

## **DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

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The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Kathmandu, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

## **COUNTRY STRATEGY PAPERS**

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*Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.*

**Department for International Development**  
**September 1999**

## **RWANDA: COUNTRY STRATEGY PAPER 1999**

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## A. SUMMARY

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**A1.** Rwanda is one of the poorest countries in the world. It is recovering from tragic human and economic destruction (institutional and productive capacity has been decimated) which has few parallels.

**A2.** Rwanda faces a period of transition during which social stability must be consolidated; national reconciliation take place; and conditions for longer term growth must be established. The Government is committed to a strategy aimed at accelerated growth with the benefits of growth shared by the whole population. It has made substantial progress since 1994, particularly on the macro-economic agenda.

**A3.** Rwanda is a test case for the international financial institutions' (IFIs') new policies on post conflict countries. Donors have accepted that Rwanda is a special case for international assistance. But there is a need for a better dialogue between the Government of Rwanda and donors. Some donors are reluctant to move the focus of their assistance from emergency to development.

**A4.** Although not a traditional bilateral donor to Rwanda, we are committed to providing long-term flexible support. This is focused on providing recurrent pro-poor expenditure and debt repayments.

**A5.** There is a case for us to build a stronger partnership with Rwanda. This should remain focused on support for the International Monetary Fund (IMF)'s Enhanced Structural Adjustment Facility (ESAF), together with technical support to carry out reforms, initially in the economic and financial sectors, but then in education.

**A6.** Our support has a clear purpose. It is provided to enable Rwanda to meet the international development targets within a sustainable economic and social framework which facilitates peace and security, reconciliation, economic growth and inclusive government. The protection of social sector expenditure and the restriction of defence expenditure consistent with legitimate security concerns will be important benchmarks. An Understanding on our development partnership has been signed with the Government of Rwanda (see Box 1).

**A7.** The Rwanda programme will continue to be managed from London with appropriate reinforcement of the country team in London and Kigali.

**A8.** Three levels of possible support are envisaged. A programme of between £14 million and £15 million per year reflects the long-term commitment we have already made to Rwanda. This could increase substantially by the year 2001 if the terms of our Understanding are met. The low case scenario envisages a programme focused on emergency interventions only.

## B. THE CHALLENGE

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**B1.** Rwanda is one of the world's poorest countries. The genocide of 1994 had catastrophic effects on its economy and social fabric: over one million people were killed (out of a population of 7.6 million), real GDP fell by 50%, revenue collection collapsed to 4% of GDP; exports (and export earnings) plummeted. Over 70% of the population were left in poverty (up from 53% pre-genocide) with a high proportion of vulnerable groups, such as widows and orphans. The people were, and remain, traumatised. But poverty in Rwanda is not just the result of the devastation of the genocide; it reflects a history of conflict from colonial times because of failure to convert, adequately, natural resource capital into human, physical and economic assets which can be shared by all Rwandans; and growing pressure on land and other resources. The 1994 genocide was the latest and most serious manifestation of this.

### POVERTY

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**B2.** War, genocide and displacement have served to deepen and extend poverty. Data on the number of people living on less than US\$1 a day is unavailable. But a poverty assessment completed by the World Bank just before 1994 showed that the proportion of households living below the poverty line (\$170 in 1985 prices and exchange rates) had risen sharply from 40% in 1985 to over 53% in 1993. The 1998 World Bank poverty assessment shows that poverty has worsened considerably with the percentage of households below the poverty line over 70%. The widespread nature of poverty is confirmed by participatory poverty surveys. Poverty has increased in urban areas as a result of rising unemployment and falling real wages.

**B3.** Rwanda is a rural economy. The genocide destroyed the agricultural sector's human and physical capital and increased the insecurity of land tenure. Female headed households now constitute 34% of all households. Women are the principal cultivators, but have no traditional rights to full ownership of property. Women also have significantly less access to education and training, land and credit. Post genocide, the poorest are female and child headed households and households that lack land, livestock and labour whether because household members are dead, elderly, handicapped, displaced or in prison.

### HUMAN DEVELOPMENT

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**B4.** Malaria is the leading cause of death. Life expectancy has declined to 39 and infant mortality is 133 per thousand, both worse than the Sub-Saharan African average. The population growth rate of 3.6% per annum will mean the population of 7.85 million will reach around 14 million within twenty years, doubling the current land density. (It is not clear how these figures will be affected by the AIDS epidemic, which has been severe. Recent data indicates that 10.8% of the rural and 11.6% of the urban population aged 12 years and above, is seropositive). Less than 50% of the population have access to clean water. 90% of the population already depends on agriculture on shrinking plots of land of declining quality. This, together with the loss of rural infrastructure during the war and the genocide, has contributed to a structural food deficit.

**B5.** The genocide decimated the professional and educated classes and human development levels are now very low. Nearly half of the population is illiterate. At 3.8%, secondary school enrolment is one of the continent's lowest. An estimated 50% of teachers are untrained, and 36% of the public servants do not have secondary school education. The people were, and remain, traumatised.

**B6.** Since 1994 the Government has worked hard to achieve recovery. About 3.5 million displaced people and refugees have been resettled. The Government's transition strategy has given priority to immediate needs, including re-establishing the basic functions of the State, maintaining law and order, establishing the capacity for coherent economic policy formulation; reconstructing revenue raising capacity and recommencing the delivery of services.

**B7.** In parallel, Rwanda has begun to address the longer term development issues. The Government is in the process of finalising the National Development Vision 2020. This articulates the Government's commitment to an export oriented growth strategy in the context of broader national reconciliation. Targets have been set for the achievement of key economic and social indicators, which mirror the aims of the International Development Targets. To achieve them will demand an enormous effort.

## B. THE CHALLENGE

CONTINUED

**B8.** An unsustainable debt burden is a brake on the development effort. Rwanda's external debt stands at US\$1.2 billion, equivalent to nearly 60% of GDP. Debt service absorbs 21% of government revenue and is four times higher than recurrent health expenditure. The external debt to export ratio (562% in present value terms) is well above the threshold of heavy indebtedness (150%) adopted for the Heavily Indebted Poor Countries Initiative (HIPC). With multilateral creditors accounting for over 80% of its debt, debt relief from this source is a necessity if the debt burden is to fall to manageable levels.

**B9.** At a meeting in June 1998, bilateral and multilateral donors agreed that Rwanda should be treated as a special case for international development assistance in order to help it achieve peace, reconciliation and poverty elimination; and that this required donors to provide long-term flexible support. Donors endorsed the Government's reform programme and pledged US\$250 million to support it. However, donor enthusiasm for the programme has been dampened by Rwanda's recent involvement in the civil war in the Democratic Republic of the Congo (DRC).

**B10.** Reducing the depth and incidence of poverty is a key part of rebuilding Rwandan society and promoting socio-political stability in order to minimise the risk of a return to conflict. If Rwanda can achieve 7% growth in per capita GDP per year, poverty could be reduced from its current level of 70% to its 1985 level of 40% in 15 years. But sustained per capita growth of 7% is a formidable challenge for Rwanda given its poor resource base and risk of instability. If growth reaches only 5% per capita, incomes would take 35 years to double. There are some specific challenges in the period ahead.

### PROGRESS IN ECONOMIC REFORM

**B11.** A three-year ESAF (1998/99-2000/01) is in place. At its heart is a flexible programme focused on significant increases in social sector spending and a decline in the proportion of GDP spent on defence. Economic progress has been made through a number of central reforms in foreign exchange, fiscal, monetary and trade areas. GDP has bounced back, although it now stands at only 85% of pre-

war levels. Future policies will need to open-up economic opportunities; eliminate monopolies; encourage decentralised decision-making; and be fair and open. They also need to recognise declining productivity and land degradation as well as the particular constraints arising from the genocide and its aftermath. This will involve the reform of the budget to make it transparent, accountable and effective. The Government's decision to discuss the 1999 budget proposals with stakeholders, including donors, civil society and students is a welcome move in this direction.

### RESOLUTION OF REGIONAL AND INTERNAL DISPUTES BY PEACEFUL MEANS

**B12.** Sustainable growth will only be possible in the context of a stable region. Rwanda's internal security is threatened by the presence of, and apparent sanction given to, irregular forces - ex-FAR (former Rwandan Army) and Interhamwe - operating in the DRC. Rwanda has accepted that the DRC conflict and problems in the north-west of the country cannot be solved by military means. But security expenditure has increased since 1997 both in total and as a proportion of public expenditure, although as a share of GDP (4.1% in 1998) it is half the 8% level of 1992. The Government has committed itself to protect social sector expenditure and to restrict defence expenditure consistent with its legitimate security concerns.

### CONSOLIDATION OF SOCIAL STABILITY AND NATIONAL RECONCILIATION

**B13.** The prospects for long-term stability in both Rwanda and the region will also depend on Rwanda's capacity to build national unity and develop democratic processes in a society where trust has been destroyed by the genocide and where the culture of impunity remains. Given this background, combined with the legacy of decades of divisive and exclusionary rule, such a task will take time. Progress to date has been significant but slow. This reflects the difficult political balance the Government has had to maintain in introducing reforms which could threaten security and ignore the feelings of survivors of the genocide.

## B. THE CHALLENGE

CONTINUED

**B14.** The current Government of National Unity, formed in July 1994, is a transitional body. As a coalition of the Rwandan Patriotic Front (RPF) and four other political parties, it follows the composition recommended in the Arusha Accords of 1993. A recent extension of the transitional period for a further four years has not so far been accompanied by a clear strategy and time frame for political reform. A National Assembly has been established. Although its 70 members are not popularly elected, the Assembly has acted with autonomy on a number of occasions, including passing into law a controversial Bill on the Control of the Executive. The Government is implementing a plan to establish social development committees at the local level. A number of National Commissions have also been established, including the Commission for National Unity and Reconciliation, to promote broad dialogue in rebuilding the country and facilitate the coexistence of all Rwandese, and a National Human Rights Commission.

**B15.** Nevertheless, political activity is still controlled and further progress toward a more democratic and representative system remains important for national reconciliation and long-term stability. Local elections are a step in the right direction, but a clear strategy and time frame for political reform is needed. In particular, full development of the legal framework for the State is required. At present this derives from the 1991 Constitution and post-conflict agreements, which together provide for a multiparty system, separation of powers, limitation of Presidential tenure and freedom of the press. This needs to be built upon in order to protect fully civil and political rights. The Government has announced its intention to establish a Constitutional Commission in order to prepare a post-transition Constitution.

**B16.** The key international conventions on human rights have been ratified. Government follows up reports of rights' abuses. Some progress is being made with the cases of detainees suspected of genocide. But reports of abuses by security forces continue.

**B17.** Restoring the rule of law is vital. The ability of the police and justice system to do so is limited by capacity constraints and continuing insecurity in parts of the country. Formal and traditional institutions of justice and governance are being rebuilt. A strategy for justice system reform is needed, but political initiatives are required to deal with over 125,000 individuals detained in appalling physical conditions. The Government accepts that a radical solution is needed.

### CAPACITY BUILDING

**B18.** Building the capacity to manage effective government services is critical to Rwanda's recovery and transformation. Capacity constraints are acute and constrain efforts to improve Rwanda's public sector management and the productivity and competitiveness of its private sector.

## C. PARTNERSHIPS

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**C1.** There are reasonable prospects for an effective development partnership between the UK and the Rwandan Government in the terms set out in the UK Government's White Paper on International Development. But there are risks involved. These include continued conflict; slippage on the macro-economic and structural agenda; and higher defence expenditure squeezing social sector commitments.

**C2.** Our involvement will need to take account of our comparative advantage as a development partner and the possible limitations on the role we can play. On the positive side:

- We do not have an historical legacy in Rwanda; we are trusted and regarded as even-handed.
- We can provide flexible support and are prepared to commit to a long-term partnership.
- We have good relationships with a number of other East African countries including Uganda, Kenya and Tanzania, to whom Rwanda is looking to develop trading and economic partnerships.
- We have excellent working relationships with, and share the policy aims of, the IFIs who are playing the leading role in mobilising support for Rwanda.

On the other side of the balance:-

- Our knowledge base of Rwanda and the Great Lakes region is low.
- There is a continental European tradition in Rwanda's administrative structures, systems and bureaucracy with which we are unfamiliar.
- Our resources (human and financial) are limited in relation to the scale of the challenge.
- Our scope for influencing wider Rwandan Government policy is limited and the structures for donor dialogue with Government and donor co-ordination are weak.

We, therefore, need to be realistic and use the coming years to build a firmer political, economic and social knowledge base which we can use to judge the effectiveness and progress of our partnership as we go forward.

### THE PARTNERSHIP WITH GOVERNMENT

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**C3.** Since 1994 we have built a strong working partnership with the Ministry of Finance and Economic Planning. The Minister is making the budget the central tool of development policy and support for this approach has been the focus of our assistance to date. Prospects for building on this and developing new relationships with sectoral ministries and in the longer term with municipal authorities are good.

**C4.** However, the Government's vision of development is still very new. On issues of strategy we need to maintain and develop the very strong links we have built with other key senior figures in the Administration, including the President and the Vice President. Since the change of government in the UK in 1997, we have made it clear that the UK is very committed to building a strong development partnership with Rwanda founded on our ability to have an honest, open and frank policy dialogue on a range of economic, political and social issues of mutual interest and concern.

**C5.** Our programme will work to strengthen the conditions for a development partnership as set out in the White Paper on International Development. Achieving this will depend on Rwanda's success in turning its commitments into plans for action. These are captured in the Understanding we have signed with Rwanda and include:

- economic reform
- transparency and accountability
- democracy and representation
- human rights

### OTHER PARTNERSHIPS

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**C6.** The Government recognises the key role of the private sector in development. Its participation will be encouraged through a process of privatisation in order to unlock the employment and revenue potential of the under-performing state enterprises and to broaden the ownership and control of productive assets. Some 55 public enterprises including tea and coffee factories and public utilities will be divested by the end of 1999. Liberalisation of the economy will help the

## C. PARTNERSHIPS

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process, but supporting reforms will be needed in politically sensitive areas like land reform. Rwanda is not a traditional market for the UK private sector and inward investment decisions are likely to be influenced by the ongoing insecurity in the region. The Commonwealth Development Corporation (CDC) could operate in Rwanda and has been looking at the opportunities. The International Finance Corporation (IFC) is not currently active in Rwanda. Rwanda ratified the Multilateral Investment Guarantee Agency (MIGA) Convention in 1987 but has not paid the subscription fee. The Government intends to complete the process of joining MIGA.

**C7.** The Government has a somewhat ambiguous relationship with international non-governmental organisations (NGOs). It allows them to operate but only under conditions strictly approved by the appropriate authorities at national, prefecture and local levels. In general, UK NGOs have made a substantial contribution to the country's development.

**C8.** Remarkably, Rwanda has built a functioning civil society since the genocide. We have no direct knowledge of independent voluntary organisations in Rwanda, but we are building this through our support for the gender programme and a governance study we hope to commission later this year. The study will help us to understand how government and political institutions work; their relationship to civil society; and to identify ways in which the UK can help Rwanda achieve its plans for greater transparency and accountability.

### **PARTNERSHIP WITH OTHER DONORS**

**C9.** The World Bank, the International Monetary Fund (IMF) and the United Nations Development Programme (UNDP) are playing a leading role in mobilising international support for Rwanda. The Bank's Country Assistance Strategy proposed that Rwanda should be a special case for international assistance. The Bank has also established a Multilateral Debt Trust Fund (to which we

have contributed £10.6 million) to enable the Government to remain current on its debt service to the International Development Association (IDA), the African Development Bank (AfDB) and the International Fund for Agricultural Development (IFAD), and thus to secure HIPC qualification. The Government concluded a three-year ESAF programme with the IMF in 1998 worth US\$102 million. The AfDB programme is focused on budget support, technical assistance to the Ministry of Finance and Economic Planning and other sector support. The European Union's multi-year programme is worth £572 million and includes £35 million of budgetary support and £60 million for economic and social rehabilitation (eg air and road transport, health, education and the judiciary system).

**C10.** We have built very strong links with the World Bank and IMF and have joined them in leading the effort to mobilise support for Rwanda. Although other donors have larger project portfolios, DFID is a major bilateral contributor of budgetary support. We have played a prominent role in discussions in multilateral fora on Rwanda and have taken a lead in convening two informal donor meetings. The main bilateral donors are the Netherlands, Sweden, Germany, Belgium, Canada and the USA.

### **CO-ORDINATION OF DEVELOPMENT SUPPORT**

**C11.** Co-ordination amongst Rwanda's development partners and with the Government needs strengthening. The Government's capacity to manage and co-ordinate external assistance is limited at present. The Ministry of Finance's move to use the budget as the mechanism for co-ordination is welcome. Dialogue around the budget process gives the Government an opportunity to consult donors on its objectives and spending priorities. A government/donor meeting in London, in July 1999, signalled the beginning of such a consultation process. The leadership shown by the World Bank and UNDP is also helpful, although there needs to be greater clarity and agreement between the two organisations on where their individual comparative advantages lie.

## D. CURRENT UK DEVELOPMENT PORTFOLIO

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**D1.** Our current programme is centred around budget support for the social sectors and debt relief. A £30 million programme aid commitment covering the period 1998-2001 was approved in December 1998. We are providing support to the recently established Rwanda Revenue Authority and to the Ministry of Gender and Women's Development. Working closely with the IFIs we have helped to strengthen budget management, assisted Government in the key task of reviewing policy, priorities and expenditure in the social sectors and in the development of a Medium-Term Expenditure Framework. In order to assess better the scope for future assistance in the education sector, we have funded short-term planning assistance to the Ministry of Education. We have provided support to the justice sector and continue to support NGO proposals aimed at providing emergency support for internally displaced persons in the north-west of Rwanda.

**D2.** Our decision to provide long-term flexible resources in support of Rwanda's economic reform efforts has persuaded the IMF to consider relaxing the fiscal stance particularly on the primary budget, thus giving Rwanda the opportunity to build the social and political capital necessary to foster reconciliation and to prevent a return to conflict. Our budgetary assistance has been built into the broader macroeconomic and public expenditure framework. A monitoring system has been established to allow monthly comparisons of actual expenditure to budget. Sample surveys are also being set up to trace the impact of public expenditures. Complementary support to the budget reform process is designed to improve the effectiveness and efficiency of public expenditures and hence improving outcomes. All our projects have components designed to evaluate impact.

## E. FUTURE UK DEVELOPMENT STRATEGY

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**E1.** The Government's commitment to a pro-poor agenda is high. A good start has been made with encouraging post-war economic growth rates. The Government has aligned itself with neighbouring states that have moved ahead with their reform agendas and it is seeking greater regional integration. But the prospects for the longer term are uncertain because of regional instability, which not only affects Rwanda's capacity to benefit from regional integration but also causes uncertainty amongst some of Rwanda's major development partners. The interface between politics and development are particularly strong in the programme, which is politically and developmentally high risk.

**E2.** The key objective of our future strategy is poverty reduction and reconciliation; both central to prevent a return to conflict. The ESAF is the major vehicle for international support for the reconciliation agenda. Our short-term priority is to continue to support this through financing budgetary and investment requirements, including debt service. But we can only provide a share of the total requirements.

**E3.** A measure of the impact of our strategy will be the extent to which other multilateral and bilateral donors are prepared to deepen their support for Rwanda. A number of donors have indicated that they believe our policy of support and encouragement for the Government coupled with frank discussions on the important but sensitive political agenda is the right one. Others are more sceptical about the Government's long-term aims and doubt their commitment to true national reconciliation. A short-term priority will be to encourage the Government and the donors to engage in a more meaningful dialogue with the aim of turning pledges of assistance into actual disbursements.

**E4.** There is also a role for us in helping to support capacity building to carry out reforms. We will build on important work we have already done to help improve budget management including improving transparency in the budgetary process. Initially, this will be focused centrally, but as decentralisation takes place and Rwanda moves towards the development of sectoral programmes we will work with ministries who have a key role in achieving the international development targets. We shall probably start work with the Ministry of Education with whom we have already worked.

Our sector work will focus on strategic interventions designed to improve the quality of public expenditure. We shall also want to help build up Rwanda's statistical capacity to help measure its success in reducing poverty and progress towards the international targets.

**E5.** We need to be realistic about what we can achieve. We believe our efforts to influence the priorities for and the quality of public expenditure, particularly in the social sectors, should be centred on our support for the recurrent budget and reforming the budget process and expenditure management. But there are a number of key issues which will help to shape the broader political/development agenda and which will affect Rwanda's success in securing rapid economic growth, the preservation and deepening of the fragile peace and the promotion of regional integration. These include the development of democratic institutions; the promotion of a more effective justice system; improving the security of land rights, particularly for female and child-headed households; promoting the efficient and sustainable use of natural resources; enhancing the role of women; and the promotion of vocational skills.

**E6.** Our efforts will not be successful without tangible progress on these key elements. Where we have knowledge and comparative advantage we should be prepared to help - justice and gender are the likely candidates. But in other areas, the efforts of the Government and other donors need to be captured in a way which offers a framework within which all donors can operate.

**E7.** In order to help this we have negotiated an "Understanding," (see box 1) which captures Government's own vision and objectives in areas which are of concern to them and to the wider international community and provides the framework for a ten-year partnership within which we aim to make detailed three-year financial commitments. Rwandan ownership of the Understanding is critical. We have encouraged the Government to use the Understanding and the process underpinning it to develop other bilateral relationships and to publicise its policies to the Rwandan people. Our intention is that the Understanding, which is a public document, should be reviewed jointly at annual development talks.

### Box 1.

#### **UNDERSTANDING ON THE DEVELOPMENT PARTNERSHIP BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBLIC OF RWANDA**

##### **1. PURPOSE**

The following sets out understandings reached by the Government of the United Kingdom and the Government of Rwanda on the elements of a development partnership to support Rwanda's National Development Vision 2020, which aims to build a stable, prosperous and democratic Rwanda, and the basis on which both Governments will co-operate.

##### **2. BACKGROUND**

The genocide and civil war of 1994 destroyed Rwanda's social fabric; its human resource base, institutional capacity and social and economic infrastructure. Since then, the Government and people of Rwanda have been battling with this legacy and working to rebuild their shattered country, reconcile the people, deal with the massive problems of old and new refugees, stabilise the economy and lay the basis for a future of sustainable development. Significant progress has been made with the help of substantial humanitarian and reconstruction assistance from the international community.

The Government of Rwanda has now shifted its focus from crisis and emergency management to economic growth and poverty reduction. To accelerate the transition, the Government has initiated an ambitious programme with the support of major International Financial Institutions. This programme has at its heart a commitment to move towards the International Development Targets for the 21st Century. The success of the reform programme is critical for Rwanda to be eligible for the Highly Indebted Poor Country Initiative (HIPC). This move to sustainable growth requires a shift of international financial support from humanitarian assistance to longer term, flexible and sustainable support for development.

##### **3. GOVERNMENT OF THE UNITED KINGDOM COMMITMENTS**

The Government of the United Kingdom recognises the efforts made and the progress achieved by the Government and people of Rwanda to secure post-conflict recovery in Rwanda. It believes that Rwanda should be treated as a special case for international assistance. It recognises that without substantial, sustained and flexible support from the donor community it will not be possible for the Government to manage the difficult transition from conflict to peace and stability and to attain the sustainable growth necessary to reduce the extreme poverty of the Rwandan people. It is prepared to make a long-term commitment to help Rwanda meet the International Development Targets within a sustainable economic and social framework which facilitates peace, security, reconciliation, economic growth and inclusive government.

On this basis, the Government of the United Kingdom will continue and build on the work it has already engaged on with the Ministry of Finance and Economic Planning, the Rwanda Revenue Authority, the Ministry of Gender and Women in Development, the Ministry of Education, and other Government Institutions. It will also provide new, additional flexible assistance, including a GBP 30 million programme of help for Rwanda's economic programme for 1998/99 - 2000/01. This support will be provided in support of the Government of Rwanda's objectives of sustainable and inclusive economic growth and to provide the fiscal opportunity to increase sustainably the proportion of resources devoted to poverty - eliminating public service provision. Detailed arrangements for the disbursement of funds, which will be available for debt relief and to support the recurrent budget, have been agreed between the Governments. The Government of the United Kingdom will also provide support to help strengthen the Rwandan budgetary process and to deliver pro-poor policies.

## E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

The Government of the United Kingdom believes that donors must be prepared to make a long-term commitment to support Rwanda's recovery efforts. The Government of the United Kingdom is prepared to make this commitment for a period of at least ten years and to remain engaged at least at the same financial level as described above, on the basis of continued adherence by the Government of Rwanda to the commitments set out in Section 4 below.

### 4. GOVERNMENT OF RWANDA COMMITMENTS

The Government of Rwanda's National Development Vision 2020 identifies Rwanda's strategic challenges up to the year 2020 by which time Rwanda's population will have doubled. The immediate challenges are national reconciliation, good governance; dealing with the economic and social legacy of genocide; poverty reduction, sustainable macro-economic stability and human resource development. The UK is prepared to join in partnership to help Rwanda meet them. Both Governments are agreed that the following actions are suitable indicators of the Government of Rwanda's continuing commitment to and progress on this agenda.

#### NATIONAL UNITY AND RECONCILIATION

- Progress in the field of justice, releasing some prisoners ( the old, the young, those with insufficient evidence). Implementation of the 'gacaca' where possible and appropriate, non-custodial sentence in line with community's needs to be implemented. The higher level organisers of genocide will continue to be dealt with in accordance with the laws. The relevant proposals will be published during 1999.
- The laws establishing the National Unity and Reconciliation Commission have been passed. Its functioning organs and officers have been appointed. It will start its programme of action in fiscal 1999.
- In accordance with the Arusha peace treaty, the draft law instituting the Legal and Constitutional Commission will be examined in Cabinet and submitted to Parliament during fiscal 1999.

#### CONFLICT RESOLUTION

- The Government of Rwanda recognises the linkages between conflict and poverty and will work with others towards the aim of peaceful resolution of disputes and the restoration of regional stability.
- The Government of Rwanda will work towards a negotiated settlement of the conflict in the Democratic Republic of the Congo which will respect the sovereignty and territorial integrity of all countries in the region, protect the interests of their people and which will take account of the legitimate security concerns of all these countries.
- In pursuance of national reconciliation policies, over 10,000 ex-FAR (former Rwandan army) were absorbed into the regular army in 1998. The demobilisation programme has been extended over four phases to cover the period up to the year 2002. During 1998, phases 1 and 2 saw the demobilisation of 8,398 soldiers. Phase 3 covering the period 1999-2000 should, subject to internal security concerns and the necessary external support, result in the further demobilisation of 5000 soldiers.
- Progress in strengthening the Genocide Survivors fund and other forms of sustainable assistance to vulnerable groups.

#### GOOD GOVERNANCE

- Progress on broad-based inclusive political agenda, grass root democracy and popular participation in decision making. Grass roots elections will take place in 1999 marking the beginning of a process aimed at achieving representative and elected Government at all levels.

## E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

- The Law establishing the Human Rights Commission has been passed by Parliament. Government has submitted to the legislature proposals for the appointment of Human Rights Commissioners to enable the Commission to start working immediately. The Commission has been allocated resources in the national budget to ensure that it can function normally. The Government will during 1999, facilitate the development by the Commission of a work plan which, drawing from the experiences of other national human rights commissions and with the help of appropriate external financing and technical assistance, will have the broad support of the Rwandan people.
- The Government remains committed to promoting a free and independent media. The Government has identified training as an area which needs strengthening. This is to ensure that whilst citizens are informed and educated on public matters, the virtues of national unity are protected. During the period 1999/2000 the Government will present legislation aimed at promoting the freedom of the press within the broad bounds of responsible journalism.
- With respect to transparency and accountability in the management of public resources, the Auditor-General's office is being operationalised during fiscal 1999.
- In line with Governments stated commitment to fight corruption at all levels, Government, with appropriate external support will, during 1999, draft and publish Public Disclosure Rules and a Code of Conduct for public officials.

Reform of the gender law (Law now in Parliament) to remove all forms of gender discrimination and ensure equality of access to opportunities. Government will promote proactive policies on gender issues.

### POVERTY REDUCTION

- Programmes to raise rural agricultural productivity which is the main focus of poverty.
- Employment generation, vocational training and skills development to try and absorb the rising numbers of unemployed youth.
- Rebuilding rural capital and incomes.
- Improving secured access to land by reforming the land law in 1999/2000.
- Promoting employment creation through private sector development.
- Promoting national infrastructures (roads, water, power) as necessary.

### SUSTAINABLE MACRO-ECONOMIC STABILITY

- Economic targets included in the Policy Framework Paper continue to be met:
  - Growth,
  - Progressive reduction of the budget deficit,
  - Inflation,
  - Reserves,
  - Reform of the trade regime and other structural measures in line with the Enhanced Structural Adjustment Facility (ESAF) programme.
- Production of medium-term budgetary framework in consultation with Government of Rwanda's development partners (Medium-term expenditure framework, regular donor meetings)
- Progressive reductions in military expenditure consistent with improved security in the region. The agreement within ESAF is to cap defence expenditure in fiscal 1999 to 3.8% of GDP

## E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

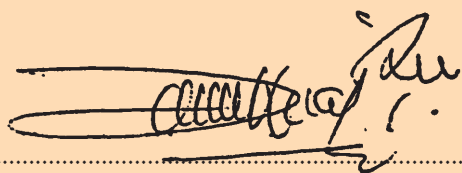
### HUMAN RESOURCE DEVELOPMENT

- Targets for social sector spending in line with the results of the social sector expenditure review recently conducted by Government and World Bank
- Ring-fencing priority social sector spending in education, health, water and basic infrastructure.
- The relative balance between the different levels of education (primary, secondary, tertiary) will reflect the social and economic needs of the country including specific consequences of genocide which decimated highly qualified people eg. nurses, doctors, teachers, engineers etc. Universal primary education by the year 2005 remains a priority with 80% enrolment by year 2000.
- The reform of the public service to deliver efficiently on its programmes.

### MONITORING

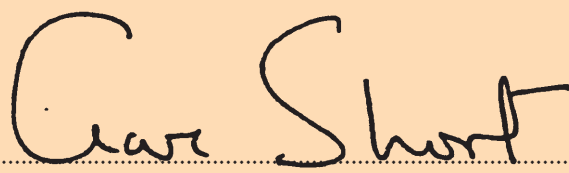
The commitments made by both Governments will be jointly reviewed annually during Aid Talks to be held between the Government of the United Kingdom and the Government of Rwanda.

Signed on behalf of the Government of the United Kingdom and the Government of Rwanda on 12 April 1999.



Paul Kagame

Vice President  
and Minister of Defence and  
National Security



The Rt Hon Clare Short MP

Secretary of State for  
International Development

## E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

**E8.** We have made it clear to the Government that our support is not unconditional. We have said that we are prepared to make a long-term commitment to help Rwanda meet the International Development Targets within a sustainable economic and social framework which facilitates peace and security, reconciliation, economic growth and inclusive government. Our provision of budgetary support is based on the commitment Rwanda has made under the ESAF to reduce the expenditure share of military spending and increase social sector expenditure. It also recognises that the Rwandans have publicly acknowledged that the problems of the DRC cannot be solved by military means.

**E9.** Performance against these ambitious conditions will need to be carefully and jointly monitored. Flexibility, good judgement and information will be needed. We need to put

in place the means to do this. Under our programme aid we have access to the Government's monthly expenditure information and will monitor the impact of public expenditures. If the commitment to protect social sector expenditure is not met we would be able to scale down our support relatively quickly. We also need to deepen our knowledge of Rwandan society in order to work with Government in assessing progress on the governance agenda. We propose to undertake a governance study during 1999 to help with this.

**E10.** The needs in Rwanda are great. If the Government's commitment to peace, reconciliation and poverty elimination remains strong, evidenced in cohesive actions, and we have sufficient human and financial resources, there is the prospect to develop a very substantial programme of support.

## F. IMPLEMENTING THE NEW DEVELOPMENT STRATEGY

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**Fi.** The Rwanda programme is managed from London. Given the current fragility of the Great Lakes region and the need for close liaison with the Foreign and Commonwealth Office this should continue to be the case. We have recently reinforced administrative capacity in London and recruited

additional advisory support for both the Education Sector and Skills for Development. But we need to develop closer links with our partners in Kigali. In order to do this, we plan to appoint a Development Secretary, to be based in Kigali, later this year.

## G. PROGRAMME RESOURCES

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**Gi.** The UK development partnership with Rwanda is a strong one. In line with the White Paper this has been recognised with an enhanced level of resources, a long-term commitment and flexibility in the use of resources. The 10-year Understanding provides a framework for deepening the partnership further.

**G2.** The existing level of programme resources (Annex 2) recognises the difficulty Rwanda has in absorbing large amounts of aid despite its immense developmental needs. This baseline scenario is the one on which we engaged as a result of commitments made at the Stockholm meeting in June 1998, alongside our existing project commitments. It would bring expenditure to £14.5 million by 2001/02.

**G3.** We know that aid works best in a conducive policy environment and where governments are committed to pro-poor development and own the policy agenda. Recent reforms and policy commitments suggest that aid can be effective in Rwanda. But this must be backed by positive actions to improve the operational efficiency and effectiveness of both donors and government expenditures.

**G4.** An opportunity exists for donors to deepen their partnership with Rwanda. The policy environment is conducive, it has special case status, immense needs and the flexibility afforded by the international financial institutions to see more development assistance spent in Rwanda.

**G5.** Two alternative funding scenarios can be envisaged. The high case envisages continued partnership but an increased level of project and flexible budget resources to respond to Rwanda's development needs. These would be

based on costed priorities and objectives, an analysis of the capacity to absorb additional resources, and consistency with prudent economic management.

**G6.** The emphasis would be on providing flexible resources through the budget. But it is also recognised that complementary longer-term and deeper institutional support would be necessary. A priority is to improve the effectiveness and efficiency of government institutions and expenditure. Expanded support to improving revenue collection, public financial management, statistical development and gender planning would form the core of an enhanced programme. We would look to develop a significant programme in a new area, probably education (given our previous work with the Ministry of Education).

**G7.** In the high case the level of resources provided would be expected to double to £29 million in 2001/2002. This would see the UK's share of bilateral development assistance in Rwanda rise from 7% to around 13% which is closer to the average of the UK's top African recipients. We would expect this share to decline in the longer term as other donors respond to the needs.

**G8.** In the event of our partnership and dialogue failing we would move to the low case, withdraw our flexible budget support and revert to completing existing commitments and providing emergency assistance where warranted.

**G9.** In all cases, the strength of partnership will be measured by ongoing progress against the ESAF and our Understanding.

## **SUMMARY OF CONSULTATION PROCESS**

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The Country Strategy Paper (CSP) was drawn up in the first half of 1999, in consultation with a range of stakeholders.

### **DISCUSSIONS WITH LOCAL STAKEHOLDERS**

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#### **• GOVERNMENT OF RWANDA**

As part of the ongoing dialogue between the Rwandan Government and the UK Government, the Secretary of State for International Development held several meetings with both the President and Vice-President in the latter half of 1998. During these, the CSP process, and our intention to hold a broad based consultation exercise in both Rwanda and the UK, involving non-governmental organisations (NGOs), other donors, and government ministries, was explained. A draft copy of the CSP was shared with senior members of the Government at an early stage. At official level there are frequent discussions between DFID staff and the ministries with which we are involved, particularly the Ministry of Finance and Economic Planning. These contacts further informed the CSP preparation process.

#### **• CIVIL SOCIETY/NGOS**

During a visit to Rwanda in April 1999, the Secretary of State and the Rwandan Minister of Finance co-chaired a half day meeting on the draft CSP, attended by representatives of local and international NGOs; church groups; journalists; other donors (both bilateral and multilateral) and members of the National Assembly, as well as representatives of several government ministries. Copies of the draft CSP in English, French and Kinyarwanda were circulated prior to the meeting. The document was well received, and NGO representatives expressed a desire to remain involved in the process. Proper accountability of funds, the monitoring of expenditure and greater emphasis on donor co-ordination were all highlighted as important to the success of the strategy.

### **DISCUSSIONS WITH UK INTERESTS**

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A discussion day on Rwanda, focused on the CSP and wider UK strategy to Rwanda, was held in London on 9 June 1999. It was attended by over 30 representatives of NGOs, other donors, academics and the Foreign and Commonwealth Office. Part of the day was spent in three smaller thematic groups, looking at Poverty and Economic Growth, Reconciliation and Justice and Decentralisation, Participation and Political Reform respectively. These enabled a useful and wide ranging exchange of views on some of the major social, political and economic issues facing Rwanda.

The analysis and strategy contained within the CSP were generally well received, although participants raised several issues that will need to be incorporated into DFID's approach as the partnership with the Rwandan Government develops. In particular, the process of land reform (and the level of participation achieved within it); the influence of the regional dimension upon Rwanda's reconstruction efforts; the relation between labour mobility and economic growth and poverty reduction, and the importance of the psycho-social elements of reconciliation and justice, which address the trauma of the whole society and every Rwandan, will need to be explored in greater depth over the next three years.

Useful written comments were also received both on the day and subsequently. Both this meeting and the previous session in Kigali represent the beginning of an ongoing consultation process with interested parties with regard to the DFID strategy towards Rwanda.

## COUNTRY PROGRAMME EXPENDITURE PROFILE

£ MILLION	1999/00	2000/01	2001/02
<b>BINDING COMMITMENTS</b>			
Renewable Natural Resources and Rural and Social Development	0.8	0.4	0.4
Economic Policies and Enterprise Development	0.3	0.2	0
Good Governance	1.6	2.2	2.2
Education	0.2	0	0
Emergency	1.2	0 <sup>1</sup>	0 <sup>1</sup>
Other	0.4	0.4	0.4
<b>TOTAL COMMITMENTS</b>	<b>4.5</b>	<b>3.2</b>	<b>3.0</b>
<b>OTHER PLANS</b>			
Renewable Natural Resources and Rural and Social Development	0	0	0
Economic Policies and Enterprise Development	0.2	0.1	0.1
Good Governance	0.3	0.3	0.2
Education	0.5	0.5	0.5
Emergency	0	0.5	0.5
Other	0	0	0
<b>TOTAL OTHER PLANS</b>	<b>1.0</b>	<b>1.4</b>	<b>1.3</b>
<b>GRAND TOTAL</b>	<b>5.5</b>	<b>4.6</b>	<b>4.3</b>
Programme Aid	10.0	10.0	10.0
<b>PROBABLE TOTAL DISBURSEMENT</b>	<b>15.5</b>	<b>14.6<sup>1</sup></b>	<b>14.3<sup>1</sup></b>

<sup>1</sup> Additional allocations for emergency assistance will be considered on an annual basis.