

## Rwanda: Recovery, Rehabilitation, and Hope

Following the 1994 genocide that killed approximately one million people, Rwanda moved to rehabilitate devastated infrastructure, restore social norms and, finally, embark on a long-term development strategy. Underpinning Rwanda's transition from violent chaos to normalcy is a multi-faceted campaign to build national reconciliation and unity. Part of the transition involved the steps that any country makes as it emerges from civil conflict. The country has worked to demobilize and reintegrate waves of ex-combatants and, to date, about 3.5 million Rwandan refugees have been repatriated and resettled, in a country with a total population of 8 million.

Country Indicators	1990	1994	2005
GDP per capita (US\$)	251	152	258
GDP growth (%)*	-2	-50	6.0
Inflation (CPI, %)*	4	1.6 (1996-98)	9.2
Total External Debt (% of GDP)	28	127	66.8
Fiscal deficit (% of GDP, incl. grants)	-5	-11	-1.6
FDI net inflows (US\$ million)	8.0	0	3.6 (2004)
Poverty incidence (% under \$1 per day)	40	78	56.5
Gross primary school enrollment (%)	67	N.A	92
Under-five child mortality (per 1,000 live births)	150	209 (1995)	152
Immunization rate (measles, %)	83	25	96
HIV/AIDS prevalence (%)	-	13 (1997)	3
Population (millions)	7.1	5.5	9.0

Source: IMF and World Bank unless otherwise indicated.

\* National Institute of Statistics for Rwanda (NISR).

Since the early days of reconstruction in 1994, the International Development Association (IDA), the World Bank's fund for the world's poorest countries, has provided US\$809 million to Rwanda through investment and policy support operations. IDA's work adjusted rapidly to evolving circumstances, first meeting the needs of reconstruction and then supporting structural reforms for development.

Extensive economic and governance reforms undertaken between 1995 and 2005 contributed to GDP growth rates in Rwanda averaging over 7.5 percent per year. The progress in human well-being and service delivery has been even more remarkable. Primary school enrollment and completion rates are up. Immunization rates, at 96 percent, are among the highest in Sub-Saharan Africa. HIV prevalence, at 3 percent, is considered to be decreasing. Over the past four years, an additional one million people (14 percent of the population) have gained access to water.

Soon after the genocide, as Rwanda struggled to reestablish its future, the Bank was among the first donors to come in with support, providing targeted analytical work and policy advice, and facilitating donor harmonization and alignment.



## COUNTRY ACHIEVEMENTS

### **Rwanda has made a remarkable transition from post-conflict reconstruction to development in the past 12 years.**

The 1994 genocide destroyed Rwanda's fragile economic base, along with a large share of its human capital, while wiping out its ability to attract private investment. Close to one million people died and waves of Rwandans fled the country on foot. Poverty increased dramatically, particularly among women, reaching 78 percent of the population in 1994.

During reconstruction, the government of Rwanda focused on rebuilding institutions, which led to significant improvements in economic outcomes and social indicators. As a result of extensive economic and governance reform measures taken between

1995 and 2005, annual GDP growth averaged over 7.4 percent. By 2000, the proportion of poor people had declined to 60 percent of the population. Child mortality, which had reached more than 300 per 1,000 live births after the genocide, decreased to 152 per 1,000 in 2000-05.

**Substantial progress has been made in stabilizing and rehabilitating the economy.** By 1998, GDP had recovered its pre-1994 level, with post-conflict reconstruction fueling an initial boon. As the economy moved into the development phase, annual growth averaged 5.3 percent in 2000-05. Inflation has remained low, at 6-6.5 percent per year over the last decade.

Macroeconomic management has been satisfactory, as evidenced by the successful completion of six reviews under the International Monetary Fund's Poverty Reduction Growth Facility (PRGF) and a three-year

PRGF arrangement approved in 2006. Strong implementation of macroeconomic policies enabled Rwanda to reach the Highly Indebted Poor Countries Completion Point and qualify for the Multilateral Debt Relief Initiative (MDRI).

**First, the country is stable and at peace.** While the legacy of the genocide persists, the country has made good progress toward resettlement, national reconciliation, demobilization, and reintegration of ex-combatants. About 15,000 members of the former government army have been integrated into the Rwandese National Army at various command levels, and about 3.5 million Rwandan refugees have been repatriated and resettled in a small, densely populated country.

Through the Genocide Survivors Fund, the government provides education, health, shelter, and income-generating activities to the most vulnerable survivors, mostly widows and orphans. A Unity and Reconciliation Commission was created to consolidate policies to redress Rwanda's legacy of divisive politics. The commission continues to raise public awareness through *Ingando*, civic education initiatives, and through structured dialogues on unity, reconciliation, justice, security, and democratization. Rwanda accelerated *Gacaca* (literally, "justice on the grass"), community-based legal hearings of citizens accused of supporting the 1994 genocide.

**Governance indicators have improved, within an overall improvement** in Rwanda's overall Country Policy and Institutional Assessment (CPIA). Of the 45 Sub-Saharan African countries rated (including Rwanda), 62 percent scored below Rwanda and 29 percent scored above. Between 1998 and 2004, Rwanda also improved its record on all six indicators monitored by the World Bank

### Promoting Peace in the Great Lakes Region

The government of Rwanda has engaged in several initiatives to promote regional peace and stability. The Tripartite Plus One Commission, made up of Rwanda, the Democratic Republic of Congo (DRC), and Uganda, with Burundi as an observer, has established an agreement on the prosecution of criminals and "negative forces" in the region. The governments of Rwanda and DRC, in cooperation with the UN Mission in DRC, have been increasing pressure on the Forces Démocratiques de Liberation du Rwanda, the Rwandan rebel group in eastern Congo, to honor its commitment to end military activities and return to Rwanda.

The government actively supports regional integration initiatives through the Common Market for Eastern and Southern Africa (COMESA), and the East African Community, among other groups, to reduce political tensions in the region and contribute to economic opportunities.

Institute including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.

Bilateral donors are working with the government to create more open political dialogue. Rwanda is also pursuing an ambitious decentralization program to empower local communities and increase transparency and accountability.

**Rwanda has made substantial progress towards meeting Millennium Development Goals (MDGs).** Impressive results have been achieved in the social sectors: primary school enrollment reached 92 percent in 2006, up from 67 percent in 1990, and completion rates increased to 55 percent in 2005. Immunization rates, at 96 percent, are among

the highest in Sub-Saharan Africa. Use of insecticide-treated bed nets increased from 4 to 40 percent of the population from 2004 to 2006 and is expected to reach 60 percent in 2007). HIV prevalence, at 3 percent, has been decreasing.

Unique in Africa, Rwanda has scaled-up access to health insurance (though local schemes called *mutuelles*), from 7 to 51 percent of the population between 2003-06, leading to increased use of health services, as reflected for example in the number of assisted deliveries. Over the past four years, an additional one million people (14 percent of the population) have gained access to water, which has helped reduce under-five child mortality by 25 percent.

## IDA CONTRIBUTIONS

IDA has extended US\$809 million in credits and grants to Rwanda since 1994. About half of this financial support has been provided through economic recovery and policy support operations, most recently through three Poverty Reduction Support Credits/Grants (PRSC/G). Since 2004, these PRSC/Gs have directly supported the government's strong reform efforts, particularly in the area of private sector development, provision of social and infrastructure services, and public sector management and accountability. IDA has also financed about 13 investment operations, and provided more than 27 analytical reports and reviews.

### Responding to country needs.

The support evolved with the changing conditions in Rwanda. Following the genocide, IDA focused its support on reconstruction, including rebuilding of the economic and institu-

tional base, and responding to basic needs in education, health, water, energy, transport, and communications. IDA also supported the government in its efforts to repair the social fabric and promote reconciliation.

IDA support then evolved from emergency assistance to financing for longer-term development needs.

Based on the government's good performance, project support came to be coupled with policy support, informed by productive dialogue and analysis. Because of the government's commitment to reform, IDA was able to work with country counterparts to offer financial and technical assistance, and analytical services, that contributed directly to tangible development results.

### Conducting productive policy dialogue.

As the country emerged from the reconstruction phase, IDA increasingly provided support to the government's policy reform agenda through PRSC/Gs. encompassing social and infrastructure sectors, as well as public sector and macro management. These allowed for high-level, strategic and comprehensive discussions of Rwanda's reform program. IDA's analytical work helped inform this dialogue. But most importantly, the quality of the policy dialogue reflects the strength of the government's commitment to reform.

### Building a country-led development program.

IDA assisted the government in the preparation of its first Poverty Reduction Strategy Paper (PRSP), completed in 2002. An external evaluation shows that PRSP targets have generally been met or exceeded; it also discusses

areas for improvement. IDA is currently supporting the government as it prepares its second PRSP, the Economic Development and Poverty Reduction Strategy, expected to be completed in 2007.

### **Facilitating donor harmonization and alignment.**

In the post-genocide period, the United Kingdom's Department for International Development (DFID) re-engaged with the government and helped to repair relations with the European Community. DFID was the first donor to provide budget support.

Coordination was crucial to the success of donor efforts. While DFID focused on human development, particularly education, the Bank provided expertise and financial support for public sector management/fiduciary issues. Donor coordination was driven by the preparation of IDA's first Poverty Reduction Support Credit, within the framework of the government's strategy paper.

A partnership framework, developed by the government with IDA assistance, was signed in November 2003 by the government and its donors, with a calendar agreed to for joint donor reviews.

### **IDA's impact, through financing and policy advice, spans many sectors.**

**Overall policy dialogue.** Policy dialogue started with basic security and reconciliation, macro stabilization and privatization, and provision of basic social services. Reforms continued with improvements in public financial management, the introduction of a Medium-Term Expenditure Framework (MTEF) process to strengthen planning and budgeting,

and the creation of a business-friendly investment climate. Recently, the focus has been on results-oriented budgeting, fiscal decentralization, improved service delivery, and development of accountability mechanisms.

**Private sector development.** IDA support helped formulate and adopt a private sector strategy, followed by an export promotion strategy and the creation of the new Rwanda Investment and Export Promotion Agency (RIEPA). A one-stop shop was created in RIEPA to facilitate business development, and the first phase of an Export Processing Zone is under development.

Receipts from coffee and tea increased in 2005, as did tourism receipts and numbers of visitors. And exports of hides, skins, cassiterite (a tin oxide mineral), and coltan (a metallic ore) are on the rise.

In 2005, the World Bank Group's *Doing Business* survey rated Rwanda among the top 20 reformers in the world, though overall, the country remains a relatively high-cost place to do business.

Privatization programs are underway for a state telecoms company, a major coffee exporter, several tea factories and commercial banks. Banking sector regulation and supervision have been strengthened, and a regulatory framework for microfinance has been created. Implementation of the government's ambitious ICT strategy has begun with the laying of fiber optic cable and installation of wireless capability.

**Public financial management.** IDA and other donors are working closely to support the government in this area. Results include the government's adoption of an Organic Law

of State Finances and Assets; the creation of positions and appointment of an Auditor General and an Accountant General; and the submission to Parliament of a Procurement Code that incorporates international best practice. The government is also implementing an action plan to improve financial accountability.

In addition, the government produces a monthly budget “flash report” for priority sectors and has adopted the SMARTGOV budget system. It is moving toward a single treasury account, and has established a treasury management committee.

IDA’s Public Sector Capacity Building and Decentralization Project and Community Development Project have placed a greater emphasis on capacity building for public financial management at the central and local government levels. A School of Finance and Banking has been established, and about 200 accountants are being trained for deployment mainly at decentralized levels.

**Education.** IDA’s support to education in Rwanda has been provided jointly through the Human Resources Development Project and policy support operations. IDA’s extensive analytical work, particularly the Education Country Status Report, informed the government’s sector wide approach and 10-year financing plan for education. The government’s strategic planning resulted in the approval of supplementary funding through the Education for All Fast Track Initiative, a global partnership which aims to accelerate progress towards universal primary education by 2015.

Other results include the design and implementation of the creation of an ambitious

Higher Education Law and a multi-sector policy on science and technology, as well as a shift to free nine-year basic education.

Technical support has focused on helping the government provide free primary education, notably through capitation grants, which offer cash per student to schools. Non-existent in 2003, the size of the grant increased from RwF300 in 2004 to RwF1,000 in 2005 and RwF2,500 in 2006. It is expected to reach more than RwF3, 800 in 2007.

**Health.** IDA support in the sector was channeled through a health project and later through policy support operations. IDA helped the government develop health policies that benefit the poor and stronger health strategies—including performance-based contracts, human resources retention strategies, and a results-oriented Mid-Term Expenditure Framework for health.

IDA assisted the government in producing a Health Country Status Report and other analytical reports on service delivery and human resource challenges. Joint dialogue between donors active in the health sector and the government has led to an increase in “in-budget” public spending on health, better access by the poor to health care packages including malaria prevention and treatment, and the expansion of social protection mechanisms such as *mutuelles* (micro-insurance schemes). Such health insurance covered 51 percent of the population in 2006, up from just 7 percent in 2004.

The use of performance-based contracting and the implementation of a decentralized program for community health at the district level is especially notable. Innovative schemes are being piloted to address the shortage

of human resources in the sector, including hardship allowances for work in rural areas.

**HIV/AIDS.** IDA has been providing grant financing for the Rwanda-HIV/AIDS program (about US\$10 million per year since 2003), acting in partnership with the Global Fund to fight AIDS, Tuberculosis and Malaria and the United States President's Emergency Plan for AIDS Relief (PEPFAR) which have helped procure generic and brand-name drugs.

Under the IDA-financed Multi-Country Action Program (MAP) against HIV/AIDS in Rwanda:

- About 500,000 individuals benefited from voluntary counseling and HIV testing.
- Roughly 12 million condoms have been distributed.
- Over 5,000 patients have been placed on antiretroviral therapy treatment (of which two-thirds are female), with an adherence rate of 95 percent.
- Roughly 52,000 households are benefiting from expanded access to community health financing schemes.
- Roughly 27,000 orphans and vulnerable children are benefiting from payment of school fees.

#### Progress in the Fight Against HIV/AIDS

- In 2006, Rwanda placed over 32,000 patients on anti-retroviral treatment at 130 sites nationwide, compared to only 870 patients treated in seven sites in 2002.
- There have also been encouraging news on the prevention side: the percentage of women who could correctly identify ways of preventing sexual transmission rose to over 51 percent in 2005 from about 23 percent in 2000.
- UNAIDS in 2006 reported a decline in HIV infection rates among young Rwandans.

**Water supply.** An IDA project helped repair damaged water supply systems, financed an evaluation of water needs in secondary cities, and rehabilitated rural water supply systems. An ongoing water and sanitation project in rural areas emphasizes greater community participation in investment and maintenance decisions, and private sector participation in the provision of water supply and sanitation services. The following results were achieved:

- Direct financing of district water projects to improve access to reliable, affordable, and sustainable water and sanitation services in rural areas was piloted and scaled up.
- The global access rate to potable water increased between 2001 and 2005 from 41 percent to 55 percent in rural areas and from 66 percent to 69 percent in urban areas.
- An additional 598,000 persons living in rural areas gained access to potable water in 2005.
- Expenditures in the water sector tripled in 2005 compared to 2004 as a result of the acceleration of physical execution of projects in rural and urban areas.

**Energy.** IDA is supporting work on Rwanda's energy challenges on several fronts: policy-level issues are addressed through the PRSC/Gs, commercial issues through a competitiveness and enterprise development project, and investment issues through an urgent electricity rehabilitation project.

As a result, the government adopted a plan to pass through higher oil costs when prices rose in 2005. In addition it adopted a revised electricity tariff, balancing protection of industrial consumers and cost recovery requirements, in 2006; and increased investments in hydropower generation in 2007.

For the long-term, the government recognizes the need to address energy shortages in Rwanda, where in 2004 it was estimated that only 5 percent of the population had access to electricity. The Government is pursuing the development of new plants—including the proposed Lake Kivu methane gas plant (with IFC and planned IDA support), along with new IDA-financed hydro-power plants. The initiatives should lower energy costs for business and increase access for the population.

## CHALLENGES AHEAD

### **Rwanda faces a number of challenging constraints which IDA and other donors can help address.**

**Achievement of MDGs.** With the help of IDA and other donors, Rwanda has developed mechanisms that will ensure a sustained flow of resources from the central government to service delivery points. But to reach the MDGs, a sustained and increased flow of funding for service delivery in education, health (including HIV/AIDS), water, and energy is needed.

Financing has been increasing substantially for AIDS and malaria, but increased support is needed to rebuild the entire health care system. Additional assistance of about US\$18 per capita each year would be needed to scale-up the health system response, create demand for services, and finance activities that reduce child and maternal mortality.

**Infrastructure constraints to growth/agricultural transformation.** Infrastructure deficiencies, particularly the shortages in energy and the inadequate road network, are hindering Rwanda's competitiveness.

Additional financing is needed to increase energy production, supporting four new hydropower projects. A strategy for developing alternative energy sources, particularly in the rural areas.

In the transport sector, more resources would allow Rwanda to expand rural feeder roads and upgrade major regional axes.

As the economy remains largely agrarian, rapid population growth, low productivity, and high pressure on the land are key challenges to agricultural transformation. The density of population—356 people per square kilometer—is one of the highest in Africa—and will be a source of social and economic pressure.

Issues of land management, agriculture productivity, population growth, and youth employment will have to be addressed to avoid further fragmentation of land and declining rural income.

**High aid dependence.** Despite debt relief under HIPC and the MDRI, Rwanda remains at a high risk of debt distress, mainly due to its high degree of reliance on external financing and its narrow export base. Debt sustainability analysis also indicates that Rwanda remains highly vulnerable to external shocks. Increasing the portion of development assistance that comes in the form of grants can mitigate the risks.

**Domestic and regional stability.** While Rwanda's reconciliation process is unfolding, social tensions still exist. Efforts to restore trust and reconstruct the social fabric need to be expanded to prevent any deterioration

in political or social outcomes. Moreover, Rwanda's political and economic stability is also closely linked to the rest of the Great Lakes Region and to the regional programs to demobilize and reintegrate combatants and to build a sustainable peace.

**Capacity building.** More resources for capacity building would allow for an increased focus on strengthening public financial management, with an emphasis on fiduciary aspects. Rwanda also would benefit from work on its monitoring and evaluation systems, data collection and procurement.

### **Lessons of IDA's work in Rwanda.**

Overall, IDA has been able to support the government of Rwanda's needs in a rapidly evolving context.

Rwanda is an excellent example of how country-owned reform can produce visible results. Timely IDA support in a difficult

situation contributed to stabilization and motivated the government of Rwanda to back a medium- to long-term reform agenda, including the creation of core institutions such as the Rwanda Revenue Authority and the National Tender Board.

Strengthening good governance—with strong citizen involvement—is essential to poverty reduction and development. The Unity and Reconciliation Program has proved to be an effective approach to reestablish social norms following the national trauma of conflict and genocide.

Rwanda's decentralization policy reinforced the rebuilding effort by empowering Rwandan communities to make key decisions, while assuring that citizens' voices are taken into account.

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<http://www.worldbank.org/ida>.