were resettled in these grouped settlements. However, the Government also decided to expand this villagization program to reconfigure existing settlements in rural areas from the traditional scattered patterns to grouped and compact villages, ostensibly to reduce physical isolation and improve access to social services. The villagization program would necessarily involve large costs to the economy, the movement of people from existing homes into new settlements, re-allocations of land, and perhaps some forced resettlements. The policy gave rise to vigorous debate, however not
between Rwandese, but largely between the GoR and the donors, international NGOs and human rights organizations. The GoR argued that the use of the word “villagization”, evoked comparisons with past failed attempts elsewhere, and preferred to use the kinyarwanda term *imidugudu*, meaning human settlement, a settlement process that has a long history in Rwanda, going back to 1940. The Government in any case moved ahead in implementing *imidugudu* plans in several prefectures. However, the top-down approach of early programs, the lack of involvement of communities in the planning of settlements and the absence of social services and means of sustainable livelihoods in the new communities put the viability of the some of the villages in question. The program will continue, with voluntary participation and community involvement in planning and implementation.

**Dialogue for National Reconciliation**

National reconciliation involves the recognition by Rwandese of all ethnic and social groups of their linked heritage and destinies, an acceptance to live together as nation and work toward shared goals and a rejection of violence as a way of resolving civil disagreement. The 1993 talks in Arusha recognized the importance of a process for national reconciliation following the civil war. Thus the Arusha Accord stipulated the creation of the National Unity and Reconciliation Commission (URC) to promote dialogue between Rwandese on national unity. With the genocide, rebuilding of trust at all levels and national reconciliation became more cogent and daunting challenge. There were no easy answers, hardly any precedents, nationally or internationally to learn from. It was incumbent on the Rwandese to determine the way forward.

Dialogue was encouraged at all levels – cellule, sector and commune. Government ministers were required to visit communities around the country to discuss government policies and national unity. Ministers visited the refugee camps outside Rwanda to explain the policies of the government and encourage refugees to return to Rwanda. In 1999, the National Assembly formally approved the mandate of the URC, the most important being to organize and oversee national debates aimed at promoting national unity and reconciliation to help to build the foundation for unity.

The URC’s mandate was to organize open discussions in all corners of the country and provide the platform for Rwandese of all works of life to air their views of the causes of past divisions and provide new ideas for national reconciliation. Consultations began at grassroots level in March 1999 with special efforts to reach marginalized groups including women, the youth the Batwa (people of the Twa ethnic group). Within a year, consultations had been held in 154 of the 180 communes in the country. From these discussions, the URC concluded that the main obstacles to national reconciliation were (i) bad leadership and governance; (ii) lack of justice; and (iii) poverty, including ignorance. These conclusions were consistent with those of the Urugwiro Meetings and have been reflected national policy initiatives.

**Improving Governance**

*Key governance institutions in the transition:* As noted earlier, the Arusha Accord and the post-war amendments, and the 1991 constitution for Rwanda formed the Transitional Fundamental Law as the overall framework for governance in post-genocide transition period in Rwanda. In accordance with this framework, the Transitional National Assembly with members nominated by political parties and civic groups was the legislative arm of the Government. Consequently, the members did not represent spatial constituencies; each member represented Rwanda as a whole. To become effective, the decisions of the National Assembly have to be validated by the Constitutional Court, an arm of the Supreme Court,
signed by the President of the Republic, and published in the Official Gazette. In the period 1994-2001, the National Assembly adopted over 200 laws, including complex legislation on the genocide, Gacaca, decentralization and telecommunications.

In accordance with the Arusha Accord, the Cabinet was responsible for the key decisions, and approved major appointments, policies, draft laws and regulations. These decisions were then published in the Official Gazette, or, in the case of draft legislation, submitted to the National Assembly for consideration. The Cabinet meets at least one day a week, often with long meetings that last the whole day, sometimes way into the night. It appears that discussions are thorough and detailed, and decisions are made when there is a consensus. In the absence of consensus, the subject is deferred to another meeting. This process results in delays in decisions; however, it ensures that once a decision is made, all parties are on board.

The number of ministries, relatively small in comparison to other countries, was reduced from 22 to 18 in March 1997, and was increased to 21 in February 1999. The change in 1999 was to focus attention on key national development priorities including land, resettlement and environment, decentralization and local administration, energy and natural resources that previously were departments of other large ministries (agriculture, internal affairs, and public works). Economic management agencies were also restructured, with the merger of the ministries of finance and planning in 1997 into one ministry of finance and economic planning. A new central bank statute adopted in 1997, gave the central bank autonomy in managing monetary affairs. Since its establishment in 1994, the GNU has experienced significant turnovers in ministers and members of the National Assembly, with a major reshuffle of ministers and secretary-generals every two years. In 2000, following the resignation of prime minister and President Bizimungu, a new prime minister and president (Paul Kagame) were elected following the procedures laid down by the Constitution as amended by the Arusha Accord. Many of the existing ministers were replaced in this reshuffle.

With respect to the organization of the private sector for participation in public affairs, the Chamber of Commerce created by the government in the pre-genocide period was abolished by legislation, paving the way for the formation of the Rwanda Private Sector Federation as the apex institution representing private sector interests.

**Governance Reforms:** Poor governance and policies of exclusion led to disaster in Rwanda. As noted earlier, the Urugwiro Village discussions paved the way for decisions by the Government on governance related reforms. These decisions included the establishment of the institutions to (i) improve justice, including the Gacaca, for the accelerated trials of the genocide suspects and the commission for human rights, and (ii) pave the way for democratization and broader participation including the commission for legal and constitutional affairs, the conduct of local elections and the launching of the program of decentralization of government. Furthermore, reforms of the public sector and expenditure management, including the creation of institutions for improved accountability and transparency in the use of public resources were initiated.

**The Resolution of the Cases of the Genocide Suspects**

The Government of National Unity (GNU) was determined to end what it regarded as “the impunity of violence” that characterized the history of Rwanda. Thus the perpetrators of genocide were to be held accountable for their crimes. From 1994, up to 130,000 suspects
were arrested and detained, the limited jail space was overflowing and the living conditions in those jails were deplorable. In September 1996, the National Assembly enacted an organic law covering crimes of genocide. The law created specialized civil courts to try the genocide suspects and the trials began in 1997. The organic law established four categories of responsibility: (i) suspects who planned, organized and supervised the genocide, were most zealous and exhibited cruelty in killing, and/or committed sexual torture; (ii) suspected perpetrators and accomplices of homicides; (iii) suspects of aggravated assault without intention to kill; and (iv) suspects who looted and destroyed property. Category 1 suspects, comprising less than 2 percent of all suspects could receive the death penalty or life imprisonment on conviction. Other categories carried varying terms of imprisonment. In addition, in November 1994, the Security Council of the United Nations adopted a resolution to establish the International Criminal Tribunal for Rwanda (ICTR), to prosecute serious violations of international humanitarian law committed in Rwanda between January 1 and December 31, 1994. The ICTR was eventually established in Arusha, Tanzania.

The detention and trials of the genocide suspects were probably the most challenging and politically delicate issue that faced the GNU, requiring a balancing of the interests/desires of the victims of genocide and the mostly Hutu suspects. On one side, the survivors and victims of genocide, mostly Tutsi, organized into strong pressure groups and were adamant that justice must be done. On the other side, the detainees feared a “justice of winners” in which the accused persons could not expect a fair trial. In the context of the ethnic divisions in the society, the implications for national unity were profound. A long-drawn out trial process would not only be unjust to both the suspects and the victims, it would compromise the efforts on national reconciliation. Besides, the economic cost of maintaining 1.5 percent of the population in prison was enormous. However, the task of adjudicating the cases of the thousands of genocide suspects, following normal civil court procedures, was logistically and technically daunting, particularly in the context of weak justice institutions in Rwanda.

Rwanda lacked the institutions and capacity (experienced judges, trained lawyers and investigators) for the system of justice prescribed by the Genocide Law to work speedily. Between 1997 when the trials started and end of 1999, only about 2 percent of the cases was concluded. At that pace, the process would take over a hundred years. At the Urugwiro Village Meetings in 1997/98, it was agreed to explore the use of Gacaca, a traditional form of justice based on community participation, to expedite the trials. In addition to community participation, the Gacaca places emphases on confessions, establishing the truth and seeking forgiveness from the community. On any case, individual members of the community can speak against or in defense of the accused but a tribunal elected from the community made the final decision. Thus, the Gacaca was not just a legal process but a community-level truth and reconciliation process as well.

Following countrywide consultations on Gacaca, the organic law to institutionalize the use of Gacaca was adopted by the National Assembly in October 2000. The bill provided for the use of Gacaca tribunals to try suspects in their own communities, with tribunals of 20 persons elected by each commune, sector and cellule levels, to handle the cases of the 2nd, 3rd, and 4th tier suspects respectively, and prefecture (provincial) level tribunals to hear appeals. Thus, the entire process would involve over 10,000 tribunals and 200,000 elected judges. High government officials, members of the armed forces and the judiciary would not be eligible for election as judges. The law provides incentives for the prisoners to confess, seek forgiveness and help to uncover the truth. Second and third tier offenders that confess might avoid further prison time. A 2nd tier suspect who does not confess but is found guilty is liable to 25 years in prison. If the suspect confesses before indictment, the sentence would be 7 to 12 years in prison, with half the sentence commuted to community service. With the suspect
having spent over six years in detention, there would be no further jail time. Elections to Gacaca tribunals were held in September 2001 and implementation started in June 2002.

Gacaca is not without its critics and risks. One of the two principal stakeholders in the process—the victims and survivors of genocide—may not be satisfied that justice has been done, especially if community service turns out to be the predominant form of punishment. Gacaca does not impress critics who see the solution only in terms of western-style due process which assures the accused the right to a lawyer. This however, is impractical in the Rwandan context, given the large numbers of cases involved and the scarcity of trained legal practitioners. On the other hand, some people may embrace Gacaca because it is “traditional”. However, Gacaca, in its traditional form, employed a jury of respected members of the community to settle conflicts and crimes within the community. The genocide to some extent destroyed the mutual trust and respect within the community and assembling juries of “honorable and respected” individuals is a challenge for Gacaca. The Gacaca process has some short-run economic costs as will divert a significant portion of the adult population from their economic pursuits while they participate in the process.

In the context of very serious and complex crimes of genocide, with national and international implications, and with scrutiny by people from other cultures, Gacaca faces a difficult test. The debate over Gacaca illustrates the dilemma for countries in transition from conflict face in resolving crimes related to the conflict. The old traditional institutions have fallen into a state of neglect while the new “modern” are in a state of decay and illegitimacy and lack the capacity to cope with the demands on them. The decision in Rwanda to resurrect, codify, institutionalize and use Gacaca was made because it was clear that the classical adversarial justice system could not provide a sufficiently speedy justice consistent with national reconciliation. It risked prolonging the agony of the suspects and victims of genocide, and of compromising the search for national reconciliation and peace in Rwanda. Gacaca’s emphasis on confession, forgiveness and community service rather than prison appears consistent with the efforts on rebuilding social capital and national reconciliation. Gacaca has received the strong support of the international community. It is extremely important for the transition from conflict to development that the Gacaca experiment works.

Justice and Democratization

In addition to the arrest and trials of the justice suspects already discussed, other initiatives in the justice area include the establishment of the human rights commission and the national police, the improvement of conditions in the prisons, and the building of capacity for in the civil and criminal justice system. The involvement of the army in police duties was a sore point in many communities after the genocide. The establishment of the national police removed the army from civilian police duties.

With regard to democratization, the Arusha Accord envisaged a transition government for 22 months with elections for a representative government. However, the Government of National Unity extended the term of the transition government to five years, presumably to give more time to stabilize the population following the tragedy of the genocide. In 1999 the transition was extended for 4 years until 2003 as the institutional arrangements for the migration to representative government was not in place. The Legal and Constitutional Commission, proposed in the Arusha Accord for preparing a constitution for Rwanda became operational in 2000. Its constitutional and legal proposals will be subject to a national referendum leading to elections for the national government in 2003.
Decentralization

Decentralization was the most ambitious change process contemplated in the public sector domain in Rwanda. It was also a radical departure from hundreds of years of centralized administration. The Urugwiro Village meetings had resolved that decentralization and democratization would be necessary to reconcile the Rwandese people and fight poverty. The Government was mandated to formulate the necessary policies and in May 2000, it issued the National Decentralization Policy. This set decentralization as an instrument for “the political empowerment, reconciliation, social integration, and well-being of population, and a platform for sustainable democratization and the mobilization of economic development energies.”

The objectives of decentralization were thus to promote the participation of local people in initiating, making, implementing and monitoring decisions and plans by transferring authority and resources from the central to the local levels; strengthening accountability and transparency by making local leaders directly accountable to the communities they serve; and enhance the sensitivity and responsiveness of public administration to local environment and needs and motivating local economic planning and management as engines for poverty reduction.

The decentralization law, adopted in late 2000, established institutions for grassroots democracy and broad participation in decision making, and accountability and transparency at all levels of government. The law created four levels of local administration, of which one, the Akerere (or district, previously the commune) is a decentralized government entity, with a legal personality and specified functions, services and resources devolved to it. It is also created other local administrative levels including the Intara (province), deconcentrated entity that coordinates the planning and execution of central government programs in the province (there are 12 provinces), and the Umurenge (sector) and Akagari (cellule) levels that are closest to the people and thus the locus of identifying the needs of the community. The Akerere, Umurenge, and Akagari councils are elected directly by the communities while electoral colleges elect the executive committees of the Akerere and Umurenge. These electoral colleges consist of elected councilors and executive committee members of lower level councils.

The initial local elections, held in March 1999, elected committees at cellule and sector levels and were the first steps in Rwanda in grassroots democratization and participation. These elections, held prior to the elaboration and adoption of the decentralization policy, with a reported participation rate of over 90 percent, was intended to provide a legitimate forum for grassroots dialogue and also a trial run for the elections to follow the adoption of the decentralization statute. Elections to the Akerere councils were held in March 2001 and the decentralization became effective thereafter. A fiscal decentralization framework had been agreed that gives the local authorities (Akerere councils) powers to raise revenues within their jurisdictions. Resource transfers from the central budget were made to provincial (Intara) and district councils (Akerere) in 2001 and 2002 along with the transfer of responsibilities to these levels. A Common Development Fund, into which a specified percentage of central government revenues would be transferred, was established for financing investments by local authorities. A framework for financial accountability by local authorities has been developed and officials from local authorities have been receiving training in budgeting and financial management along with staff from central line ministries.
Public Sector Management Reforms

Good governance requires an effective and efficient public sector. Thus the reform of the management of the public sector to improve its performance is essential to improve good governance. In any case, Rwanda’s public sector institutions, which were losing their focus and integrity in the volatile political environment in the years preceding the genocide, were shattered by the genocide. Rebuilding and reform were necessary. Public sector reform in the transition involved (i) the institutions of public administration; (ii) public expenditure management; and (iii) public enterprises.

Reforms of public administration: The immediate efforts were on rebuilding existing public agencies largely along the lines of the pre-genocide structure but with the number of civil servants limited to 57 percent of pre-war levels. However, this policy of limiting the number of civil service was not well defined. It did not specify the positions/departments that should be abolished in the ministries, and no capacity was put in place to control the engagement of civil servants by newly reestablished ministries. Thus, the process was marked by uncontrolled hiring of staff and further, the payroll was inflated by thousands of non-existent or ghost workers. The aggregate numbers increased above planned levels. A census of civil servants conducted in December 1995 shows a total of 37,204 persons employed in public administration, stationed in Kigali and the prefectures and including teachers. This was close to the 45,000 before the genocide. Furthermore, the number from the census was lower than the payroll, indicating the presence of ghosts.

The remuneration of civil servants was based on the existing salary scales but the purchasing power had been eroded by the 185 percent increase in the price level between 1990 and 1995. With the flood of international NGOs, relief and development agencies into Rwanda after the genocide, the government service could not compete for the few qualified people available. Thus, most of the new hires were unqualified for their civil service jobs. In 1997, less than 5 percent of the civil servants had university degrees and 75 percent had less than secondary school education. Most of the hires after the genocide were contractual (sous contrat) rather than permanent (sous statut) staff.

Reforms of the public administration were initiated in 1998. The first phase (1998-2000) of reforms concentrated on asserting control over the establishment and the payroll, streamlining staffing and functions, improving and rationalizing remuneration, and in the process reducing the size of the civil service. The actions taken in 1998-99 included the elimination of ghost-workers following a civil service census in 1998, the monetization of civil service benefits and the increase in civil service salaries by over 40 percent in 1999, and the strengthening of systems to control the civil service establishment. The computerization of the management systems for human resources and the payroll and the development of competitive and streamlined recruitment procedures were initiated.

Furthermore in 1999, an effort was initiated to strengthen the organization and capacity of the ministries, with measures to rationalize the functions, organizations and staffing of ministries. This required the preparation and adoption of a detailed formal organigram for each ministry, and position descriptions and grading of each civil service post and the realignment of staff to new positions and grades. In the context of the implementation of this reorganization, the number of existing staff exceeded the number of positions available in the new system. Furthermore some staff did not possess qualifications for any positions. Thus, in addition to the elimination of over 6,500 ghosts-workers, about 6000 mostly unqualified were retrenched. These actions reduced the staffing complement in civil service, including the central administration, provinces and districts to about 9,500 from over 15,000 in 1997.
The fact that most of the new hires after the genocide were contractual not permanent facilitated the process of retrenchment and redeployment. In addition, Rwandese do not appear to regard civil service posts as permanent life-long employment as in many other countries. The civil service also has a standing practice of regular deployment of staff at all levels. Voluntary departures are sizeable and currently, staff turnover is a major problem in public administration. Furthermore, retrenchments were treated largely as technical matters, and were carried in a fairly transparent manner in accordance with existing regulations. The objective was of the reforms was not retrenchment per se but to ensure that the public service functioned better, with the right people in the right jobs. Reform proposals were extensively discussed within the administration, with participation of outside stakeholders. On the approval of proposed measures by the Cabinet, the Ministry of Public Service (MPS) would begin implementation, with the cooperation of other branches of government. MPS was held fully accountable to cabinet for implementation.

The structural changes in the system of public administration formed the basis of a new public service code, including a code of conduct for public officials, that was adopted by the National Assembly in 2001. Nevertheless, reforms sent thousands of people into the streets with small terminal benefits and little hope for private sector employment. Plans by the Government to provide further assistance – improved termination benefits and training and small credits for private sector/own employment were not implemented due to lack of resources.

**Public Expenditure Management:** Efforts to improve the budget system started in late 1994 with emphasis on rebuilding the capacity and systems for budgeting. This allowed for functional budgets to be put together in 1996 and 1997. From 1998, the National Assembly enacted formal budgets within the constitutional time frame. Further reforms of the budget concentrated establishing a participatory budget preparation process, with procedures that are respected, and a calendar that permits the intervention of the cabinet in setting budget ceilings at an early stage of the process, and submission of the budget to the National Assembly in time for approval before the beginning of the fiscal year. Budget management was deconcentrated, as line ministries became actively engaged in the preparation of the budget, and consultations with the civil society on the budget was introduced. Respect for the budget laws was restored and improvements in the monitoring of the flows of budget expenditures and outcomes were made. New institutions of good governance -- the Office of the Auditor-General, a National Tender Board, and a central projects bureau (CEPEX) to monitor the implementation of the public investment program were established. The medium-term expenditure framework (MTEF) approach to budget management was introduced in 2000, to make the budget an effective tool for development.

In 1998 budget, the prioritization of the budget was introduced, mandating increasing budget allocations to identified budget priorities that initially included the social sectors (education and health), reintegration programs, and the establishment of governance-related institutions. Nevertheless, the burdens of security-related spending and internal and external debt service constrained the level of spending on essential social and economic services. Some progress was made in holding down security-related spending; it declined from 5.2 percent of GDP in 1996 to 4.1 percent 1999 and 3.3 percent in 2001. However, significant reductions in security-related spending were unlikely without a permanent resolution of regional and national conflicts.

The capacity and systems for financial management, devastated by the genocide, remains very weak. Since 2000, the government started to build up the institutional infrastructure for improved financial management, including as noted above, setting up
governance institutions, revising laws and regulations for financial management, computerizing the budget system, and building capacity in the ministry of finance, line ministries and local administrations. Despite these, the challenges in establishing accountability in public expenditure management are formidable, particularly in view of the low compensation of civil servants. It is difficult for the government to employ and retain skilled and professional staff for tasks that require professionalism, longevity in office, and high standard of ethics.

**Public enterprise reform**: The focus of the reforms was the privatization of state-owned enterprises and the putting in place the regulatory framework for these privatized enterprises and other private companies to operate. Rwanda had about 70 commercially oriented state enterprises in 1995, employing about 6,000 people. Most of these enterprises were either operating well below capacity or were dormant and bankrupt. The main SOEs were the telephone company (Rwandatel), the electric, gas and water utility (Electrogaz), nine tea factories and estates and two banks owned in partnership with the private sector. In 1996, the Government decided to privatize all the commercially oriented parastatals and the National Assembly passed a law that enabled the privatizations to start. In accordance with the law, the Privatization Secretariat was established to manage the process of privatization and a National Privatization Commission to oversee it.

About 41 enterprises were privatized by the end-2001. Most of these enterprises were sold to domestic investors, although the larger ones that included a modern specialist hospital, a sugar factory and estate and a petrol distribution company were sold to foreign/regional firms. The process of privatizing the main SOEs (Rwandatel, Electrogaz, tea, banking) is way behind schedule but still ongoing. To permit the privatization of Rwandatel and Electrogaz, the National Assembly adopted new legislation establishing the regulatory frameworks for the telecommunications and electric utility sectors, including the revocation of the monopoly of the state enterprises, paving the way for private sector participation. The telecommunications law also created a multi-sector agency to regulate the activities of firms in the power and telecommunications sectors. The government, after studies and consultations of stakeholders, adopted a strategy for the privatization of the tea factories and estates. This provided for the participation of tea-growing cooperatives and small holders in the ownership of the factories. Legislation was passed to establish government/industry organizations to promote and regulate the tea and coffee industries, replacing the parastatals that controlled the sectors.

The privatization program faced several obstacles in the post-conflict environment. The lack of capacity to manage the privatization process delayed its start-up and has continued to slow the pace of privatization. Delays were also encountered by difficulties in obtaining agreement with all the stakeholders. For instance, in the tea industry, the pre-genocide government apparently had an agreement with one tea growing cooperative on the eventual transfer of ownership of the factories to the cooperative. In this context, the cooperatives made regular payments to the government for the shares. However, this schedule of payments was disrupted by the genocide. In the course of the consultations on the privatization, this cooperative laid claim to ownership of the factory. This was resolved after lengthy negotiations, with the allotment of 35 percent of the shares to the cooperative. Delays were encountered in the completion of privatization transactions due to lack of the institutional capacity to transfer titles from the state to the private investor.

Rwanda's own history of conflict and the ongoing conflict in the Great Lakes region, and the lack of medium-to-long-term credit in the domestic financial system hindered the privatization process. The response by domestic and foreign investors to the offers for the sale of SOEs was weak, both in the number of bids and the amounts of financial offers. Some
offers attracted no bids at all. While the process of privatization was generally transparent, there were also a number of transactions undertaken through gré-a-gré negotiations directly between the government, with the involvement of the Privatization Secretariat, and the private investor. These included some difficult transactions where the process of public offerings failed. However, even some of these transactions eventually unraveled.

These problems lend support the case of those who argue that privatization would be premature in a volatile post-conflict environment. Arguably, the government could have waited until the economy had stabilized and fully recovered from the effects of the conflict before offering SOEs for sale. The risks to this approach are significant. In most cases, the assets of the firms to be privatized in a post-conflict situation are already in the process of decay, with technologies rapidly becoming obsolete. This was clearly the case for the important tea factories and communications sector in Rwanda. The government would have to invest scarce reconstruction resources to halt this physical deterioration and systematic obsolescence to preserve economic values. The external financiers of the government would be unlikely to approve such spending on parastatals; such actions might jeopardize the inflow of external assistance. On the other hand, privatization removes a source of poor governance from the domain of the state; revives dormant state firms that would then create new jobs and provide new services under private management. Besides the re-opening up of closed or under-utilized facilities is often a morale/confidence booster to a society in a post conflict transition.

It is also argued that privatization should not take place since the relevant regulatory framework and capacity might not be in place. First, the regulatory framework needs to be put in place where needed. For instance, Rwanda revised the laws on telecommunications and electricity in preparation for privatizing the public telephone company and restructuring the electric utility. It has created a multi-sector regulatory body to regulate these sectors. With regard to regulatory capacity, privatization would actually relieve the government of the burdens of managing and regulating the SOEs and create the space for the development of regulatory capacity, which should be its main function in any case.

Policy Reforms and Macroeconomic Management in the Transition

Policy Reforms

Following the genocide, Rwanda needed to undertake reforms to align its policies with its stated development objectives and strategies, and rebuild its national institutions consistent with good governance. Both the Arusha Accord and the Declaration of Principles of December 1994 envisaged policy and institutional reforms to transform the economy a state-controlled to a liberal market based one, and underpin the economic recovery. Consequently, in March 1995, the GoR launched its reform efforts, and liberalized the trade and exchange regimes, including the marketing of coffee, effectively removing state controls of trading activities, instituting market-determination of exchange rates, and ending the administrative rationing of foreign exchange. These reforms were in part to initiate the process of change in the country but also as a response to the pressure for reform from international organizations.

The Government of National Unity was largely in favor of reforms in favor of economic reforms, but there was some resistance in some sections of the government, reflecting a desire to concentrate on other priorities of the transition as well as for the reform process to move at a pace that gave the time to the GoR to refine its overall strategy development strategy and build consensus on the specific reform measures. Thus, after the
initial burst of activity in 1995, the reform effort slowed as the government was pre-occupied by the issues of security and the resettlement and reintegration of refugees. By 1998, as the overall strategy for building a new Rwanda began to emerge, the government recognized that the reform of economic policies and institutions as a key dimension of the overall effort on national reconciliation and poverty reduction. It was expected that this new paradigm of development would reduce the role of the state in economic activities, open up of economic opportunities to all social groups including women, the deconcentrate economic power and influence in the society, and enhance inclusion.

The reform activity resumed in 1998 based on a Framework for Economic Policies (FEP) elaborated in 1997 by the Government in the collaboration with the staffs of the World Bank and IMF. The FEP was followed in late 1998 with a formal Policy Framework Paper (PFP) with the following objectives (i) to maintain macroeconomic stability and improve public resource mobilization and management; (ii) develop market-based agriculture; (iii) enhance the role of women; (iv) establish the institutional, legal, and infrastructure framework conducive to private sector growth and external competitiveness; and (v) strengthen public institutional and administrative capacity and improve public service delivery.

Macroeconomic Management and Outcomes

Macroeconomic management has been remarkably effective in reviving and stabilizing the economy. Following the decline of the real GDP by 50 percent following the genocide, the economy rebounded by 70 percent in 1994-97 and grew by 8.9 percent in 1998. Economic growth continued in 1999-2001, albeit at a lower than expected rate, as real GDP grew by 7.6 percent in 1999, below the expected 8 percent, 6.0 percent in 2000, and 6.7 percent in 2001. With the traditional Rwandese cautious approach to macro-management, inflation was progressively reduced from 64 percent in 1994 to 6.8 percent in 1998, -2.5 percent in 1999 and 3 percent in 2000-2002; the exchange rate and interest rates, which are market determined, have remained stable.

Rwanda built up significant external reserves at about six months of imports since 1998. Government revenues rose from 6.9 percent of GDP in 1995 to 10.4 percent of GDP in 1998, and recently to 11.3 percent in 2001. Fiscal and external imbalances while still quite significant are down from the early post-genocide years. The fiscal deficit excluding donor grants declined from 13.8 percent of GDP in 1995 to 9.5 percent in 2001 and the current account deficit declined from 19.1 percent of GDP to 16.4 percent within the same period. These deficits have been financed by inflows of external assistance. With respect to external debt, Rwanda is highly indebted, with the stock of external debt amounting to US$1.2 billion, equivalent to 72 percent of GDP in 2000. However, access to the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative in 2000 has significantly reduced the burden of the debt.

Growth of the economy in 1995-97 had been broad-based from all sectors. The industry and service sectors declined very steeply in 1994, and recovery was enabled by the return of peace in the main centers of economic activity, notably Kigali, and stimulated by inflows of foreign assistance for reconstruction, and the demand generated by the activities of relief agencies and international NGOs. Agriculture and construction have been the main sources of growth since 1998 as the manufacturing, commerce and other service sectors stagnated with the decline in relief related activities. The return of refugees and other displaced people to rural communities and their re-engagement in agriculture was a major source growth in the sector. Despite six years of high growth rates after the genocide, the economy reached its 1990 level in 2000. Besides, most of the growth has been concentrated
in the primary sector, construction, and public and private services. Key sub-sectors that were potential sources of growth, such as electricity and water, manufacturing, export crops, commerce and tourism were still well below the levels in the early 1990s. Agriculture, whose share of GDP had declined during the civil war due to insecurity and displacement from the rural areas, regained its predominant position. In 2001, it contributed about 41 percent of GDP, about the same share as in 1989, the year before the start of the civil war.46

**Risks in the Institutional and Policy Reform Process**

Rwanda has had to undertake institutional and policy reforms a significant number of reforms in the areas of the trade and exchange regime, public administration, budget management and privatization, the role of women, agricultural pricing and marketing, and private sector development. These reforms have been undertaken in the context of (i) a delicate socio-economic environment; (ii) a fragile political coalition government of questionable legitimacy; (iii) external and internal security threats and a military involvement in the war in the DRC and; (iv) fragile support by the donor community. Despite these unfavorable circumstances, the reforms have not engendered adverse socio-political reactions. The economy remained stable and continued to grow and the support for reforms appeared to have grown stronger.

**Risks Factors:** Reforms could exacerbate social tensions in an already fragile social fabric, and while these tensions might not lead to conflict, they could impair the legitimacy of the government and the reform process, with adverse long-term consequences on the process of change, national reconciliation and poverty reduction. Economic reforms often have winners and losers and in a post-conflict situation, these could easily be perceived to correlate with the winners and losers of the war, and to different ethnic groups. Privatization, public administration and land reforms are sensitive areas of reforms in Rwanda with high social risks. Privatization and public administration reforms typically lead to losses of jobs, steady income, and influence, and create a new class of poor, disaffected and insecure citizens. They also provide opportunities for corrupt and nepotistic behavior and perceptions of such behavior are difficult to avoid in conditions of high social mistrust and public skepticism of the government. Land reforms also involve some redistribution of wealth and there would be gainers and losers. In Rwanda, there were concerns that the reforms could be favoring Tutsis or the new returnees from Uganda, who were closely allied to the government.

Reforms also faced operational risks related to the supply response and implementation capacity. Investment and supply response was limited by the political instability, and uncertainty about the course of the conflict in Rwanda and the Great Lakes region. Farmers that have suffered repeated disruptions to their economic activities due to conflict would be concerned about renewed conflict and displacement and be unlikely to substantially invest in the land. Other typical obstacles to supply response include the constraints on the movement of goods and factors of production due to insecurity, uncertainties about the policy, legal, and institutional framework, and the lack of foreign exchange and skilled workers.

Rwanda’s lack of human capacity was a major challenge to the reform program. With a civil service hastily put together, consisting of unqualified and inexperienced people from different cultural backgrounds, the risks of implementation delays were high. In the post conflict context, people are in a survival mode, busy rebuilding livelihoods and economic reform is not on the top of their agenda. Neither broad support nor strong opposition is likely but a lack of perceptible positive impact of reforms and uneven distribution of pains and benefits could have adverse medium-to-long-term impact on the reform process. Consensus
building is difficult in the absence of credible governmental and civic institutions. Without domestic capacity and ownership, the reforms could be poorly conceived and inappropriate to the context, and weakly implemented and therefore not yield the promised results.

**Risk Mitigating Factors:** A number of contextual and institutional factors mitigated the risks of reform in Rwanda. The most important is that in a post-conflict economy, people expect change and are amenable to change, and the vested interests in the domain of the economy are perhaps less entrenched than in a steady state economy. The new reform agenda in Rwanda was essentially the same as the pre-genocide reform agenda that was endorsed by the Arusha Accord. The need for change was widely recognized and there was already broad understanding and acceptance that the economy should be liberalized. Rwanda had no choice but to liberalize, given its dire need for external financial assistance. On public administration, the GoR was confronted with a mess and reform was unavoidable. However, the civil service was not bloated. Retrenchment, one of the major obstacles in public administration reform, was modest and involved about six thousand unqualified and contractual civil servants.47

The risks associated with privatization, public administration and land reforms have to be weighed against the imperatives for these reforms for meeting the objectives of economic recovery and poverty reduction, fostering inclusiveness and improving governance. Inaction on these issues would result in delays in establishing social and economic stability and the continuing uncertainty about the direction of change could undermine economic recovery and national reconciliation. Land is very scarce and fragmented in Rwanda, with the average land holding estimated to be 0.5 hectares per household in a country where agriculture is the principal source of income for the majority of the population. Economic and historical actors make land reforms in Rwanda complex and extremely sensitive, however, land reform is crucial for the revival of agriculture in Rwanda.

The challenge was to formulate and implement these reforms in a transparent manner, and with sensitivity to social dimensions and the broader objectives of good governance and national reconciliation. The Government appeared to recognize the complexities and risks of land reform and undertook extensive discussions and consultations of various proposals over a five-year period. The Cabinet adopted a land policy in 2002 and a land law has been prepared and could possibly be adopted in 2004.

The overall reform process has been generally transparent and the formulation of reforms often involved several organs of the state and the participation of the civil society. Line ministries have the responsibility to formulate and defend reform proposals in areas under their domain but are required to consult other relevant government agencies and stakeholders in the civil society. As these ministries often lack capacity, this inevitably delays the reform process but it helps to build broad ownership among the people who will ultimately implement the reforms. Several iterations are often required to prepare policy proposal; this enhances dialogue and deepens understanding of the policies. The Cabinet discusses reform proposals in detail and takes decisions by consensus. The detailed inter-agency and cabinet discussions facilitate intra-government coordination and builds ownership. In addition, policy change requiring legislation is discussed in the National Assembly and before it becomes law, has to be validated by the Constitutional Court and signed by the President.

Some of the risks to reforms have been mitigated by the existence of a clear process for formulating and adopting reform programs. This process has been respected and could not be rushed. Thus, it provides the opportunity to discuss the risks, make adjustments and avoid actions and approaches that are risky. For instance, the tea privatization has taken much longer than expected partly because in the process of the consultations on the privatization strategy,
some new information emerged, which entailed stepping back and re-negotiating with the affected stakeholders and arriving at a position satisfactory to all parties. As discussed above, the land reform process has moved with deliberate speed that will ensure that there are no surprises when it becomes effective. Finally, rapid and significant impacts of reform on income and economic opportunities can be a key mitigating factor to the risks of reforms. In Rwanda, the resettlement process was implemented quickly and the economy rebounded rapidly, thus most people were experiencing improvements in their living standards, with growing incomes and improving social and economic services.

VII. Role of the International Community in the Emergency and Transition in Rwanda

The horrors of the massive killings in Cambodia, the genocide in Rwanda and the ethnic cleansing in Bosnia-Herzegovina put the management of complex emergencies due to civil conflict on the top of the agenda of the international community. These horrors as well as the spread of civil conflict in the world provided the impetus to international agencies to sharpen their approach to dealing with conflict/post conflict situations. The UN certified the 1994 massacre in Rwanda as genocide and set up the International Tribunal to bring the masterminds of the genocide, many of who fled Rwanda, to justice. Rwanda’s crisis attracted well-known UN relief agencies and international NGOs with experience in complex conflict-affected situations and refugee management, and multilateral development agencies and bilateral donors.

International Non-Governmental Organizations (NGOs)

In addition to established NGOs, the crisis in Rwanda also attracted large numbers of lesser-known international NGOs, some seeking to establish their legitimacy in the relief business. By the end of 1994, about 180 international NGOs were present in that small country and, waste, duplication, competition for staff and donor funding, and friction with the authorities in the country were unavoidable. The new Government, anxious to establish its legitimacy, found itself largely marginalized in the relief effort. To the Government, the NGOs seemed to be frustrating its efforts to build up national institutions and implement its policies as these NGOs came up ahead in the competition for staff and donor funding. The efforts by the Government to regulate the activities of NGOs reflected its frustrations and were seen in NGO and donor circles as anti-NGO. The Government, unfamiliar with the roles and operational modalities of the NGOs as well as their relationships with the donor community, could not coordinate/regulate their activities. It lacked the capacity to do so and would have benefited from some advice and assistance in this area from an external coordinator. Some mediation between the Government, the NGOs and donors that support them by this coordinator would have avoided the distractions from the task of reconstruction.

The relations between the NGOs and the Government soon deteriorated and in 1996, the authorities expelled about 22 relatively small international NGOs, an action that generated a round of condemnation by the external aide community. The reaction prompted the Government and the remaining NGOs to agree on a compact for NGO operations. This resulted in a better understanding of the concerns of the Government on one side and the activities of the NGOs on the other. The tensions between the Government and NGOs apart, many of the NGOs brought in invaluable experience to the task of reconstruction, with the capacity for rapid response, and the ability and flexibility to operate in difficult and insecure environments. NGOs financed largely by bilateral donors, contributed to the rehabilitation of
health services, and worked with local communities to rehabilitate and construct housing and to revive economic activities, particularly in rural areas.

**The United Nations Agencies**

The complex emergency in Rwanda was a huge challenge to the UN as the situation in Rwanda was in many respects without precedent and stretched the capacity of UN institutions. In particular, the events moved too swiftly for the UN bureaucracy to handle and besides, relations between the UN and the Government were marked by mistrust because the Rwandans felt that the UN could have acted to prevent the genocide. The UN established substantial presence in Rwanda after the genocide including the deployment of peacekeeping forces, human rights monitors (HRFOR), and the establishment of the International Criminal Tribunal for Rwanda (ICTR) in addition to the relief and development agencies.

In May 1994, while the genocide was already in progress, the UN Security Council decided to deploy 5500 peacekeeping forces (the United Nations Assistance Mission for Rwanda (UNAMIR)) in Rwanda but was not until the end of August that UNAMIR 2 was in place in Rwanda. The Human rights field office for Rwanda (HRFOR), established in September 1994 to encourage the respect for human rights, was the first field operation organized by the UN High Commissioner for Human Rights (UNHCHR). Similarly establishment of the ICTR by a UN Security Council resolution of November 1994 was also a new venture for the UN. Its operationalization was hampered by, *inter alia*, lack of funds and full cooperation by UN members and it took a year to deliver its first indictment and much longer for is first judgment.

However, the UNAMIR2 and HRFOR, belatedly deployed by the UN after one of the gravest desecrations of peace and human rights in history in which the UN failed to act decisively, had ambiguous mandate and lacked moral authority, at least from the point of view of the Rwandese. The UNAMIR was withdrawn in March 1996 when the Rwandese government refused to renew its mandate, contending it was capable of maintaining peace. HRFOR’s mandate and operations were ambiguous and contentious and it suffered from funding and management problems and thus lacked the capacity to be effective. Its presence was an irritant to the Government even as some bilateral donors made the continued presence of HRFOR a condition for assistance. The Government was reluctant to renew the mandate of HRFOR, insisting that HRFOR should focus on developing the capacity of Rwanda to monitor and protect human rights rather than solely on monitoring operations that subjected government actions to critical scrutiny. HRFOR ceased operations in July 1998 and Rwanda, with some support from UNHCHR set up its own Human Rights Commission in May 1999 to monitor and develop the capacity for the observance human rights.

The United Nations relief and development agencies had a large field presence in Rwanda, with the UNDP, UNICEF, UNHCR, and WFP playing critical roles in the refugee management, resettlement and reintegration, and reconstruction, activities. The refugee crisis was complex and made more difficult by the complex socio-political realities of the Great Lakes region. Most refugee situations involve innocent people fleeing war and/or a repressive regime but in the case of Rwanda, the refugees included criminals that perpetrated the genocide. However, it appeared that handling of the refugee crisis was much like a classical model although as already noted, events moved very swiftly and there was limited opportunity to tailor approaches to the circumstances. The location of the refugee camps close to the borders of Rwanda, and the formation of parallel governments in the camps controlled by the masterminds of the genocide, posed a security threat to Rwanda and hindered the voluntary return of refugees back to Rwanda. This set-up may have indeed prolonged the crisis in
Rwanda and engendered the escalation of military conflict in the region. The perception that the UN paid more attention to the refugees outside the country than the victims of genocide further tarnished the image of the UN in Rwanda.

Nevertheless, after what may be regarded as early and perhaps costly missteps, the UNHCR became a strong ally of the Government in the resettlement and reintegration effort. As noted earlier, it assisted in the rehabilitation and construction of over 100,000 houses, which contributed in a major way to stabilize communities. Furthermore, it supported the provision of social services, the improvement of conditions of women, the protection of returned refugees, reconciliation and dialogue at national and community level, and in strengthening the justice system. The World Food Program (WFP) ran a massive food aid program and provided regular food rations for millions of refugees and displaced and vulnerable people in and outside refugee camps, often in collaboration with UNHCR’s resettlement efforts. However, in the heat of the rapid developments in the Rwanda crisis, interagency competition and tensions hampered the overall relief effort and furthermore limited the coordination of the relief efforts and the development programs of UN agencies such as UNDP, UNICEF, WHO and FAO. Better coordination would have strengthened the linkages between relief and development efforts.

The UNDP organized two major round-table conferences in 1995 and 1996 where bilateral donors and multilateral agencies pledged about US$2 billion for the reconstruction of Rwanda. However, disbursement of these pledges was very slow as the government lacked the capacity to implement projects, particularly on dealing with the complexities of donor project preparation, procurement and disbursement requirements. Furthermore, donor agencies lacked the effective systems for aid delivery of aid to Rwanda (field presence and headquarters staff dedicated to Rwanda), further delaying project implementation and disbursement of funds. To overcome some of these problems, a trust fund, managed by UNDP, was set up to finance reconstruction projects. Internal procedures did not allow some donors to contribute to this fund and those that did contributed relatively small amounts for specified uses. UNDP’s own onerous procedures added to the complexities of managing the trust fund and the delays in implementation.

**Bilateral Donors**

Bilateral donors supported emergency relief and reconstruction primarily through resources provided to UN relief agencies and international NGOs. Direct donor support to Rwanda in the transition from emergency to development was generally fragile. The donors active in pre-genocide Rwanda were hesitant to fully re-engage as the relations between these donor governments and the new regime in Kigali were weak, and in some cases, very difficult. While there was sympathy for Rwanda in the capitals of the developed world, political support for the new government was weak, with doubts about its legitimacy and long-term policies. Donors were naturally wary about providing support to another non-inclusive government. Furthermore, donor concerns about the military involvement of Rwanda in the war in the DRC, further weakened support to Rwanda. Few donors were ready to long-term commitments to support the development of Rwanda.

The Rwandan army’s first intervention in the DRC in 1996 that destroyed the refugee camps in the DRC and help to oust the infamous Mobutu regime hardly elicited questions about Rwanda’s intentions. While the international community had acquiesced to the first military intervention, the second round in 1998 gave rise to serious concerns about the Rwanda government’s intentions commitment to peace in the region, reconciliation and development at home, and the diversion of resources to the military. These concerns slowed
the flow of development assistance from donors, particularly budget support. This second military intervention, starting from July 1998, just after a successful donor meeting in June to raise funds for the reform program, put the proposed reform program at risk, as donors initially withheld financial support.

While some donors withheld support firmly, most recognized Rwanda’s security concerns in the DRC and furthermore, considered that a suspension of assistance would damage the fragile economic and social recovery of Rwanda and increase risks of vulnerability, intensified conflict and population displacement. Thus, most donors, while not condoning the military actions of Rwanda, decided to resume budget support, following assurances by the Government of its intentions in the DRC and its willingness to engage in negotiations for a peaceful resolution of the crisis. Subsequently, bilateral donors – UK, USA, Netherlands, and Sweden have supported the economic reform program, capacity and institution building, and provided critical budget support. A Multilateral Debt Trust Fund (MDTF), with contributions from these donors has serviced the multilateral debt of Rwanda since 1999s. This enabled Rwanda to receive uninterrupted support from the multilateral institutions.

The decision of some donors to move ahead was not one that pleased everyone but it typified the vexing decisions that have to be taken in conflict-affected countries. Rwanda’s involvement in the war in the DRC adversely affected the inflow of donor assistance in subsequent years. Some of the existing donors to Rwanda cut back on the levels of assistance while other donors contemplating the provision of assistance to Rwanda put their plans on hold. Overall, the inflows of donor assistance experienced delays due to difficulties in getting approvals for assistance to Rwanda from the authorities in the home countries of the donors.

The Multilateral Development Agencies

The multilateral agencies--the World Bank, IMF and AfDB consistently supported the economic recovery and change program in Rwanda although Rwanda’s involvement in the war in DRC put the support programs at risk. These agencies and the European Union (EU) provided the bulk of the budget and balance of payments support, an important type of assistance to a post-conflict economy with low revenues and exports. This support not only provided the Government with resources to restart the delivery of public services, the foreign exchange provided enabled the private to increase its production of goods and services. The World Bank, the IMF, the AfDB, the EU, together with the UNDP and some bilateral donors, notably Belgium and the United Kingdom, have funded needed technical assistance.

Nevertheless, during the early stages of the emergency, assistance from the multilateral institutions was hampered somewhat by the lack of appropriate instruments to support emergency recovery in post conflict countries. The World Bank, in a better position than other agencies, responded to the crisis in August 1994 with an emergency grant, financed from the profits of the main World Bank affiliate, the International Bank for Reconstruction Development (IBRD). Subsequently the Bank gave two emergency budget support credits to Rwanda in 1995 and 1997 financed by the International Development Association (IDA), the concessional arm of the Bank. The Bank also had outstanding credits of about US$200 million approved and signed before the genocide. These credits were restructured to focus on rehabilitation and reconstruction needs.

The IMF and the AfDB did not have the same flexibility in providing support but the IMF provided technical assistance for economic management while the AfDB restructured existing credits to meet new needs. In 1997, the IMF introduced the post-conflict program to
assist countries in the transition from conflict to emergency. Rwanda was one of the first countries to benefit from this program. The funding from the program was on non-concessional terms, which limited its use as an instrument of financial support.52

In 1998, Rwanda and the Bretton Woods institutions adopted formal arrangements of support to a reform program.53 In June that year, the IMF approved an Enhanced Structural Adjustment Facility (ESAF) and the Bank followed in early 1999 with an Economic Recovery Credit, a policy based operation. Even then, questions were raised on the appropriateness of these instruments, designed for relatively stable socio-political conditions, in a volatile post-conflict Rwanda. It was argued that, in the absence of robust and stable relationships between policies and performance, forecasts of performance, which are at the heart of ESAF conditions, could not be relied on as a basis of judging actions and commitment. The Bank adjustment programs usually specify actions (increase the producer price of tea, revise the chamber of commerce law) rather than quantitative criteria thus do not depend on forecasts. These actions though, depend on the capacity of the authorities, which may not perform as expected. In recognition of this, the Bank allows for flexible timing for meeting the conditions.

In spite of the concerns with the instruments, the ESAF (now PRGF) and Bank policy based programs that support structural reforms provide for a disciplined approach to economic management. This discipline is fundamental in any economy and desperately needed to bring macroeconomic and policy stability to post-conflict economies. However, these programs need to be implemented with flexibility, taking into account the socio-political context and the underlying institutional capacity weaknesses in the economy and society. Under these programs, Rwanda has stabilized its economy, maintained strong economic recovery, benefited from debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, and undertaken policy and institutional reforms to build the foundation for long-term growth and poverty reduction. However, while political issues were important in the in Rwanda, the mandate of these institutions is limited to economic issues, effectiveness in the transition to sustainable peace is limited.

VIII. Policy and Institutional Reforms for Growth and Poverty Reduction

Poverty in Rwanda

The progressive and sustained reduction of poverty is essential to build peace and stability in Rwanda. This was underlined by the consultations under the National Unity and Reconciliation Commission. According to the recent household living standards survey (HLSS) 60.3 percent of the households live below the poverty line, poverty is predominantly rural, female-headed households (31 percent of all) are more likely to be poor than male headed ones, and income inequality has increased since the last HLSS was undertaken in 1985, with a much larger income gap between the rural and urban incomes.54 The nature of humanitarian and development assistance from donors in a post conflict situation may have contributed to the massive increase in inequality. External assistance in such situations provides survival assistance to rural dwellers while providing economic growth opportunities to urban dwellers.

The health status of the population in Rwanda is poor. The social indicators related to health and survival have more or less stagnated in the last twenty years, with life expectancy...
of 49 years in 1999 compared to 46 in 1980, and infant mortality of 107 per 1000 live births compared to 128 in 1980. Survival rates are worse than in most other SSA countries and compare very unfavorably with those of Sri Lanka, a low-income conflict-affected country where life expectancy rose from 68 to 73 and the infant mortality rate declined from 34 to 15 during 1980 to 1999. Surveys undertaken in 1992 indicate that 10.8 percent and 11.6 percent of the rural and urban population over 12 years of age respectively is infected with the HIV/AIDS virus. Water and sanitation services are deficient, with access to potable water by about 52 percent of households, a decline from 64 percent at the end of the 1980s. Education-related indicators (literacy, overall enrolments, enrolment by gender) also stagnated but remain above the continent and the SSA averages. However, secondary school enrolment has been among the lowest in the continent and the quality of education is regarded as being very poor.

Economic Transformation and Poverty Reduction

The challenge of poverty reduction, defined in the broad sense of improving the standard and quality of life by building the capacity of households to meet the basic needs for food, shelter, good health, knowledge, security and social inclusion, is a huge but not impossible task. Pre-genocide Rwanda was regarded as a daunting developmental challenge; a small, densely populated, land-locked agricultural country with very limited natural resources, difficult access to the sea, and a fragile social capital. With globalization, new technology, the vast and speedy electronic information highway, and declining cost of international transportation and communications, those development challenges of the past appear less formidable than they were in the 70s and 80s. The Vision 2020 developmental framework recognized poverty reduction as the key priority and set quantitative targets for income, literacy, mortality rates and other social indicators for 2020. Vision 2020 also recognized the need for economic transformation and outward orientation of the economy for achieving the poverty reduction targets. The Government set out to develop an operational poverty reduction strategy in 1998 and subsequently embraced the Poverty Reduction Strategy Paper (PRSP) process when the Bretton Woods Institutions introduced it in 1999.

The Poverty Reduction Strategy (PRS): Under the PRSP process (2000-2002), Rwanda, following wide consultations of the populations, reaffirmed the vision and goals of Vision 2020 and articulated a poverty reduction strategy (PRS) to begin the process of economic transformation and rapid poverty reduction. The PRS can be summarized as follows. The private sector will lead economic activity, agriculture would be the main source of growth in the medium term, and effective public actions would be a critical catalyst for economic growth and poverty reduction. The PRS recognized the overarching importance of good governance, macroeconomic stability, human development and strong partnership between the government, the civil society and the donor community for an effective development process. It further recognized the prioritization of public actions as a necessary element for effective public action and identified the following priorities for public actions: rural development and agricultural transformation, human development, good governance, economic infrastructure, private sector development, and institutional capacity building. The strategy and priorities of the PRS are broadly in line with the pre-PRS strategy of the government, thus the adoption of the PRSP did not signify a change in direction but underlined the urgency to accelerate the pace of change.

The development program articulated by Vision 2020 and the PRSP process require fundamental changes in public and private sector governance, including the roles and relationships between the various agents in the development process (individuals, households, civil society, private firms and public agencies). The PRSP’s emphasis on partnerships in
public policy would be an effective instrument only in an open and tolerant society with a responsive and facilitative government, and with public programs and actions that reflect the stated policies, laws and regulations. Thus, reflecting Rwanda’s recent history, institutional reforms of socio-political processes are essential to achieve the development objectives.

**Governance Agenda:** In the context of the PRSP process, a governance strategy was developed that set out the medium-term governance agenda for Rwanda. The strategy aimed to define the processes and structures to guide political and socio-economic relations, including government, the private sector, and civil society activities. It prioritizes actions in governance under five themes: institutional strengthening and coordination; unity and reconciliation, peace and security; social welfare of the population; civil society and the private sector; and economic planning and management. Proposed actions and priorities were guided by key governance principles including the separation of powers, the rule of law, participation in decision-making, equity and fairness, transparency, efficiency and effectiveness, and accountability. The immediate priorities for action include the transition to democratic rule through free and fair elections, the decentralization of government, the improvement in justice and observance of human rights, and public sector management.

**Partnership with Development Agencies:** Many donors became involved in Rwanda after the genocide to assist in the emergencies and some of those donors have stayed to assist in long-term development. Official development assistance contributes about 50 percent of the government’s budget. In the past, the uncoordinated efforts by the donors to control the development agenda led to conflicts with the government, lack of trust, unpredictability of resource flows, and ineffectiveness of development assistance. Under the PRSP, the GOR and the official development agencies have adopted a new partnership framework. This explicitly recognizes that the donors agencies will (i) have a role in the development debate in Rwanda, (ii) work in the context of the nationally owned PRSP, (iii) make every effort to harmonize their procedures of assistance with those of the government to cut transactions costs; and (iv) increasingly provide program aid rather than assistance tied to specific projects while support the strengthening of the government’s public expenditure management systems. This partnership framework should encourage donors to make long-term commitments to support the development of Rwanda.

**Economic Transformation:** Within the framework of the Vision 2020 and the PRSP, the economic transformation is to be driven by sustained increases in productivity and international competitiveness requiring (i) the transformation of agricultural production from subsistence to a market-based orientation, (ii) by private sector investment and outward orientated production, and (iii) rapid human resource development. To effect this transformation, Rwanda needs to deepen the ongoing policy and institutional reforms on governance and macroeconomic management, agriculture and rural economy, private sector related institutional development (privatization, regulatory reform, financial sector reform, promoting investments and trade), and human development.

**Development of Market-based Agriculture**

Agriculture is the main economic activity in Rwanda, contributing about 40 percent of GDP, with up to 90 percent of the labor force involved full-time or part-time in the sector. Farming is the principal source of livelihood for the vast majority of poor households in Rwanda, who work as smallholder and subsistence farmers. A 1993 report classified 98 percent of the farmers in Rwanda as poor; there is no reason to believe that this condition has improved. Before 1994, agricultural productivity was declining due to falling soil fertility as the rural population grew and marginal lands were brought into production. Furthermore
environmental degradation and soil erosion accelerated the loss of soil fertility. The events of 1990-94, particularly the massive displacement and resettlement of populations aggravated the loss of soil fertility by unchecked erosion, the neglect of farms, loss of livestock, further insecurity of land tenure, and environmental damage as a result of destruction of vegetation by population movements.

The PRSP recognized rural development and agricultural transformation as the number one priority for public action, a recognition of the central role of agriculture for medium-term economic growth and poverty reduction. As part of the search for approaches to reduce poverty, the Government elaborated a new agricultural strategy in 1998. The PRSP draws from and endorses the approach of this strategy. The transformation from the current largely subsistence farming to market-based system is regarded in the PRSP as a crucial element for the progressive increases in the productivity and incomes of farmers. The requirements of the transformation include the intensification in modern input use in agriculture, the specialization in agricultural production, improved access to markets and market information, and access to research and extension services. Furthermore, the liberalization of land, labor and agricultural inputs and products markets and improved access to credit will be required. Direct support will need to be provided to associations of farmers for the dissemination of new technologies and the marketing of inputs and outputs.

Land in Rwanda is technically owned by the state but the peasants who cultivate the land manage it and can pass it on to their heirs. Nevertheless the tenure is not secure and females have not had the right to inherit and own land. Discussions on a land law have been underway since 1997. A land policy that ensures the security of land tenure and the rights of females to own land and outlines new institutional instruments to manage land issues was adopted in 2002. However, there is yet no land law to back these policies. Secure tenure and credible land titling, registration, and transfer systems will enable land markets to develop but the institutional arrangements to implement these will be quite taxing. The reversal of the degradation of Rwanda’s natural resources is critical to the development of agriculture and the rural economy, and assistance to farmers in restocking of livestock and small domestic animals lost in the and genocide of 1990-94 is essential for improving farmers incomes and improving the supply of organic material to the soils.

**Policy and Institutional Reform for Agricultural Transformation:** The transformation from a subsistence to market orientation is a long-term process. It requires that persistence and consistency in policies across goods (factor and products), labor and financial markets. In line with the strategy of promoting the market orientation in agriculture, agricultural input and product markets have been liberalized, labor laws revised to remove restrictions on labor mobility and wages, and output/export taxes on coffee, a key cash crop for farmers, reduced. The government parastatals have been withdrawn from the distribution of fertilizer and control of its prices. Private firms have emerged that import and distribute fertilizers at market-determined prices. Seed production and distribution will be privatized. The private sector has been allowed into coffee export marketing, formerly monopolized by a parastatal. The privatization of tea processing facilities is imminent; this will attract new investments in tea factories to eliminate the bottleneck to higher production levels by tea estates and smallholders. As noted earlier, discussions are underway to revise the land law and put in place institutional arrangements to support the development of land markets. Thus, on the policy front, the foundation for market-based agriculture is being laid.

The agents in agriculture are largely poor people. For these poor smallholders, the change embodied in the strategy implies significant private risk. Persistent and effective public action is essential to mitigate these risks, particularly through the timely delivery of needed
public services. However, the history of public delivery of agricultural services is hardly encouraging. Although agriculture has for long been recognized as a priority sector, the institutional capacity of the ministry of agriculture has remained weak. Research and extension services have been ineffectual and rural infrastructure has long been neglected. The public support needed for sustainable and affordable supply of improved inputs including the appropriate fertilizers and seeds, and infrastructure for access to the markets has focused on control rather than service delivery. Donor support has been weak and fragmented.

Overall, the effort to support farmers has been feeble in comparison with the challenges of change required of the farmers. The proportions of government spending on agriculture in the recurrent and development expenditures in 2001 were 1.5 percent and 14 percent respectively. The PRSP emphasis on effective public action is especially relevant to the agricultural sector that has for long suffered from institutionalized neglect. The designation of agriculture and rural development as the top priority for public actions in the PRS should be a wake-up call for sustained strong public support for agricultural transformation.

The development of regional trade in agricultural commodities will enhance Rwandese agriculture and its market orientation. While Rwanda is not self-sufficient in food, regional trade will enable Rwanda to specialize in some of the existing products, for instance beans and potatoes while it buys other products such as rice and cereals where it does not currently have comparative advantage. This requires public actions to promote trade in general and open up access to markets in neighboring countries. Regional trade will also help to mitigate the price fluctuations of domestic food prices in response to changes in production. In recent years for example, Rwandese farmers have experience significant declines in producer prices as a result of increases in agricultural production. On the other hand declines in production are often offset by increased inflows of food aid, the resulting asymmetrical impact of production on prices increases risks and reduces profitability.

Private Sector Development

The institutions that underpin the small Rwandan private sector -- the legal and regulatory framework, the financial system, the foreign/regional/domestic trade investment alliances, and the economic infrastructure -- were devastated by the civil war and genocide. Subsequent to the genocide, the recovery of the private sector was slow, particularly in the context of the continuing regional conflict that hindered trade and investment. The public sector benefited from official development assistance but the private sector has had to rely on its own meager resources to rebuild its productive capacity, in an environment of increasing tax burden. Nevertheless, the initiation of policy reforms in the early stages of the post-conflict period, particularly the liberalization of the trade and exchange reform enabled the private sector to profit from the stimulus of official development and humanitarian assistance. This stimulated the rehabilitation of productive capacity in the manufacturing, banking, commerce, and transportation sectors resulting in a rapid rebound of activities in these sectors in 1995-97. This rebound however weakened from 1998 onwards when the flows of humanitarian assistance declined. In the PRS, the private sector has the leading role in economic production and employment creation. This requires a major re-orientation of both the private sector and the state. The legal and regulatory environment is under reform but institutional practice could lag these reforms.

**External Trade:** Private sector development needs growing markets and land-locked Rwanda needs to forge durable peace and strong economic links with its neighbors. This will enable it exploit its regional comparative advantages and to benefit from the comparative advantages of its neighbors, which will progressively enhance its competitiveness in the global
market place. Rwanda is a member of COMESA and has applied for membership of the Eastern African Cooperation, which currently comprises of Kenya, Tanzania and Uganda. However, cooperation with its immediate neighbors will be possible only after the conflicts in the region are ended and peace is established. The PRS regards export production as an important source of economic growth, employment creation and increases in income. Opportunities exist for private initiatives in the traditional exports such as coffee and tea and the development of tourism and high value exports such as cut flowers, specialty coffees, pyrethrum, fruits and vegetables. The poor state of physical infrastructure constrains trade and commerce and public actions are needed to mitigate this constraint.

_Private sector development policies and regulations:_ After the genocide, the government adopted a liberal policy posture but the laws in the books reflected the control orientation of the past. These laws gave the government considerable authority to control the decisions of the private sector. For instance, the labor code gave the authorities the control over labor movements, and the power to set minimum wages and mandate salary increases. Under the existing internal trade, the government had wide authority to set prices and control the inventory of firms. These laws were not enforced after the genocide, but it was necessary to revise these laws to be consistent with the new market-oriented framework. Thus, reforms have concentrated on changing the institutional, legal and policy environment to reflect the shift to a market-based orientation. Both the labor law and the internal trade act have been revised and the government sponsored and controlled chamber of commerce abolished, allowing the private sector to set up its own apex organization. The Rwanda Private Sector Federation was set up in 1999 by private sector organizations, to represent private sector interests.

Further reforms focused on improving the financial sector and the legal environment for business, and privatizing major public enterprises. The privatization of the tea and coffee processing plants will attract the private investments needed for these industries to reach their potential. Under private management of tea factories and coffee processing plants, farmers are likely to get the assistance needed to increase productivity and raise the quality of the products. The Rwanda Investment Promotion Agency (RIPA) was established to promote and facilitate investment and promote exports and business development. In recognition the importance of technology for improving the competitiveness of the Rwanda private sector, and in line with the Vision 2020, the GoR set up the National Information Technology Commission and the Rwanda Information and Technology Agency as public/private partnerships to promote policies and institutions conducive to a learning and environment that facilitate innovation and the adoption of technology in the private and public sectors.

_Economic Infrastructure:_ Investments in infrastructure, including rural feeder roads, electricity and communications systems, are required in coming years to lower the costs of doing business for private firms. There are three key elements in the provision of infrastructure – expansion of the networks, maintenance of existing networks and the cost-effectiveness of infrastructural services. The first two have implications for the budget, public investments and donor financing. The PRSP makes a case for the importance of infrastructure in poverty reduction and some elements of public infrastructural services are included as budget priorities. The cost-effectiveness element depends on how these services are conceived, developed and provided. The Government’s commitment to public/private/community partnership in the provision of infrastructure, when put into practice, will enhance sustainability and cost-effectiveness of investments in infrastructure.

_Governance and private sector development:_ Private investors have choices across international borders about where to invest and will only invest in Rwanda if the risk/return
assessment is competitive. Due to its history of conflict and the volatile region it is in, investments in Rwanda would require a high-risk premium. Good governance, including a sharp break from past policies of exclusion and state control of economic activities will mitigate the perception as a conflict-prone country and reduce the risk premium. A political process that is participatory and democratic and function in accordance with the constitution of the country helps to build confidence in the socio-political stability of the country. The respect for the rule of law and contracts, the absence of arbitrary government policies and credible efforts against corruption and abuse of office reduce costs and operational risks and enhance private sector confidence in the economic policies and public institutions. Thus, Rwanda’s success in building its good governance institutions will be critical to its private sector development efforts.

Human development

The genocide was an unprecedented human tragedy that destroyed human spirit and capacity. The recovery of these human attributes remains the biggest challenge of the overall recovery process. Efforts at rebuilding social capital centered on promoting dialogue at all levels and engaging people in solving their own problems. The URC discussions (see above) as well the PRSP consultations as well as the decentralization, elections and the participatory process of the Gacaca are part of the ongoing process of social capital formation. Community development projects for mutually beneficial activities, identified and prepared by communities have been instruments for enhancing social capital.

The human resource losses to the genocide were substantial, with severe losses in the professional and technical class (doctors, teachers, nurses, etc) as a result of the massacres, exile and prison due to the genocide. The post-genocide administration faced a severe shortage of skilled people, which hampered its ability to restore public social and other services and effectively run the machinery of the state. Consequently, its medium-term strategy simultaneously addressed the short and long-term dimensions of the human development challenges, focusing on the rehabilitation of vulnerable people and social infrastructure, and training and reinforcement of capacity to meet immediate needs for qualified people. The GoR in 1998 began to allocate increasing share of its recurrent budget to social sectors.

In the medium-term, the human development efforts will be to consolidate the efforts initiated during the transition and continue to focus on (i) reintegration, including the provision of humanitarian assistance and the permanent resettlement of returned refugees and other displaced people (see section VI); (ii) the restoration and improvement of social services, particularly for education and health, (iii) prevention of the HIV/AIDS; and (iv) on enhancing gender equality. The challenges in the immediate term are to, in the context of the institutional framework established in the transition period, improve access and quality of social services, reduce and contain costs in key areas (tertiary education, primary health care), and target services better.

Education: The emphasis has been on rehabilitatting and reopening primary and secondary schools, training of teachers, restructuring the education curriculum, and on investments in "tertiary" education. In line with the emphasis of technology in Vision 2020, the reform of the educational curriculum put priority on science, mathematics at primary and secondary levels and technology and management at tertiary levels. Early efforts in rehabilitation of existing schools, establishing schools in new settlements and encouraging parents to send children to school resulted in a rapid increase in enrolment at all levels of education. In primary and secondary school net and gross enrolments have surpassed pre-genocide levels, and the enrolment of girls is at par with that of boys. In 2001, gross primary
enrolment reached 100 percent for both girls and boys, with overall net enrolment at 73 percent.

However, the quality of education is very poor. The country needed trained teachers after the genocide. In 1999, about 50 percent of the primary school teachers were untrained and teachers trained to teach science and mathematics in primary and secondary schools were scarcer. To address these problems, Rwanda opened 12 new teacher-training colleges (TTCs) to provide regular and in-service training of primary school teachers, with some of them equipped to train teachers in mathematics and sciences. Furthermore, 12 science and mathematics-focused secondary schools were established. The GoR also established the Kigali Institute of Education (KIE) to train teachers for TTCs and secondary schools.

Tertiary education and training facilities were rehabilitated to meet the needs for manpower in the short and long-term. In addition to the rehabilitation of the one existing public university, the Kigali Institute of Science, Technology and Management (KIST) was established to lead the education in technology. KIST offers a mix of academic, technical and vocational education to full time and part-time (evening) students, with the aim of filling the skills gap at all the levels of technical professions. The Kigali Institute of Health (KIH) was also established to meet immediate and longer-term needs for health professionals (excluding doctors). As a result of the many public activities in the tertiary sector, operational expenditures for tertiary education, including scholarships for Rwandese students to study abroad, rose to 7.3 percent of total recurrent spending in 2001, to the discomfort of some of its development partners. A number of private universities and other tertiary institutions specialized in courses in high demand in the labor market (management, accounting, law, information systems and economics).

**Health:** In the decade preceding the events of 1994, health standards deteriorated as a result of the rapidly rising population, under-funding of public health programs, increasing incidence of HIV/AIDS and drug-resistant malaria, and growing food insecurity and malnutrition. Following the genocide, the rehabilitation of health facilities received priority by the government, the donors and international NGOs. The institutional framework for managing health services was reformed and a decentralized system of health care delivery has been put place. In this system, community participation, information sharing, and education are used to facilitate the delivery of primary health services. A system of cost sharing, with contributions from the beneficiaries, is in place. The system has the flexibility for exemptions from fees for the poor and indigent but this provision is not funded. Health services remain poor and furthermore, in a country with widespread poverty, this cost-sharing system, while conceptually sound, has been preventing many of the poor from using the health facilities. The challenges to the health system are to improve quality, make health services affordable, and address the major causes and areas of high mortality such as malaria, HIV/AIDS, and the high infant and maternal mortality rates.

**HIV/AIDS:** Rwanda, like other countries in the region, has high incidence of HIV/AIDS estimated at 12 percent of the population 15 years and older. This is a serious threat to Rwanda's human resources and its overall development. However, in the context of a large agenda of reconstruction, rehabilitation and social recovery, HIV/AIDS prevention was not treated as a priority until 1999. From then, the GoR declared a war against HIV/AIDS and began to revive the AIDS control programs, particularly the information, education and communication (IEC) program. The code of silence on HIV/AIDS was broken and the epidemic has become a subject of public discussion. HIV/AIDS is fully recognized by the Rwandese as a major obstacle to development. The Government has adopted a multi-sectoral
approach to fighting HIV/AIDS and a new national commission has been created to spearhead the effort.

**Gender:** Females account for 54 percent of Rwanda's population of just over 8 million and constitute the bulk of the labor force in agriculture and the rural economy. The majority of the poor are women and women headed households. Historically, females have suffered discrimination in the society and denied equal access to economic and social opportunities. At the same time, women carry the heavy burden of caring and maintaining the households. The genocide increased this burden, with 31 percent of the households headed by women compared to 21 percent before the genocide. In recent years, while enrolment of girls in primary and secondary schools has been comparable to that of boys, females comprise only about 25 percent of tertiary level students are women. The Ministry of Gender and Women in Development, has been created and empowered to promote the rights of females, has launched many public initiatives in collaboration with local and foreign NGOs to organize and empower women. The civil code was revised in 1999, providing for new matrimonial regimes that would eliminate gender discrimination on inheritance and property rights. In the political arena, a number of seats are reserved for women in the National Assembly and representation of women is mandatory in local councils, with special seats set aside for women elected by women voters.

IX. **Summary and Conclusions**

Rwanda has come a long way from the genocide of 1994 but it is clearly not out of the woods. However, the excessive pessimism about the prospects for achieving peace and unity in Rwanda may not be justified. The challenges are no more daunting in Rwanda than in many contemporary African societies struggling to overcome the legacies of colonialism but Rwanda has to work extremely hard to overcome an enormous credibility problem at home and abroad about its process for change. In this respect, Rwanda has some clear advantages to build on. Its small size, homogenous culture, the return of Rwandese from the diaspora with new ideas, and its relatively strong institutions, disciplined and relatively rule-based governance borne out of a long history of statehood, should eventually work to its advantage. In the years following the genocide, Rwanda has resettled over 3 million people displaced by the genocide, re-established peace, law and order within its territory, rehabilitated social and economic infrastructure, restored economic stability and revived economic growth. Poverty has been gradually reduced. National and local dialogue has taken place and elected local administrations have been established. What has been accomplished over the last six years is a testament to what is possible given a measure of peace and stability.

The relationship between the authorities in Rwanda and the donor community was for the most part tense during the emergency and transition periods and donor support was fragile. This situation was due to a number of factors including the Government’s insistence on doing things its own way was seen as inflexibility or the rejection of donor advice, the donor concern over human rights abuses during the days of emergency, military expenditures and the presence of Rwandan troops in the DRC. Over time however, Rwanda has impressed the donors with its participatory and results oriented approach to dealing with its problems, a strong commitment to reform and with the progress made in the recovery process. Rwanda has also involved the donors into its consultative and planning processes. Thus the support of the donor community has strengthened since 2000. Given Rwanda’s close relations with the donor community in the pre-genocide period, which did not prevent the disastrous policies of exclusion, it is essential that while the donor community continues to support Rwanda’s
development program, it should use the leverage to promote good governance and prevent the abuses of political power.

**Governance:** Through the tragedy of genocide, the pressure of the international pressure for democracy, inclusiveness and overall good governance, Rwanda may well become a more open, tolerant society. Due the widespread recognition that bad governance led to the genocide as well as its pressing need for external assistance, Rwanda appears to be responding positively to the pressure for good governance. The consultations under the auspices of the National Unity and Reconciliation Commission and the PRSP have given normally reserved Rwandese the opportunity to discuss the fundamental causes of disunity and conflict in the country. Serious discussions on political reform started in 1997, and the Legal and Constitutional Commission, envisioned by the Arusha Accord, started in 2001. Vision 2020, the first draft of which was prepared in 1998, put emphasis on improving governance and strengthening national reconciliation, in recognition of the role of poor governance in the disunity and conflict that characterized Rwanda’s recent history. Decentralization, Gacaca, reform of the public expenditure management, public enterprise reforms and the PRSP process are other instruments that have been introduced to enhance governance. Elections are planned for late 2003 to pave the way for the transfer of power to an elected government and legislature.

**Economic Prospects**

The Government has undertaken significant macroeconomic and structural reform that sustained the economic recovery and strengthened the foundation for future growth. The recent high economic growth rates have largely been due to a rebound from the decline of the genocide, with strong performance of agriculture and construction. Essentially, the recovery has been largely due to bringing existing assets into use, with little new investment. Sustained growth will require new private investment. Vision 2020 and the PRSP present an ambitious but clear direction for economic transformation and poverty reduction in the longer term. Rwanda has also embraced the UN’s Millennium Development Goals (MDGs) that aims to halve poverty and substantial improve social indicators by 2015. The targets for poverty and social indicators of Vision 2020 are consistent with the MDGs.

The prospects for sustained growth and poverty reduction depends on a number of other factors besides the policy and institutional reforms discussed in the paper. The commitment and readiness of the government in Rwanda to implement good governance policies to consolidate domestic social peace, the progress in the resolution of the conflicts in the Great Lakes region, and the economic developments in the region as well will be critical to economic outcomes in Rwanda. Without progress in governance and/or durable peace in the region, private investments and official development assistance are unlikely to reach the levels that Rwanda needs to reach the MDGs.

Due to the uncertainties regarding the direction of events in Rwanda and the region, there is a wide range of prospects of economic performance and progress in meeting the MDGs. The “best case” scenario would involve the accelerated implementation of the governance agenda and the economic reforms for poverty reduction, and evolution to good relations between Rwanda and other countries in the region and a climate conducive to regional cooperation, steady progress toward internal peace in Rwanda and these other countries, and strong economic recovery and a process of economic reform in the countries in the region. These conditions would attract investments into mining, the development of energy resources including the gas reserves in Lake Kivu, increase tourism and enhance Rwanda’s trade with regional and global markets. They would also boost the flows of ODA to Rwanda.
and for regional infrastructure (roads, energy) that would enhance regional trade and commerce. This scenario would provide the climate for the Rwandan economy to continue grow at over six percent per annum on the basis of the agricultural led strategy of the PRSP. Sustaining this performance for a ten-year period will enable Rwanda to achieve the MDGs.

A second scenario of “business as usual” would involve continued instability in the region, with a continuation of the current sporadic conflict, poor diplomatic and commercial relations between Rwanda and its neighbors. In this scenario, durable peace in Rwanda will be unlikely. Insecurity from threats from dissident exiles in neighboring countries will tend to undermine the efforts on good governance and national reconciliation. ODA and private investments will not be available for investments in regional infrastructure, mining and tourism. Infrastructure for access to global trade will be limited and inter-regional trade will remain largely at inefficient informal channels. With a continuation of the current internal peace in Rwanda, however, the economy could grow at 4-5 percent over the long-term, led by agricultural developments, assuming that the PRSP agricultural strategy is implemented and Rwanda is able to continue to export food products to the DRC and Uganda. With the combination of this relatively low growth of domestic incomes and external financing, in comparison to needs, Rwanda would not achieve the MDGs. The incidence of poverty would continue to decline but by 2015, the headcount index would be closer to 40 percent rather that the 30 percent required by the MDGs.

The third scenario is one of failure of the peace processes in the region, followed by intensified conflict, with continued control by rebel movements of significant areas of territory. Rwanda’s involvement could be triggered by insurgency into Rwanda by exiles, with support from another government/rebel movement in the region. This scenario will likely (i) delay the implementation of the governance agenda and the economic reform programs, with external threats to security used to rationalize the postponement of reforms; (ii) increase in military expenditures and a sharp reduction in ODA will reduce resources available for development; (iii) trade between Rwanda and the region, even at informal levels, will stagnate; and (iv) physical destruction of assets, disruption of economic activities by violent conflict, and diversion of resources to military activities, will reduce economic growth. The overall impact is that national reconciliation will be undermined, private investment will be drastically cut, and agricultural production will increasingly revert to subsistence. The economy will grow at 2-3 percent on average, and poverty and social indicators will worsen.

**Risks to the development process**

Rwanda has outlined, through the PRSP and related processes, a sound agenda of actions to improve governance and reduce poverty. Over the last six years it has demonstrated that once it agrees on a policy or program, it has the commitment to deliver results. However, this development program faces a number of risks, some of these risks are evident from the scenario analysis above. The culture of violence and impunity in the last forty years has weakened the fabric of the Rwandan society and made violence and instrument for resolving disputes. The Hutu/Tutsi phenomenon can be exploited to inflame domestic tensions, increase domestic insecurity and create a climate for violent internal strife. Sustained poverty reduction is unlikely in the context of persistent insecurity.

While the proposed development program of the PRSP is sound, the capacity for implementation is weak and requires persistent efforts at capacity building, including improved compensation for public servants that would be difficult in view of the low government revenue base. There is the also the risk, as in many poor fragile societies, that short-term private interests of the elites can take precedence over national interests and thus
undermine the implementation of sound public policies and programs conducive to long-term development. The poor governance arising from the corruption and the arrogance of power in the pre-genocide era had disastrous consequences; this costly lesson should be enough to curb future excesses.

Apart from Rwanda’s own internal risk factors for conflict, its neighbors are prone to violent conflict, which as in the past, can spillover into Rwanda. The poor relations between these neighboring countries and Rwanda and the presence in these countries of large numbers of dissident Rwandese exiles increase the risk of the spillover of conflict into Rwanda and violent insurgency by the exiles.

The promotion of national reconciliation has been a major crosscutting objective in the program of change in Rwanda since 1995. As the rebuilding of the social fabric will take time, this should continue to be an important aspect of national policies for years to come. The success of the process of national reconciliation in Rwanda depends to a large extent on the progress in improving governance, reducing poverty, and attaining peace in the region. The success of the national elections planned for end-2003 for a return to representative government at all levels is crucial to consolidating the efforts on national reconciliation. It is important that in the context of the competitive political environment that will emerge from the process of democratization, all parties in Rwanda avoid the manipulation of ethnicity and history for political gains. The efforts by the Government and its international partners to expand economic opportunities are crucial for poverty reduction and sustainable development.

Enhanced official development assistance (ODA), with funds and policy advice, will continue to be needed for accelerating Rwanda’s development process and rapidly reducing poverty. Rwanda should benefit from the ongoing efforts to improve the effectiveness of ODA through measures such as the harmonization of donor procedures and the improvement in the predictability of flows of ODA. The international economic institutions are well placed to promote economic discipline and support economic development in the context of the PRSP. However, the international instruments for promoting political development and discipline are weak. The genocide in Rwanda is an example of the failure of international socio-political action. One lesson from the genocide is the need for the Rwanda’s external friends/donors to provide some checks and balances on government actions. The long-term engagement of some bilateral donors in Rwanda will not only promote economic prosperity, but could enhance governance as well. Long-term engagement would enhance trust and facilitate constructive dialogue between the donor, the government and the civil society on a broad range of economic and socio-political issues. It would also encourage partnership between the civil societies in Rwanda and the donor country that could empower the Rwandese civil society. The long-term partnership could therefore help to strengthen the checks and balances in the Rwandese system of governance.

Rwanda has been a key player in the affairs of the Great Lakes region in the past five years. As discussed above, peace, stability and economic prosperity in all the countries in the region are in Rwanda’s strong interest, it should work assiduously toward sustained peace and regional integration. The international community has a crucial role in the resolution of the conflicts in the Great Lakes region and its engagement in the peace process since 1998, though somewhat lukewarm, has contributed to the progress made so far. The vigorous support of the international community for peace, regional cooperation and economic development in the Great Lakes region is essential for continued progress in Rwanda. Finally, the Rwandese authorities have rightly stressed the importance of good governance in their future and have developed programs to enhance governance. Unless good governance is practiced, not merely preached, there is a risk of taking the country to where it was prior to the genocide.
X. Notes and References

11 Till today, there has been no acceptable evidence as to who was responsible for the shooting down of the plane.

2 The history of Rwanda is controversial and many Rwandese do not accept the conventional version of it which attributes the recent violent episodes in Rwanda to a deep ethnic division between the Hutus and Tutsis. This historical section draws substantially from the version of the history presented in the *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience* (in Five Volumes). Published by the Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda (David Millwood, editor), March 1996.

3 Collier and Collier (1991) define corporatism as a non-pluralist system of group representation characterized by: (i) state restructuring of groups that produces a system of officially sanctioned, non-competitive, compulsory interest associations; (ii) state subsidy of these groups; (iii) and state-imposed constraints on demand-making, leadership, and internal governance. (Ruth Berins Collier and David Collier (1991), *Shaping the Political Arena, Critical Juncutures, Labor Movement, and Regime Dynamics in Latin America*, Princeton University Press). Corporatism in Rwanda was the result of the effort to accommodate modern instruments of governance into an oligarchy.

4 These labor laws were the source of severe distortions. In one parastatal, the pay of the doorman that had been in the parastatal for over 20 years was higher than that of a newly appointed chief executive officer.

5 Rwanda was one of the few countries with a development bank that functioned well and was consistently solvent and profitable. The Government was a majority shareholder in major banks but the management of these banks was in the hands of the foreign partner banks.

6 Source: The World Bank: *World Development Indicators 2000*. In contrast, the rate of inflation in the USA during the same period was 4.2 percent per annum, Kenya 11.1 percent and Tanzania 31 percent.

7 Urban poverty was low and remains low in Rwanda. With a 40 percent poverty line for Rwanda in 1985, the incidence of urban poverty was 16 percent. In the 2001 household survey, poverty incidence was 12.3 percent in the city of Kigali, the main urban centers, on a country-wide poverty line of 60 percent.

8 A Banyarwanda is a person of Rwandese origin, who speaks Kinyarwanda, the language of both Hutus and Tutsis.

9 In 1993/94, The Bank held several discussions with representatives of the Government and the RPF in order to prepare an integration and demobilization program.

10 The leaders of the RPF had served in the National Resistance Army (NRA) of the National Resistance Movement (NRM) of Uganda that took complete control of the government in early 1986, in apparent disregard of a power-sharing agreement signed by the NRM the military government in Uganda in Nairobi in 1985.

11 In Burundi, the Hutus are the majority but the Tutsis control the government and the army. Ndikumana (1998) states that the “assassination of the newly-elected Hutu president in Burundi, on 21 October 1993, by the Tutsi-dominated military provided an additional motive to the Habyarimana regime to resist against power sharing at all costs.” (See Leonce Ndikumana (1998), *Institutional Failure and Ethnic Conflicts in Burundi, African Studies Review*, Volume 41, Number 1, April 1998, pages 34-35)
The prefecture of Butare, the ancient capital of Rwanda and the seat of its only university avoided the violence for six weeks. Then the head of the provisional government went on the radio and challenged the people of the prefecture to do like others; subsequently thousands were killed.

The Government gave assurances of the security of returned refugees and the right to get their properties back. It sent ministers and other government officials into refugee camps to meet with refugees. Some refugees were invited to visit Rwanda to see the conditions and go back to the camps.


This situation has given created a phenomenon of the “gap between humanitarian assistance and long-term development” that risks the creation of a permanent under-class could undermine the efforts on socio-economic recovery and national reconciliation.

See UNHCR (2000)

According to a survey by the UN’s Joint Reintegration and Programming Unit (JRPU) in 1999 almost 250,000 families were still living in plastic sheeting, severely damaged houses, or houses belonging to others, not including the approximately 100,000 families (650,000 people) who had been displaced by the violence in the northwest and were living in temporary accommodation.

Some of the resistance to the shelter work of UNHCR may have stemmed from the misgivings of donors about grouped settlements (imidugudu) that UNHCR was helping to set-up, in accordance with the protocol it signed with the Rwandese peace negotiators in 1993 in Arusha.

The Brookings Process has its roots in a conference convened in 1999 by James Wolfensohn, President of the World Bank and Sadako Ogata, the then UN High Commissioner for Refugees in the Brookings Institution in Washington DC, to discuss the issue of the transition from humanitarian assistance to long-term development aid.

Ugandan rebels, operating from bases in Zaire, were also terrorizing the population in Western Uganda.

The war broke out in the DRC in August 1998, with Rwanda and Uganda supporting new rebels against the Kabila regime, its former ally. Subsequently Zimbabwe, Namibia, Angola and Chad sent troops to support the Kabila government. The fighting reached a stalemate and a framework for peace signed by all the belligerents in July 1999 in Lusaka, Zambia under the auspices of the OAU and the UN. However, the war continued, albeit with lower intensity as no progress was made in implementing the Lusaka agreement until after Laurent Kabila was assassinated in January 2001 and was replaced by his son Joseph Kabila.

Protracted civil war also changes the social and incentive structure, which may have a negative or positive impact on development.

In April 2000, President Bizumungu resigned his office in an apparent dissatisfaction with his role. Subsequently, An electoral college consisting of members of the National Assembly and the Cabinet, in accordance with the Transitional Fundamental Law, elected General Paul Kagame president.

Old caseload refugees refer to the exiles of the conflicts of 1959, 1963 and 1972-73 and their descendants. These were mainly Tutsis. New caseload refugees refer to those that left Rwanda in 1994. These were Hutus.
The RPF, like the other 4 major parties, has only 13 members of the 70-member National Assembly.

These meetings were held weekly in Urugwiro village in 1998-99 on the future of Rwanda. They were convened and chaired by the President of the Republic and participants included a broad section of citizens including political, religious, and civil society leaders. The discussions led to the decision to (i) use of Gacaca to accelerate the adjudication of the genocide cases; (ii) accelerate decentralization and bottom up democratization; and (iii) launch broader grassroots consultations on national reconciliation under the aegis of the National Unity and Reconciliation Commission (URC).


It is important the humanitarian assistance, though focused on immediate survival, be seen as part of the process of reintegration and therefore be aimed at building sustainable livelihoods. The communities should be involved in all phases of reintegration activities as these activities, by galvanizing communities around mutually beneficial activities, help to rebuild social capital.

Villagization has a long history in Rwanda, born of the concern over dispersed habitation in the rural areas and the difficulty of providing public services to the rural dwellers. Therefore, it would be preferable to resettle households more compact village settlements and redistribute the available farming lands. Imidugudu has been the policy of successive administrations in Rwanda since the early 1940s, and many such schemes have been successfully implemented, with financial support from bilateral donors. The returned old-case load refugees have been largely settled in villages, in accordance of the Arusha Accord.


The National Assembly elects members of the Supreme Court from a long list provided by the Government.

The party of the out-going prime minister proposed a candidate for prime minister to the president. However, an electoral college consisting of the members of the cabinet and the National Assembly elected the president from two candidates proposed by the party of the outgoing president. Cabinet reshuffles accompanied the reorganization of ministries in 1997, 1999 and 2000. Each reshuffle brought in new blood into the cabinet, which became increasingly technocratic. In the new cabinet of 2000, President Kagame was the only member of the Government that was in the original Government of National Unity formed in July 1994. In addition to replacements through cabinet reshuffles, the first prime minister and another minister left the government following policy disagreements and went into exile. Two ministers resigned following censure by the National Assembly and another resigned priori to a scheduled censure vote by the Assembly.

The Government has published a list of 1900 suspects in tier 1, considered to be the principal perpetrators and who, if convicted, will face the death penalty.
In spite of the widespread condemnation of the genocide by government leaders around the world, governments in Africa and elsewhere were slow in arresting suspects and handing them over to the International Tribunal for trial.

A general amnesty was ruled out in consultations in 1995.


The district (Akerere) council has a coordinating role over the activities of the Umurenge (sector), and similarly the latter coordinates the activities of the Akagari (cellule). It is planned that over-time the Akerere will get some of the responsibilities of the Intara, while it transfers some of its responsibilities to the Umurenge. Ultimately the Intara level will be phased out, once the Akerere has the capacity to assume the current responsibilities of the Intara.

The participation rate in the lections was also reported to be over 90 percent. Further elections to the lower level councils (Umurenge and Akagari) were held in 2002.

These ghosts are names of people in the staffing lists and the payroll who do not exist or do not actually go to work. These may include fictitious names, people who are retired, dead, or have left the country but their names remain in the payroll and some people in the government arrange to collect the salaries. However, there were also a large number of people who were working but were neither in the staffing list nor the payroll because the system was too slow to regularize their employment.

Republique Rwandaise, Ministère de la Fonction Publique, Recensement des Agents de l’Etat, May 1996. The census also showed 2,548 employees of local administration and 6220 employees of parastatals including the central bank (326). The numbers from the census are somewhat suspect because they are much higher than the numbers in the payroll of the GOR.

This included the King Faisal Hospital, the Kakira Sugar Factory, and the Diplomat and Izuba Hotels. In the case of the two hotels, government got involved after two unsuccessful competitive bidding attempts.

The policy framework paper entitled “Post Conflict Reconstruction: A Framework for Economic Policies (FEP) [See the annex to World Bank, Memorandum and Recommendation of the President for an Emergency Recovery and Reintegration Credit to the Rwandese Republic, Report No P-7149-RW, page 16, June 11, 1997] was intended to be a statement of Government policy for the transition from emergency to development. The paper provided the basis for the IMF’s Post-Conflict Assistance Program and the Emergency Reintegration and Recovery Credit by the World Bank. The PFP agreed a year later paved the way for the Funds ESAF in late 1998.

Rwanda’s external debt amounted to US$1.2 billion in 2000, with 80 percent of the debt to multilateral institutions. Under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, Rwanda received debt relief amounting to US$810 million over 20 years starting in 2000.

See Chart below for the evolution of real gross domestic product.
The share of agricultural value added in GDP gradually fell from 62 percent in 1970 to 40.3 percent in 1989, then declined rapidly in 1990 (32 percent) due to insecurity and massive displacement due to civil war, and rose rapidly in 1994 (50 percent) as production in other sectors was decimated. (See Table 2 below, Source: SIMA Database, the World Bank)

In the early 90s, Rwanda had 4.8 civil servants per 1000 people compared to 16.2 in Kenya, 11.8 in Uganda, 10.9 in Tanzania, 14.3 in Zambia and 4.7 in Burundi.

UNAMIR 1, consisting of 2500 troops, was established in October 1993 to assist in the implementation of the Arusha Accord, was subsequently and drastically reduced to 270 in April 1994, during the genocide. In June 1994, the Security Council approved the deployment of French troops as an interim measure pending the deployment of UNAMIR 2.


The first UN sponsored Roundtable Conference for the Reconstruction of Rwanda held in Geneva in January 1995, generated pledges of US$1.2 billion for humanitarian and development assistance.
Following negotiations under the auspices of the OAU and the UN, the belligerents signed a peace agreement (Lusaka Accord) to end the conflict. However, it was not until January 2001, following a change of leadership in the DRC, that the implementation of the Accord started. There is a sense of optimism in the region that progress will be made this time in ending the conflict.

This post-conflict assistance program has its roots in the transitional assistance framework used by the IMF for Eastern European countries making the transition from socialism to market economics.

With this, the IMF provided support through a three year Enhanced Structural Adjustment Facility (ESAF) arrangement in June 1998, and the Bank approved an Economic Recovery Credit (ERC) in March 1999. The AfDB also provided assistance through a Structural Adjustment Credit in December 1998. In late 1999, the IMF’s ESAF was renamed the Poverty Reduction and Growth Facility (PRGF), to emphasize its focus on the reduction of poverty.

The Gini-coefficient (a measure of income inequality) increased from 0.27 in 1985 to 0.455 in 2001; from one of the lowest (least inequality) in Africa to one of the highest.


The World Bank’s Community Reintegration and Development Project (CRDP), was one of a number of externally funded projects that promoted social capital formation through participatory community projects.

This performance would not be as exceptional as it seems. The Rwanda economy grew by 6.8 percent per annum in 1975-84, a period during which Rwanda enjoyed relative peace. Other post-conflict economies such as Uganda and Mozambique have also experienced long stretches of economic recovery backed by strong donor support and consistent socio-political and economic reform.
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