

# AFRICAN PEER REVIEW MECHANISM



## Country Review Report of the Republic of Rwanda



NOVEMBER 2005



## ***APRM Participating Countries***

As of June 2005, the following are the APRM Participating Countries:

*Algeria, Angola, Benin, Burkina Faso, Cameroon, Republic of Congo,  
Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mali,  
Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone,  
South Africa, Tanzania, Uganda*

*Expressions of Intention to Accede to the APRM have been received from:*

*São Tomé and Príncipe, Sudan, Zambia*

## ***APR Panel of Eminent Persons***

*Mme. Marie-Angelique Savane, from Senegal, representing West Africa  
(Chairperson)*

*Amb. Bethuel Kiplagat, from Kenya, representing Eastern Africa  
(Vice-Chairperson)*

*Prof. Adebayo Adedeji, from Nigeria, representing Western Africa  
(Member)*

*Dr Graca Machel, from Mozambique, representing Southern Africa  
(Member)*

*Mr Mourad Medelci, from Algeria, representing Northern Africa  
(Member)*

*Dr Dorothy Njeuma, from Cameroon, representing Central Africa  
(Member leading the Rwanda review process)*

*Dr Chris Stals, from South Africa, representing Southern Africa  
(Member)*

## ***APRM Secretariat***

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## FOREWORD

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It gives me great pleasure to present the first African Peer Review Mechanism (APRM) Country Review Report. **Rwanda** was among the first sixteen countries to accede to the APRM and the Second one in which review process was launched. It is a historical achievement as we all have in mind the tragedy that devastated the Rwanda and its people about ten years ago. This demonstrates Rwanda' s commitment to improve governance and share experiences with other African countries to avoid that such an horror be repeated elsewhere in the continent. Furthermore, the novel fact that an African Country engages in the widest possible national consultative process with all its stakeholders so as to address its governance shortcomings and weaknesses through a Programme of Action is unprecedented in the history of this continent and, indeed, in the entire world.

The APRM is a bold and unique approach, designed and implemented by Africans for Africa. It is a mutually agreed instrument voluntarily acceded to by member-States of the African Union, mainly for the purpose of self-monitoring. The APRM aims to put in motion a strategic re-orientation towards the validation of universal as well as African values of governance and to accelerate the process of national growth and development as well as intra-African cooperation and integration. The APRM, therefore, will be a key driver of African renaissance and rebirth, and the centre-piece of the NEPAD process for the socio-economic development of Africa.

The APRM provides an opportunity for the systematic assessment of the performance of the State by its peers with the ultimate goal of helping it to adopt best practices, improve its policy making process and comply with established standards and principles. In the final analysis, this will enhance political stability and socio-economic development and strengthen the ongoing sub-regional and regional integration efforts.

As an instrument of learning and experience sharing, the APRM should not be interpreted as a score card of a pass or fail nature, or as a new conditionality for donor assistance. Rather, it is an instrument for continuous improvement of national policies and of building a consensus amongst all stakeholders for development within a State, while sharing best practices and problem solving techniques across States.

I would like to, at this juncture, to thank the government and people of the republic of Rwanda and the other countries participating in the APRM for the demonstration of national leadership, determination and commitment that have enabled us reach this stage of the implementation of the mechanism as a

whole. I wish to extend the same gratitude to my peers in the APR Forum, the Panel of Eminent Persons, the APR Secretariat, and the APRM Strategic Partners, namely; the African Development Bank, the United Nations Economic Commission for Africa, and the United Nations Development Programme (African Bureau) for their invaluable contributions in making this review a success.

I trust that all who will be recipients of this Report will strive to ensure the sustainability and enhancement of the core principles of the review process which include transparency, accountability and freedom from political manipulation.

The finalization of the review of Rwanda presents all of us with the daunting task of leading by example as the process continues. We, Peers in the APR Forum, will pursue individually or collectively the dialogue engaged at the summit to share our respective experience. For Rwanda, the challenge ahead is the successful implementation of the Programme of Action arising from the Peer Review. The Forum will receive Annual Progress Reports in this regard and will maintain an ongoing interest in the implementation process in **Rwanda**.

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## ACKNOWLEDGEMENTS

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It is a momentous juncture for us to present the Country Review Report for the Republic of Rwanda.

The compilation of this report has been a challenging but enriching process. For its completion, the APR Panel is grateful to the African Heads of State and Government who, through their vision and their need to address governance issues so as to attain socio-economic objectives, adopted the MOU on the APRM and instituted the necessary structures and processes to bring the vision to fruition; they also provided the financial and other support to operationalise the mechanism. The Panel notes with appreciation the growing number of countries that have volunteered for the process and expresses its gratitude for the cooperation that has been received from them. We also wish to place on record the commitment of various continental bodies to the process.

The Panel notes with acknowledgement the work done by its Secretariat and the support offered by the APRM strategic partners: the relevant organs of the African Union, the African Development Bank, the United Nations Development Programme Regional Bureau for Africa, and the United Nations Economic Commission for Africa. We also take this opportunity to mention various regional institutions that have provided technical advice, data and research assistance, including African regional economic communities, policy research institutes, academic think-thanks and so on. The process has also benefited from input from international organisations such as the World Bank and the Organisation for Economic Cooperation and Development, some of which provided information on countries from previous studies or assessment.

A number of regional and international individual experts who were also involved in developing the methodologies, documents and tools were also engaged in executing the process. Specifically, they assisted in conducting the research in: (a) developing the APRM Questionnaire for assessment; (b) writing background papers on the country; (c) participating in the Country Review Mission (CRM); and (d) providing input in writing the country report. While they may be too many to mention by name, the Panel appreciates the exceptional work done by the experts, given the pioneering nature of the process.

This report could not have been produced without the contributions of individual experts and stakeholders in developing the methodologies, documents and tools and executing the process. This includes: developing the APR Questionnaire for assessment; conducting the self-assessment and fielding the support mission; writing background papers on the country; drawing up the issues paper; participating in the CRM; and providing input in writing the country report. In this respect, special mention is made of Prof. Dorothy

Njeuma, Member of the APRM Panel of Eminent Persons who led the CRM and showed her commitment to the APRM in a critical period where painful tragedies occurred at the institution of her permanent duty. Notwithstanding listing names of people who have contributed to this report, special recognition is given to Dr Bernard Kouassi, Executive Director of the APRM Secretariat; Dr Moise Nembot, Coordinator: Democracy and Good Political Governance; Ms Nana Boateng, Research Analyst: Socio-Economic Development; Mr Sudir Chuckun, Coordinator: Multilateral Relations and Policy (NEPAD Secretariat); Dr Kojo Busia, Development Management Officer (UNECA); Prof. Achi Atsain, Consultant (ADB); Dr Omotunde Johnson, Consultant; Ms Zemenay Lakew, Senior Programme Coordinator (UNDP); who have all worked very hard to finalise the report.

The APR process would also not have been operationalised without the financial support provided, firstly, by the participating countries but also by several development partners. An APRM Trust Fund is now established and operational, and gratitude is expressed to all that have made contributions to this Fund.

Last but not least, the Panel notes with acknowledgement the exceptional effort invested in the APRM process by all stakeholders in Rwanda. The Panel is thankful to the Focal Point in Rwanda, the National Commission and the Technical Teams who led the national process from the beginning to the end. The Panel is also grateful for all those who have taken the initiative to explain and popularise the APRM. In this respect, mention should be made of the media, NGOs and various civil society organisations. The Panel commends the enthusiasm with which the civil society has embraced the process, both nationally and regionally. The Panel is grateful for the advances that have already been made in the movement towards better governance at all levels through multi-stakeholder dialogue and participation.

In presenting this APRM report for Rwanda to the Forum, we as members of the Panel of Eminent Persons do not underestimate the task that still awaits us.

**Mrs Marie-Angelique Savané, Chairperson**  
**Amb. Bethuel Kiplagat, Vice-Chairperson**  
**Prof. Adebayo Adedeji**  
**Dr Graca Machel**  
**Mr Mourad Medelci**  
**Prof. Dorothy Njeuma, Member leading the Rwanda review process**  
**Dr Chris Stals**

## PROCEDURES FOR SUBMISSION TO THE FORUM

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The rules and procedures guiding the reporting structure of the Country Review Report are outlined in the Base Document of the African Peer Review Mechanism (pp.48-49). Notably, Stage Three of the APR Process involves the preparation of the APR Team' s report, which is based on the findings on the Country Review Mission as well as on the research findings of the research studies of the APR Secretariat prior to the visit. The Team' s draft Country Review Report is first discussed with the Government of the Country. These discussions will be designed to ensure the accuracy of the information and to provide the Government with an opportunity to react to the accuracy of the information and the findings and also to put forward their own views on how to address the identified shortcomings , including modifying the draft Programme of Action. The responses will be appended to the Country Review Report.

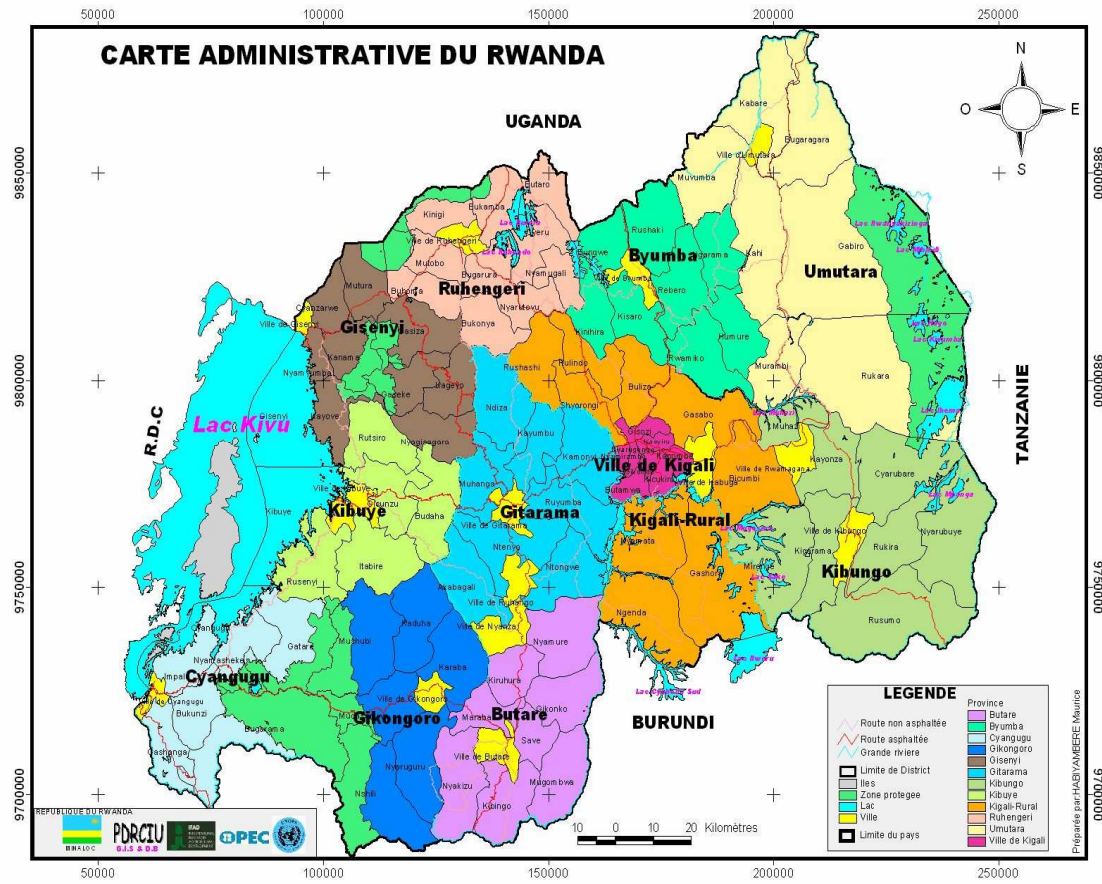
The procedures as outlined above, have been strictly adhered to in the reporting format of this report. Rwanda was given the opportunity to review the draft report. Following which, Rwanda proposed editorial suggestions, directed at some factual inaccuracies contained in the report. Substantive comments were also presented to show areas of divergent views between the Government and the APR Panel. Notably, the dialogue on areas of disagreement between the Panel and Rwanda, continued until two days prior to the Forum Meeting in Abuja. Where appropriate, the APR Secretariat updated the draft report to correct the factual inaccuracies. All other comments were appended to the Country Review Report and presented to the APR Panel for submission to the APR Forum.

At this point in the process, the Country Review Report is considered final and can no longer be amended to take into account substantive comments after the submission of the report to the Heads of State. Subsequent findings or comments brought to the attention of the APRM, that contradict the analysis in the final report may be appended to the report.

These guidelines apply to all Country Review Reports.

APRM SECRETARIAT

# MAP OF RWANDA<sup>1</sup>



<sup>1</sup> Sourced from the Government of Rwanda.

## COUNTRY FACT SHEET2

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**Location:** Central Africa – Borders/countries: Burundi 290 km, Democratic Republic of the Congo 217 km, Tanzania 217 km, Uganda 169 km

**Area:** *Total:* 26,338 sq. km; *land:* 24,948 sq. km; *water:* 1,390 sq km

**Land/use:** *Arable land:* 40.54%; *permanent crops:* 12.16%; *other:* 47.3% (2001)

**Population/people:** 8.3 million people; Rwanda is the most densely populated country in Africa.

**Independence:** 1 July 1962 (from Belgium-administered UN trusteeship)

**Constitution:** A new Constitution was adopted on 26 May 2003 and promulgated on 4 June 2003.

**Legal system:** Based on German and Belgian civil law systems and customary law; judicial review of legislative Acts in the Supreme Court; has not accepted compulsory International Court of Justice jurisdiction

**Economy:** *GDP – purchasing power parity:* \$10.11 billion (2003 est.)

*GDP growth:* 3.5% (est. 2003)

*GNI per capita (US\$), 2003:* US\$ 220

*GDP composition:* Agriculture: 40.7%; industry: 21.5%; services: 37.8% (2003 est.)

*Gross fixed investment:* 19.3% of GDP (2003 est.)

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<sup>2</sup> Sourced from the World Fact Book.

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*GDP growth:* 3.5% (est. 2003)

*GNI per capita (US\$), 2003:* US\$ 220

*GDP composition:* Agriculture: 40.7%; industry: 21.5%; services: 37.8%  
(2003 est.)

*Gross fixed investment:* 19.3% of GDP (2003 est.)

**Budget:** *Revenues:* \$365.9 million

*Expenditures:* \$402.9 million, including capital expenditures

**Trade :** *Exports:* \$73.33 million f.o.b. (2003 est.)

*Imports:* \$245.80 million f.o.b. (2003 est.)

*Current account balance:* \$-163 million (2003)

*Imports partners:* Kenya 23.3%, Germany 7.5%, Belgium 6.4%, Uganda 6.4%,  
France 5% (2003)

**Exchange rate:** Rwandan francs per US dollar – 537.658 (2003), 476.327  
(2002), 442.801 (2001), 389.696 (2000), 333.942 (1999)

## ABBREVIATIONS AND ACRONYMS

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ADB	African Development Bank
AIPA	African Institute for Policy Analysis and Economic Integration
APR	African Peer Review
APRM	African Peer Review Mechanism
AU	African Union
BACAR	Continental Bank of Rwanda
BCR	Commercial Bank of Rwanda
BNR	National Bank of Rwanda
BRD	Development Bank of Rwanda
CAER	Centre for Arbitration and Expertise of Rwanda
CAPMER	Centre d' Appui aux Petites et Moyennes Entreprises au Rwanda
CBD	Country Background Document
CCPR	Convention on Civil and Political Rights
CDC	Community Development Committee
CDF	Community Development Fund
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEDP	Competitiveness and Enterprise Development Project
CERD	Convention for the Elimination of Racial Discrimination
CESTRAR	Centrale des Syndicats des Travailleurs au Rwanda
CIMA	Conférence Interafricaine des Marchés de' Assurances
CIP	Country Issues Paper
COMESA	Common Market for East, Central and Southern Africa
CRC	Convention of the Rights of the Child
CRM	Country Review Mission
CSAR	Country Self-Assessment Report
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DFID	Department for International Development, United Kingdom
DRC	Democratic Republic of Congo
ECCAS	Economic Community for Central African States
ECGL	Economic Community of Great Lakes
ECOSOCC	Economic, Social and Cultural Council
ESSP	Education Sector Strategic Plan
EU	European Union
FARAP	Financial Accountability Review and Action Plan
FDI	Foreign Direct Investment
FEMNET	African Women' s Development and Communication Network
GDP	Gross Domestic Product
HCP	High Council of the Press

HIDA	Human and Institutional Capacity Development Agency
HIMO	Haute Intensite en Main d' Oeuvre
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immunodeficiency Syndrome
HSGIC	Heads of State and Government Implementation Committee
IAS	International Accounting Standards
ICJ	International Court of Justice
ICT	Information and Communications Technology
ILO	International Labour Organisation
IMF	International Monetary Fund
IPOs	Initial Public Offerings
ISA	International Standards on Auditing
KBO	Kagera Basin Organisation
KIST	Kigali Institute of Science and Technology
MA	Mining Authority
MDG	Millennium Development Goal
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training and Labour
MIGEPROFE	Ministry of Gender and Women in Development
MINAGRI	Ministry of Agriculture, Animal Resources and Forestry
MINALOC	Ministry of Social Affairs and Good Governance
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Commerce and Industry
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MINISANTE	Ministry of Health
MINITERRE	Ministry of Land Resettlement and Environment
MoF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MoJ	Ministry of Justice
MOU	Memorandum of Understanding
MP	Member of Parliament
MSCBP	Multi-Sector Capacity-Building Programme
MTEF	Medium-Term Expenditure Framework
MTN	Mobile Telephone Network
NBR	National Bank of Rwanda
NEPAD	New Partnership for Africa' s Development
NGO	Non-Governmental Organisation
NIC	National Insurance Commission
NICI	National Information Communications Infrastructure
NPV	Net Present Value
NTB	National Tender Board



NURC	National Unity and Reconciliation Commission
OBL	Organic Budget Law
OECD	Organisation for Economic Cooperation and Development
OSSREA	Organisation for Social Science Research in Eastern and Southern Africa
PEPFAR	President' s Emergency Plan for Aids Relief
PMTCT	Preventing Mother-to-Child Transmission
POA	Programme of Action
PPPF	Public-Private Partnership Forum
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Programme/Paper
PSD	Social Democratic Party
PTA	Parents and Teachers Association
RALGA	Rwanda Association of Local Government Authorities
RAMA	La Rwandaise d' Assurance Maladie
RBS	Rwanda Bureau of Standards
REMA	Rwanda Environmental Management Agency
RIAM	Rwandan Institute of Administration and Management
RIC	Rwanda Insurance Commission
RICA	Rwanda Institute of Certified Accountants
RIEPA	Rwanda Investment and Exportation Promotion Agency
RNP	Rwanda National Police
ROTNP	Rwanda Office for Tourism and National Parks
RPF	Rwanda Patriotic Front
RPSF	Rwanda Private Sector Federation
RRA	Rwanda Revenue Authority
RURA	Rwanda Utilities Regulatory Agency
SCJ	Superior Council of the Judiciary
SIBET	Systeme du Budget de l' Etat
SONARWA	Société Nationale d' Assurance du Rwanda
TTC	Teacher Training Colleges
UBPR	Union des Banque Populaires du Rwanda
UK	United Kingdom
UN	United Nations
UNCITRA	United Nations Commission on International Trade Law
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations Children' s Fund
UNR	National University of Rwanda
USA	United States of America
USAID	United States Agency for International Development
VAT	Value-Added Tax
VCT	Voluntary Counselling and Testing
WFP	World Food Programme
WSSD	World Summit on Sustainable Development

## EXECUTIVE SUMMARY

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### Introduction

1. The Republic of Rwanda is located in Central Africa. It was gripped by periodic political crises for decades until 1994, when the instability reached its peak and the country sank into three months of genocide. About a million people were killed and another three million fled into exile in neighbouring countries. Nevertheless, from its dramatic recovery, rehabilitation, economic reforms, through broad-based participation, decentralisation and experiments with a traditional form of transitional justice, Rwanda offers much peer learning for other African countries.
2. The APRM' s Mission found that the effects of genocide still permeate Rwanda' s policy and development framework, but the negative impacts are gradually being reversed in the effort to rebuild the country. The Review Mission was guided by the Rwanda Country Self-Assessment Report (CSAR), the Programme of Action (POA), the Country Background Document (CBD) and the Country Issues Paper (CIP).
3. Rwanda signed a Memorandum of Understanding on the African Peer Review Mechanism (The MOU) on 9 March 2003, committing itself to “ provide all necessary resources to facilitate the processes involved at the national level, access to all the required information and stakeholders” . An important milestone in the exercise was marked by the APRM Country Support Mission, which took place from 21 to 24 June 2004. Rwanda submitted its CSAR and the preliminary POA to the APRM Secretariat in March 2005.
4. Between 18 and 30 April 2005, a Country Review Mission took place to discuss extensively the CSAR, Action Plan and the CIP, and to ascertain that Rwanda' s National Assessment Process was technically competent, credible and free of political manipulation. All of Rwanda' s twelve provinces were visited in order to interact widely with stakeholders, in addition to exchanging views with the Head of State, H.E. Paul Kagame, government officials, parliamentarians, civil society and the private sector in the capital. Following the CRM, the Panel' s Report of Rwanda was drafted, highlighting the findings on the state of governance in the four thematic areas to be taken up by the Heads of State in the spirit of peer learning and peer pressure.

## Democracy and Good Political Governance

5. Rwanda has ratified almost all the standards and codes provided in the APRM Questionnaire and in doing so demonstrates a good example of political will to adhere to the rule of law and good political governance. (Important exceptions are the CEDAW-OP and the African Charter on the Rights and Welfare of the Child.) The tardiness in the ratification of some optional protocols, as well as compliance of ratified standards and codes are explained by lack of resources and insufficient capacity. Rwanda also faces the challenge of intra- and interstate conflicts, stemming mainly from ethnic, religious and other divisions in society; socio-economic inequality and poverty; illicit small arms circulation and trade; drug trafficking; a high level of illiteracy; and, most importantly, land and resource distribution. The National Unity and Reconciliation Commission (NURC) and Gacaca courts are two examples of the institutions established to mitigate conflict.
6. Efforts are being made to promote constitutional democracy in Rwanda, as shown through the adoption of a Constitution through a referendum, which provides for the establishment of an independent judiciary, a Human Rights Commission, the Institution of Ombudsman and other institutions. There is, however, a concern about the opening up of political space for competition of ideas and power, the voting system used in local communities and the capacity of the Electoral Commission.
7. Considerable progress has been made in implementing decentralisation through a participatory bottom-up approach to development across different sectors. This is well demonstrated by the participation of cooperatives and associations in sector committees with local councils, although real fiscal power is still to be ceded to the local authorities.
8. The Government is trying to promote economic and social rights by creating public works to encourage employment. Compulsory universal and free primary education is being provided. The 2003 Constitution of Rwanda also recognises the rights of her citizens and duties relating to health.
9. Rwanda is making progress with freedom of expression, of the Press and information and association, respectively. For example, a new Press law was established in 2003, and a High Council of the Press (HCP) was set up to authorise and approve various permits, including starting a private radio station. It has not been possible to confirm whether freedom of expression is being promoted or undermined by the regulatory regime supervised by the HCP. This would need an opinion survey on press freedoms in Rwanda.

10. The Government is taking steps to facilitate equal access to justice by restructuring the justice sector, mobile courts, women' s rights and associations, in addition to Gacaca courts and mediation committees. The Gacaca courts are not only an instrument of administering justice, but also a mechanism for promoting community dialogue, reconciliation and national unity. However, their sustainability in reaching their primarily objective still needs to be ensured.
11. The independence of the judiciary is compromised through the appointment of the Superior Council of the Judiciary. This is because there is no Judicial Service Commission that underscores the role peers play in judicial appointments and regulations of the conduct of members of the judiciary, as is the norm in international law. Instead, the Supreme Council of the Judiciary plays the role of the Judicial Service Commission.
12. The Constitution provides for an independent civil service. The Rwandan Public Service is being reformed through various initiatives that examine its organisation, the conditions of recruitment, staff training and the adoption of new operating procedures. Although elected representatives at the local level can monitor services, this is not a sufficient mechanism. Rwanda is, therefore, advised to continue to reinforce civic education to involve the public more effectively in civil service delivery. The Government has launched various initiatives through institutional decisions and conducted a campaign to organise and mobilise the society to curb corruption. The need to create an institution comprising all existing agencies dealing with corruption should be pursued without delay.
13. The Constitution outlaws any form of discrimination based on gender, disability, language or social status. At the political level, the Constitution sets aside 30% of the seats in Parliament for women. All political parties are required by law to reserve 30% of their posts for women. Nonetheless, women still face societal discrimination. Gaps still exist with regard to control and ownership of key resources and means of production, as evidenced in the socio-economic section of this report. Women are yet to be fully integrated into local government processes.
14. Rwanda has signed the Convention of the Rights of the Child (CRC) and ratified the same in 2002. The Government is encouraged to ratify the African Charter on the Rights and Welfare of the Child, and to design a global policy that enhances the integration of youth into society and permits them to develop to the full measure of their capacities. Notably, government expenditure on education accounts for 25% of the Government' s non-recurrent expenditure.

15. Articles 14 and 76.4 of the Constitution provide that the State must safeguard the well-being of genocide survivors, the disabled, the destitute and the elderly, as well as other vulnerable groups. In this context, the vulnerable groups in Rwanda are the Batwa, genocide orphans, street children, widows and refugees from neighbouring states. Although the Government has achieved a great deal in this area, Rwandan authorities are advised to put more effort into providing education, health and housing for displaced persons and/or refugees, and to initiate in-depth dialogue with the Batwa on the state of their welfare.

## **Economic Governance and Management**

16. Rwanda is broadly on course to become largely compliant with Best Practices for Budget Transparency. The CRM learned, for example, that the Treasury Committee that meets every Thursday attempts to close the gaps between planned expenditures and actual allocations. Many other gaps in fiscal and budgetary practices are likely to be closed as a result of ongoing economic reforms. Donors have a major responsibility of enhancing the predictability of assistance in order for major instruments of development planning, such as the Medium-Term Expenditure Framework (MTEF), to take root in Rwanda.
17. Rwanda is advised to develop an explicit small and medium/micro-enterprise policy, possibly as a private sector counterpart of the Common Development Fund, and this activity is proposed in the Action Plan. It was confirmed during the CRM that the long-delayed Organic Budget Law (OBL) had been passed by Parliament, paving the way for implementation of financial instructions that will provide the operational details. The three-year rolling MTEF is in effect, and could become an important tool in enhancing economic governance and management.
18. The soundness and sustainability of public finances are highly vulnerable. In the long run, the high average level of grants over total revenue (average 77.8% over 1992– 2004) has changed little in the past five years – by just 1% (it averaged 76.8% over 2000– 2004). The key constraint is the sources of funding for the two reforms and their implementation. It is recommended that information on tax procedures and the appeals process be rendered more accommodating and be widely disseminated.
19. The Government of Rwanda has ratified the African Union's Convention on Preventing and Combating Corruption, and has yet to ratify the United Nations Convention on Combating Corruption. The CRM

found that the Government maintains a zero-tolerance policy against all forms of corruption (political, administrative and economic) and at all levels of government. Nonetheless, the Government is advised to guard against potential legal loopholes, avoid duplication of mandates and achieve effectiveness through rationalisation of proliferating anticorruption bodies.

20. Rwanda is committed to promoting regional integration initiatives. There is, however, no level playing field among the different countries involved in regional integration. At the beginning, countries like Rwanda will record fiscal losses, whereas others like South Africa or Kenya will gain. In this regard, it is recommended that Rwanda should study and monitor the balance of consumer welfare gains and growth against the revenue and price-increasing effects for goods in which regional partners as a whole do not have comparative advantage.

## **Corporate Governance**

21. Corporate governance is fairly new in Rwanda. There is no capital market in Rwanda in the conventional sense. The private sector is in its infancy and the involvement of the State as producer and provider of economic essential services was widespread until recently. The monetary and financial market is dominated by nine banks and six insurance companies in which the State continues to be a major shareholder.
22. Rwanda has ratified or adopted a significant number of key international standards and codes in corporate governance. Nevertheless, official reaffirmation of adherence to these principles notwithstanding, there is an overall lack of awareness of corporate governance. It is advised that an Inter-ministerial Task Force be established to review the state of the implementation of all the standards and codes. It is recommended that Rwanda proceeds with a large consultation for the formulation of a comprehensive strategy on corporate governance with the support of the appropriate organisations.
23. Although a regulatory framework promoting good corporate governance exists in Rwanda, the CRM ascertained that much still needs to be done to establish and enforce these legislative obligations and duties, as well as to update and expand them. In this regard, all private initiatives for reporting and commenting on business activities, including financial and economic journalism, should be encouraged for the sake of a higher level of transparency.
24. Most of the laws enacted under corporate governance have found little

ground for application. The preliminary exchanges between the CRM and the stakeholders have led to the assessment of some of the existing laws of the above framework, such as labour law, the rights of workers, the rights of women and so on. A specific Insolvency Law that will provide for clear and relatively quick mechanisms for protecting all contracting parties' interests should be adopted as soon as possible. Rwanda's commercial law clearly establishes the role and responsibilities of corporate boards and management. However, specific training sessions for directors and managers need to be designed with the Human and Institutional Capacity Development Agency (HIDA), the National University of Rwanda, the School of Finance and Banking, and other private sector entities.

## **Socio-Economic Development**

25. In this objective, Rwanda has also demonstrated considerable political will to adhere to international and regional standards and codes by ratifying all the standards and codes provided in the APRM Questionnaire. There are ongoing efforts at implementation, but capacity remains a constraint. In Rwanda's own assessment, challenges in the implementation process include a lack of resources to package and disseminate information, and a lack of awareness by the public as well as social and cultural traditions that hinder or slow down the process of change.
26. In spite of Rwanda's legacy of genocide, as well as the fact that large sections of the population are living below the poverty line, and that the numbers of orphans and persons living with HIV/Aids are alarming, Rwanda has made some significant progress in building the foundation for socio-economic development. Rwanda has done this by establishing institutional, policy and legal frameworks such as the Vision 2020, Poverty Reduction Strategy Programme, Sector Strategies, Poverty Observatory Unit, Gender Monitoring Unit, a Community Development Fund, and Women Councils. Rwanda has also relied on traditional practices such as Gacaca, Ubudehe, Umuganda and HIMO, which promote socio-economic development through a culture of broad-based participation and community mobilisation. Unfortunately, many of the institutions, such as the Women Councils, are lacking in capacity and therefore not operating effectively. The Gender Monitoring Unit is also still not fully operational.
27. To date, some sectors have witnessed encouraging results, namely gender equality and education. Nonetheless, Rwanda is still struggling with poverty reduction and maternal and child health indicators. These indicators (relevant to the Millennium Development Goals) have not

shown any signs of improvement over the past five years. The HIV prevalence rate of 13% is also very high for a small country that relies heavily on its human resources for growth and development. Even with this limited manpower, capacity is a major constraint, as skills are limited. Fortunately, Rwanda is a beneficiary of substantial external support to combat HIV/Aids, but it is also recommended that should Rwanda allocate more resources to the construction of antiretroviral treatment centres and continue to work at obtaining reliable HIV/Aids data.

28. The promotion of women in all areas of society and broad-based participation of all stakeholders in the country are hailed in the socio-economic section report as two best practices from which other countries can learn. On access to basic utilities, Rwanda has found innovative approaches, such as the *Imidugugu* (communal setting) to bridge the problem of water and extraction of methane from Lake Kivu to bridge the problem of energy. Rwanda has also embarked on an ambitious twenty-year information and communications technology plan and is also taking serious measures to address the land problem. On access to markets and finance, legal instruments have been established and initial results are being observed, for example, the burgeoning micro-credit institutions and the recent performance of the coffee industry. The Government is encouraged to maintain its impetus with regard to implementation, and to ensure that access to basic amenities is not limited to the urban areas.

## Overarching Issues

29. The issue of land, which is linked to high population growth and density, is a critical one for Rwanda, particularly where conflict, land use and environmental protection are concerned. The Government is encouraged to establish a clear land and population policy that includes a plan to create more off-farm employment for the youth and rural populations.
30. Another overarching issue of concern is the complexity of Rwanda's steady move towards multi-party and political pluralism. The Rwandese political system or culture is characterised by consensus rather than "voluntary participation" by political parties. Removing all restrictions on political rights and freedoms, while ensuring that political parties are able to operate freely but along non-ethnic or racial lines, would, in the long run, benefit democracy in Rwanda, rather than adhering to a tight framework within which parties can operate.
31. While the Gacaca courts are viewed by the Government and some segments of Rwandans as the main alternative means for dispute resolution and a much-needed way to achieve justice and reconciliation,



there are serious concerns about their legitimacy and ability to win trust and confidence in dispensing justice, while strictly conforming to contemporary international human rights norms and standards. The real challenge for Rwanda in the short-to-medium term is how to build capacity in the judiciary sector, so that the lessons and value added from reviving the Gacaca system can be institutionalised.

32. It is clear that Rwanda has made a significant effort in establishing institutions and mechanisms to promote good governance and socio-economic development. Nonetheless, an emerging challenge throughout the four thematic areas is the lack of capacity within institutions to perform their tasks effectively. Rwanda is advised to initiate extensive capacity building from national to local levels in terms of training and skills development. In this regard, the Human and Institutional Capacity Development Agency (HIDA) should be effectively strengthened. It is highly recommended that civil society, the private sector and development partners complement the Government' s efforts in this regard.
33. The reliance on external assistance has been underscored in the main report. An overarching issue is how effectively this aid is being utilised. While the CRM is led to believe that Rwanda has made a serious effort to use external aid appropriately in the form of social services, the traditional justice system, infrastructural development, decentralisation, policy reforms, and the like, it would be helpful to the country to see specific data on the proportions of aid funds that are allocated to poverty-reducing sectors and the proportion of the same aid money that returns to the donor country or institution.

# 1

## Introduction

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### 1.1 The APRM and its processes

34. In an effort to enhance the quality of governance in Africa, the Sixth Summit of the Heads of State and Government Implementation Committee (HSGIC) of the New Partnership for Africa's Development (NEPAD) held in Abuja, Nigeria in March 2003 adopted the Memorandum of Understanding (MOU) on the African Peer Review Mechanism (APRM) and the Declaration on Democracy, Political, Economic and Corporate Governance, which had earlier been endorsed at the inaugural Summit of the African Union (AU) held in Durban, South Africa in July 2002. The HSGIC also adopted documents that outline the core principles, processes and objectives of the APRM, including the APRM Base Document, the APRM Organisation and Processes Document, and the document on Objectives, Standards, Criteria and Indicators for the APRM.
35. The APRM is an instrument voluntarily acceded to by Member States of the AU as an African self-monitoring mechanism. The mandate of the APRM is to ensure that policies and practices of participating states conform to the agreed political, economic corporate governance and socio-economic values, standards and codes. The primary purpose of the APRM is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs of capacity building.
36. The APRM is open to all member states of the AU and twenty-three member countries have so far voluntarily acceded, as indicated in Box 1.1. Accession entails undertaking to submit to periodic peer reviews, as well as to facilitate such reviews, and be guided by agreed parameters for good political and economic governance, socio-economic development and corporate governance.

37. The APRM process consists of five interrelated stages that are defined in the APRM Base Document. The five stages are succinctly presented below.

**Box 1.1: The APRM Progress Report**

The APRM, widely heralded as the jewel in the crown of the New Partnership of African Development, is a non-adversary learning process among peers, relying heavily on mutual trust among the States involved in the review, as well as shared confidence in the process. It is a commitment to African governance standards and the tool for the implementation of the standards and codes enshrined in the Declaration on Democracy, Political, Economic and Corporate Governance.

National ownership and leadership by the participating country are essential factors underpinning the effectiveness of such a process. This includes leadership in ensuring consistency with existing national processes, like the Poverty Reduction Strategy Programme (PRSP), other poverty reduction strategies, the Medium-Term Expenditure Framework (MTEF), National Human Rights Action Plans, Millennium Development Goals (MDGs), ongoing institutional reforms, and other relevant governance and socio-economic development strategies, programmes and projects.

Twenty-three member countries of the AU have so far voluntarily acceded to the APRM. Algeria, Burkina Faso, Cameroon, Republic of Congo, Ethiopia, Gabon, Ghana, Kenya, Mali, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa and Uganda were the first sixteen countries to accede to the APRM in March 2003. Benin and Egypt signed the MOU of accession at the extraordinary summit of the AU held in Sirte, Libya in February 2004. The last five countries – Angola, Lesotho, Malawi, Tanzania and Sierra Leone – acceded during the AU Summit in July 2004 in Addis Ababa, Ethiopia. Currently, expressions of intention to accede have been received from Sudan and Zambia.

Ghana, Rwanda, Mauritius and Kenya were the first countries in which reviews were launched. At the time of writing this report, further reviews have been initiated in Uganda and Nigeria.

38. **Stage One** entails the preparatory phase, both at the level of the APRM Secretariat and at the national level. Under the direction of the APR Panel, the APR Secretariat forwards to the country to be reviewed a questionnaire covering the four focus areas of the APRM. The country will undertake a self-assessment on the basis of the questionnaire and with the assistance, if necessary, of the APR Secretariat and/or relevant partner institutions. Having completed the self-assessment, the country

will formulate a preliminary Programme of Action (POA) building on existing policies, programmes and projects. Both the self-assessment and the preliminary POA are submitted to the APR Secretariat, which, during the same period, has developed a Background Document on the country through desk research and the gathering of available current and pertinent information on the governance and development status of the country in the four assessment areas.

39. **Stage Two** is the Country Review Visit. Under the leadership of the APR Panel, the Country Review Mission (CRM) visits the country concerned, where its priority order of business will be to carry out the widest possible consultations with the Government, parliamentarians, officials, political parties and representatives of civil society organisations including the media, academia, trade unions, business and professional bodies. The main purpose will be to learn about perspectives of the different stakeholders on governance in the country; to clarify the issues identified in the Issues Paper that are not taken into account in the preliminary POA of the country; and to build consensus on how these could be addressed. It is instructive to note that the country mainly performs a facilitating role during the visit, ensuring that the CRM is enabled to carry out its review smoothly and with full access to all sources of information and stakeholders, as provided in the MOU for Technical Assessment and the Country Review Visit signed by the country and the APRM.
40. **Stage Three** is the drafting of the CRM' s report, which is informed by the Background Document and Issues Paper prepared by the APR Secretariat, and the information provided in the country by official and unofficial sources during the wide-ranging consultation with stakeholders during the CRM' s visit. The draft report must take into account the applicable political, economic and corporate governance and socio-economic development commitments made in the preliminary POA, identify any remaining weaknesses, and recommend further actions that should be included in the final POA.
41. The draft report will need to be clear and specific on the required actions in instances where outstanding issues are identified. The draft report is first discussed with the Government concerned. The discussions will be reviewed to ensure accuracy of information and to provide the Government with an opportunity both to react to the CRM' s findings and to put forward its own view on how the identified shortcomings can be rectified. These responses of the Government will be appended to the CRM' s report. At this stage, the country finalises its POA, taking into account the conclusions and recommendations of the draft report.
42. **Stage Four** begins when the CRM' s final report and the country' s final POA are sent to the APR Secretariat and the APR Panel, and then

submitted by the Panel to the APR Forum of participating Heads of State and Government for consideration and formulation of actions deemed necessary in accordance with the mandate of the APR Forum. If the country in question shows a demonstrable will to rectify the identified shortcomings, then it will be incumbent on participating governments to provide the assistance they can, as well as to urge donor governments and agencies also to come to the assistance of the country reviewed.

43. **Stage Five** is the final stage of the APRM process. Six months after the report has been considered by the Heads of State and Government of the participating member countries, the report will be formally and publicly tabled in key regional and sub-regional structures, such as the Regional Economic Commission to which the country belongs, the Pan-African Parliament, the African Commission on Human and People's Rights, the envisaged Peace and Security Council, and the Economic, Social and Cultural Council (ECOSOCC) of the African Union.
44. It is anticipated that the time-line for these processes will vary considerably from country to country, depending on country specificity. However, the estimated duration of each peer review from the start of Stage One and the end of Stage Four should be between six and nine months.
45. This country report marks the third phase of the APRM process in Rwanda, preparatory to the final stages. The report presents the findings of the CRM to Rwanda, as well as the Panel's recommendations. It is structured in six chapters. Apart from this introductory section, the next four chapters evaluate developments and outstanding challenges in the four APRM focus areas, namely Democracy and Political Governance; Economic Governance and Management; Corporate Governance; and Socio-Economic Development. Chapter 6 concludes. Two essential components of the report are the country's Programme of Action and comments on the findings in the report from Rwanda, both of which are appended.

## 1.2 Rwanda and the APRM

46. The recent history of Rwanda has been marked by ethnic struggles for political dominance by one ethnic group over another. Ethnic rivalry in Rwanda began in 1959, three years before Rwanda attained political independence from Belgium in 1962, when the majority ethnic group, the Hutus, overthrew the ruling Tutsi king and forced thousands of Tutsis to flee into exile in neighbouring countries.

47. The 1990 civil war, accentuated by mounting economic and social problems, accelerated ethnic tensions resulting in another struggle for power and leadership in Rwanda. The ethnic conflict resulted in genocide and claimed the lives of about 800 000 Tutsis and moderate Hutus.
48. Divisive politics in Rwanda led to and perpetuated the politics of exclusion, as well as ethnic hatred and intolerance in the social and political fabric in Rwanda. To this end, the Government of National Unity inherited a deeply scarred nation. Indeed, trust within and between communities had been replaced by fear and betrayal. Moreover, the economy had grounded to a complete halt, and social services were not functioning. Furthermore, public confidence in the State had been shattered. The majority of the populace was either internally displaced or had been forced to flee to neighbouring countries by the perpetrators of the genocide. Faced with these enormous challenges, the Government of National Unity set about rebuilding the social, political and economic fabric of Rwanda. Since the last genocide of 1994, Rwanda has witnessed an extraordinary national regeneration.
49. Rwanda signed the MOU on the African Peer Review Mechanism on 9 March 2003, committing itself to provide all the necessary resources to facilitate the processes involved at the national level, as well as access to all the required information and stakeholders. An important milestone in the exercise was marked by the APRM Country Support Mission which took place from 21 to 24 June 2004. Rwanda was the second country after Ghana to receive the Support Mission for National Self Assessment. Country Support Missions provide an opportunity for the APR Panel and its Secretariat to pre-test the APR guidelines and questionnaires prior to launching the country review process. In addition, lessons learned from Support Missions in other countries are used as guidance. The Support Mission reinforces the preparatory phase and entails constant interactions between the APR Panel, the Secretariat and country officials.
50. The Support Mission was preceded by internal preparations that may be summarised as follows. In January 2004, the National NEPAD Steering Committee appointed an APR Focal Point to follow up specific matters of the APRM. In February 2004, an advance APRM Secretariat team visited Rwanda to assess the country' s preparedness to receive the Support Mission. Meetings with the APR Focal Point, the Personal Representative of the President at the NEPAD Steering Committee and two consultants working on the self-assessment reconfirmed the country' s ongoing work based on the APRM' s draft questionnaire.
51. On 26 March 2004, Rwanda held the first stakeholders' workshop

(Nyandungu I), which was attended by about 200 people. A group of twenty persons was formed to sensitise stakeholders on the APRM process and to launch the thematic groups that worked on the draft questionnaire. The group was made up of volunteers representing stakeholders' experts from civil society and the private and public sectors. Volunteerism had its disadvantages, but a Technical Review Team was nevertheless created and eventually accorded some incentives to maintain work momentum. This approach met the objectives of low-cost self-assessment and ownership of the process by a wider spectrum of stakeholders.

52. In May 2004, a follow-up stakeholders' workshop, Nyandungu II, was held to validate the work of Nyandungu I, integrating the comments of stakeholders. The thematic groups were broadened and transformed into Technical Review Teams.
53. The APRM Support Mission undertook a number of activities.<sup>3</sup> It reviewed the Government's proposed fifty-member APRM National Commission and voiced concern that the membership had too many public officials, a factor that could compromise the independence of the Commission. In addition, the criteria for selecting the membership were re-examined. The Support Mission proposed that a Governing Council (or an autonomous body with a different nomenclature) of about ten members with only one or two government officials would be more appropriate, backed by an Executive Bureau.
54. On the planned activities for the implementation of the APRM in Rwanda, the Support Mission Team reviewed the set of background documents prepared by consultants for the Rwanda APR Focal Point. It found that there were some inconsistencies in terms of the processes that were to be followed in undertaking the APR Self-Assessment. It was noted, for example, that the Rwanda APR Technical Team had already filled in the APR Questionnaire, incorporating predominantly government opinion and figures, without the crucial inputs of other stakeholders capable of guaranteeing overall national ownership.
55. Another major concern expressed by the Support Mission Team was the apparent lack of institutional basis of the APR Technical Review Team, which could negatively affect the methodology used in obtaining information for the self-assessment. This gap was inevitable due to the scarcity of technical capacity in Rwanda in the face of such a major exercise. The gap remained even after the formation of the APR

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<sup>3</sup> African Peer Review Mechanism Country Support Mission to Rwanda, 21–24 June 2004, Final Report.

Technical Review Team following the first workshop held at Nyandungu I, and even after the Team (composed of different stakeholders) had subdivided into four groups consistent with the four thematic areas of APRM, namely Democracy and Good Political Governance; Economic Governance and Management; Corporate Governance; and Socio-Economic Development.

56. The advice of the Support Mission was that technical backstopping was needed externally, either from the APR' s strategic partner institutions (UNDP, UNECA and ADB), or an independent policy and research institution. The format of the self-assessment was also discussed, and it was recommended that complex questions should be reformulated in a language that could be easily understood by stakeholders at grassroots level.
57. The visit culminated in the inauguration of the National Commission on 24 June 2004, in a ceremony chaired by the President of the Senate. Composed of fifty members, the Commission drew membership from diverse stakeholders, including the public, private and civil sectors in Rwanda. The Commission is chaired by the Minister of Finance, who committed the Commission to the completion of the country' s CSAR and draft POA by September 2004, and submission to the APR Secretariat in December 2004.
58. Subsequently, guided by the remarks of APR Panel Support Mission, stakeholders' input and APR National Commission, the Technical Review Team worked closely with the National Commission to come up with a zero draft report. This report was appraised at the national consultation process in a National Validation Conference held on 17 December 2004, at the Hotel de Mille Collines in Kigali. The presentation was attended by the country' s policy makers and development partners, whose comments added value to the draft report.
59. Furthermore, the draft report was externally reviewed for quality control purposes. The African Institute for Policy Analysis and Economic Integration (AIPA) of Cape Town, South Africa, critically evaluated the report. It was then edited by the Organisation for Social Science Research in Eastern and Southern Africa (OSSREA), Rwanda Chapter.
60. Rwanda submitted its CSAR and the preliminary POA to the APR Secretariat in March 2005.

### **1.3 The Country Review Mission**



61. Prof. Dorothy Njeuma, Vice-Chancellor of the University of Buea in Cameroon and Member of the African Peer Review Mechanism's Panel of Eminent Persons led a fourteen-member Country Review Mission from eight African nationalities to Rwanda from 18– 30 April 2005. The CRM comprised the following:

**APRM Secretariat**

1. Prof. Dorothy Njeuma, Member of the APRM Panel of Eminent Persons
2. Dr Bernard Kouassi, Executive Director
3. Dr Moise Nembot, Coordinator: Democracy and Good Political Governance
4. Ms Nana Boateng, Research Analyst: Socio-Economic Development

**NEPAD Secretariat**

5. Mr Sudir Chuckun, Coordinator: Multilateral Relations and Policy

**Independent APRM Technical Consultants**

6. Mr Bassary Toure, FMR Executive Director, World Bank
7. Mr Khalifa Ababacar Sall, Manager General, K.A.S.S. Consulting, M.P. Republic of Senegal
8. Dr Mbui Wagacha, Consultant & Member, Economic Policy and Management Panel, African Capacity Building Foundation
9. Ms Patricia Cisse, Director-General, Africa Investment and Business Advisers
10. Ms Kibre Dawit, Chair of the Board of Trustees, African Women's Development and Communication Network (FEMNET)

**Partner Institutions**

11. Ms Zemenay Lakew, Senior Programme Coordinator, AU-NEPAD Support Unit, United Nations Development Programme
12. Dr Michael Mah'moud, Senior Adviser, African Development Bank
13. Mr Gabriel Negatu, Chief, Governance Unit, African Development Bank
14. Prof. Achi Atsain, Consultant, African Development Bank and former Minister for Labour, Republic of Ivory Coast
15. Dr Kojo Busia, Development Management Officer, United Nations Economic Commission for Africa

62. The CRM was expected to carry out the following activities:

- Discuss extensively the Issues Paper that had been compiled by the APRM Secretariat from the CSAR and Background Report and the Preliminary Programme of Action submitted by Rwanda;

- Ascertain that Rwanda' s National Assessment Process was technically competent, credible and free of political manipulation. To this end, the CRM aimed to validate and confirm the information presented by the country in the CSAR and POA;
  - Help build consensus with the stakeholders on the remaining issues or challenges by indicating the steps needed to address them. These findings would then form the basis for the country' s recommendations on required improvements in policy dialogue, capacity building, resource allocation and assignment of responsibilities for addressing the issues retained; and
  - Move forward the NEPAD/APRM agenda by interacting with key stakeholders and institutions or agencies shaping the four thematic and cross-cutting areas.
63. After initial preparatory work on 18 April 2005, the CRM was welcomed officially on 19 April by the National Commission and the Speaker of the National Assembly. It thereafter commenced its work, with interviews in Kigali among all stakeholders – Ministers, the Auditor General, parastatals, the National Bank of Rwanda, the judiciary, Rwanda Revenue Authority, parliamentarians, civil society, businesspeople, etcetera. The CRM adopted the procedure of holding wrap-up meetings each evening to exchange ideas and ensure common approaches in the exercise among the four thematic areas of assessment and analyses.
64. Following the consultations in Kigali, the CRM visited all the provinces, accompanied by APRM Focal Point officials and hostesses and/or translators. Received by provincial governors or high-ranking provincial officials, the CRM held consultations with stakeholders at Butare, Byumba, Cyangugu, Gikongoro, Gisenyi, Gitarama, Kibungo, Kibuye, Kigali City, Kigali Ngali, Ruhengeri and Umutara.
65. The CRM also visited the Genocide Memorial Site of Gisozi and paid a courtesy call to H.E. Paul Kagame, President of the Republic of Rwanda. In a final wrap-up session held with all the stakeholders, and chaired by the National Commission, the CRM revisited all issues on Rwanda with the aim of giving participants an opportunity to present final responses.
66. The findings of the CRM in the four focus areas of the APRM, namely Democracy and Good Political Governance; Economic Governance and Management; Corporate Governance; and Socio-Economic Development; are presented in the next four chapters of this report.
67. It must be stated that it was not a function of the CRM or Panel to make its own assessments of the situation in Rwanda. The task of the CRM in the APR process is indeed clearly defined in the AU Document on the African Peer Review Mechanism Organisation and Procedures:

*“ The visit is an opportunity for the APRM Team to discuss the draft Programme of Action that the country has drawn up to improve their governance and socio-economic development, to provide positive reinforcement for the sound aspects, and to address identified weaknesses and shortcomings in the various areas of governance and development.”*

68. The main emphasis in the process rests with what the country itself is prepared and able to produce. The APRM is, after all, structured on the non-negotiable principles of national ownership and leadership, and self-assessment.

#### **1.4 Structure of the report**

69. The next four chapters of this report each provide a detailed discussion of the four thematic areas: Democracy and Good Political Governance (Chapter 2); Economic Governance and Management (Chapter 3); Corporate Governance (Chapter 4) and Socio-economic Development (Chapter 5). All four thematic areas begin with a discussion of the standards and codes, which assesses the extent of compliance to the standards and codes ratified or adopted by Rwanda. This is followed by an analysis of the thematic areas according to the APRM objectives (as structured in the APRM Questionnaire). The discussions under each objective are structured in the following sequence:
- An introduction providing an overview of the trends and developments of that thematic area;
  - A summary of the findings from Rwanda’ s CSAR;
  - A discussion of the findings of the CRM; and
  - Panel recommendations for improving shortfalls in the thematic area.
70. The conclusion, found in Chapter 6, highlights the overarching issues of concern, which are issues needing critical attention and a synopsis of the way forward. The conclusion is followed by the Rwandan Government’ s comments on the Country Review, and Rwanda’ s Final Programme of Action.

# 2

## DEMOCRACY AND GOOD POLITICAL GOVERNANCE

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### 2.1 Introduction

71. Rwanda was confronted in 1994 with a social and political crisis that challenged its very existence. After three decades of mis-governance, periodic violence and social and ethnic tensions, the country sank into three months of genocide in which about a million people died and another three million fled into exile in neighbouring countries. Yet, Rwanda is one of the countries in Africa with a single common language and culture (Kinyarwanda). Over centuries, the three socio-ethnic groups found in Rwanda, namely the Hutus, Tutsis and Batwa, lived harmoniously together.
72. Collectively, this helped to consolidate their commonality. Bad governance nevertheless failed to exploit this commonality for nation building. Instead, social distinctions were transformed into ethnic differences, leading in turn to the politics of alienation and exclusionism that led to a series of conflicts between Hutus and Tutsis culminating in the genocide in 1994. Today, the legacy of the ideology of genocide and efforts to eradicate it enters the entire panoply of Rwanda' s governance and policies for the future.
73. Despite the setbacks, Rwanda has made significant progress in political reconciliation, economic reconstruction and socio-economic development. The country is deeply embroiled in the process of rebuilding State institutions and society in the aftermath of the genocide. These processes have entailed reconstituting State institutions destroyed during the genocide, facilitating the return of refugees, setting up community courts to deal with congestion in the formal justice system, while creating a spirit of reconciliation and transitional justice and providing security and other social services such as education and health to its citizens.
74. These are daunting governance challenges for any nation, least of all a small country like Rwanda, with its limited human and material resources. Yet, Rwanda has faced these challenges with a dogged determination to build new institutions and reform old ones in order to secure a democratic and peaceful future. For example, the State

facilitated a wide national debate that culminated in the writing of a new Constitution adopted by a referendum and subsequently formed the basis of organised national elections in 2003. In addition, the Government has undertaken several administrative reforms and established governance institutions including the Ombudsman, Electoral Commission, Supreme Council of the Judiciary, the Gacaca courts for transitional justice, National Human Rights Commission, National Unity and Reconciliation Commission, High Council of the Press and the proposed Civil Service Commission, when constituted.

75. A policy of decentralisation that seeks to break the culture of centralisation of political decision making and administrative and financial management has been successfully implemented. Judged by the plethora of new institutions, there is little doubt that the Government of Rwanda is making significant strides in establishing a democratic State that can deliver on good governance despite serious limitations since the transitional government in 1994.
76. Rwanda, however, faces enormous challenges in attaining the rigorous standards and norms of democracy and good governance. For example, the approaches taken by the Rwandan Constitution to the principles of separation of powers, political competition and organisation, and enjoyment of fundamental civil and political freedoms are consciously directed towards building national unity, consensus and inclusiveness, given its past. The Constitution emphasises consensus rather than competition of ideas to avoid the divisionism and violence of the past. Consequently, effective structures allowing for the peaceful expression of dissent and competitive ideas that eventually could avoid the tendency of individuals or groups seeking violent means of expression are lacking.
77. While the ongoing transitional justice initiatives, the Gacaca courts, are expected to rebuild and strengthen a civic culture at grassroots level following the 1994 genocide, they could have a destabilising consequence if not successfully implemented. In this regard, the Government's unity and reconciliation programme faces a major test of winning the trust of all citizens. The issue of land, long considered the main flashpoint of conflict, could resurface if efforts to diversify the economy to create more off-farm job opportunities to employ the youth, landless, returning refugees and the jobless were to fail.
78. Assessing the effectiveness of Rwanda's new democratic institutions, therefore, would demand continued leadership commitment to resolving the State and society crisis of resource allocation and distribution particularly of land, conflict management, resolution and reconciliation, resolving permanently the perennial problem of the politics of

exclusionism and participation and the issue of inadequate institutional penetration in an ethnically divided society. These are the issues that would challenge Rwanda's steady march towards democratic and good political governance, peace and stability in conformity to the agreed governance values, standards and codes of the APRM.

## **2.2 Standards and codes**

### **i. Country Self-Assessment Report**

79. In the APRM framework, there is a set of regional and international standards and codes with which countries are advised to comply. The country's self-assessment drew attention to the fact that Rwanda has signed, or ratified, all protocols, conventions and declarations of the African Union, both those proposed in the APRM list of standards and codes and others not specifically contained in that list. However, ratification has not been accompanied with resolute compliance with reporting requirements and domestication, so that it is not possible to verify that the country is in fact implementing all the standards and codes.

### **ii. Mission Findings**

80. The CRM confirmed that the most important outstanding problems Rwanda had with regional and international standards and codes on democracy and good political governance were: (a) tardiness in acceding to them; (b) ensuring timely reporting on implementation; and (c) inadequate domestication. For example, Rwanda was until recently not up to date with its reporting obligations under the African Charter on Human and Peoples' Rights. The report submitted in the 2004 session of the African Commission consolidated the reports previously owed to the regional human rights oversight body.

81. Another issue discussed in detail during the CRM was the limited extent to which Rwanda had actually implemented the international conventions and protocols to which the country had already acceded. In this regard, special attention was called to the issue of abolition of the death penalty for children under 18 within the context of the African Charter on the Rights and Welfare of the Child. Also, concern was raised with regard to the accession to the Convention on Civil and Political Rights (CCPR) – Rwanda had yet to accede to this treaty's first and second optional protocols. In a similar vein, although Rwanda had an outstanding record

in promoting the rights of women, it had yet to accede to the Optional Protocol of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW-OP). The CRM learned that the discrepancy was explained by a lack of appropriate capacity to complete the processes.

82. For a number of domestic and regional security reasons, Rwanda maintains a reservation against the jurisdiction of the International Court of Justice (ICJ) with regard to disputes between Rwanda and other States party to the 1965 Convention for the Elimination of Racial Discrimination. (CERD). Similarly, Rwanda maintains a reservation against freedom of movement of refugees under the UN Refugee Convention and is yet to sign the Rome Statute of International Criminal Court.
83. The explanation given to the CRM was that the Government had to make choices concerning international instruments, as dictated by various domestic and international interests. Moreover, the shortcomings observed in the procedures for international legal instruments and concerning the submission of periodic national reports were due to insufficient capacity, both in terms of human and financial resources and administrative organisation, in addition to loss of records during the events of 1994.

### **iii. Recommendations**

84. The CRM advises the Government of Rwanda to:
  - Adapt and harmonise its domestic laws to be consistent with international commitments, while giving due attention to its own realities.
  - Set up an inter-ministerial structure to coordinate actions to enhance the rights of its citizens.

## **2.3 Assessment of APRM objectives relating to Democracy and Political Governance**

*Objective 1: To prevent and reduce intra- and interstate conflicts*

**i. Country Self-Assessment Report**

85. The first objective under democracy and good political governance, namely the prevention and reduction of intra- and interstate conflicts, looks in particular at the actions of the authorities to maintain peace and security in Rwanda, as well as to promote peace and stability in the country' s neighbourhood. Of importance among such actions would be the use of effective early warning systems and stable and efficient institutions and mechanisms to prevent and resolve conflicts in Rwanda.
86. The CSAR drew attention to the fact that Rwanda was burdened by its recent history, marked both by an exacerbation of internal conflicts that climaxed in 1994 with genocide, and by the persistent instability in the Great Lakes region and in neighbouring countries, particularly the Democratic Republic of Congo (DRC), Uganda and Burundi. The CSAR identified several sources of conflict in Rwanda, including ethnic, religious and other divisions in society, socio-economic inequality, poverty, land and illicit arms trade, drug trafficking and a high level of illiteracy. All these factors are intertwined, but in Rwanda the immediate cause of intra-state conflicts in the past has been ethnic discrimination and divisive politics promoted by some leaders, including colonial regimes (notably Belgium) and misdirected academics pursuing studies of physiological and racial factors in human intelligence. The impact of colonial policies and bad governance of post-colonial governments aggravated the situation. Open ethnic rivalry began in 1959, three years before Rwanda' s independence from Belgium in 1962.
87. Prior to the 1994 genocide, a cycle of conflicts existed between the Hutu-dominated governments of Rwanda and the Tutsi opposition, some of whom resided in the country and others who became refugees in neighbouring countries in the 1950s and 1960s. At one point, more than one million Rwandans politically identified as Tutsis who lived outside the country were denied citizenship. The pre-genocide government developed a policy in defence of majority rule politically identified as the Hutus. This policy implied assigning the Tutsi minority to 15% of politically fixed positions in government according to their proportion of the population. The tensions existing between the Government and the opposition in exile, notably the Rwanda Patriotic Front (RPF), persisted and became an excuse for the Government of President Habyarimana in the 1990s to orchestrate one of the most heinous genocides in modern history.
88. The CSAR identified land as a very serious source of conflict, ranking highest among all others at 90% of all court cases in the Butare, Gikogoro, Gisenyi, Gitarama and Ruhengeri, provinces. While the high



population density is a root cause, the legal framework governing land also needed improvement, in the light of current circumstances, inter alia, to clarify issues related to access and inheritance rights. The Government had taken a two-pronged approach to mitigating this problem, namely group settlement schemes and an off-farm activities initiative.

89. The first programme had as its objective the provision of more space for agricultural farming; the second was an ongoing programme to reduce pressure on agricultural farmland by creating other sources of employment. However, the group settlement policy was no longer in operation and the Government of Rwanda did not seem to have any mechanism in place to resuscitate it. In the meantime, a law regarding land management had been adopted by the Chamber of Deputies and the Senate, and was about to be printed in the official gazette.
90. At the subregional level, security has been at the core of the Government's foreign policy since it took power in 1994. The continued presence of the Ex-FAR, Interahamwe and other militia in neighbouring countries, particularly in the DRC, has been a source of conflict between Rwanda and its large neighbour. These forces have their origins in the 1994 genocide in Rwanda. The perpetrators of the genocide fled to the DRC and reorganised themselves to attack Rwanda and continue to commit acts of genocide.
91. As a result, Rwanda had found it necessary to invade DRC twice in order to "flush" out the enemies, as the DRC authorities seemed incapable of disarming the perpetrators. The CSAR indicated that the real causes of the conflict between Rwanda and Uganda were unclear, and this view was corroborated by an opinion survey in which many Rwandans could not tell exactly what had marred relations between the two countries.
92. Although several attempts have been made to bring peace between Rwanda and its neighbouring countries, beginning with the Arusha Peace Accords of 1993 through to the 1999 Lusaka Agreement, the problem remains. Even though Rwanda has been criticised for "using" security concerns to promote its own agenda, the fact remains that Rwanda's security is intertwined with security and governance in neighbouring countries – as long as insurgents in the DRC, in particular, are not dealt with, it is difficult to see how Rwanda can be assured of its security. Relations with Burundi and particularly with Uganda have somewhat improved. However, the continued presence of the Ex-FAR and Interahamwe in the DRC on top of non-implementation of the peace protocols, especially the thorny issue of disarmament and repatriation, will hinder progress.

93. The CSAR reports a plethora of mechanisms and institutions created for preventing, reducing and managing conflict at national and regional levels. The Government must be highly commended for coming up with innovative laws and other institutions, as well as resources, to address the real sources of conflict in Rwanda. The political leadership in Rwanda has been engaged in rebuilding State and society institutions and organisations following their collapse in 1994. Through a conscious political commitment manifested in the 2003 Constitution, the Government of Rwanda has resolved to fight the ideology behind genocide in all its manifestations.
94. The law against sectarianism and discrimination, Article 9 of the Constitution, which illustrates a constant quest for solutions through dialogue and consensus, and power-sharing arrangements that prohibit a winner-takes-all approach to politics are all indications of the bold commitment to finding lasting solutions to the perennial conflicts in Rwanda. Furthermore, the CSAR lists several organisations and bodies that have been created to prevent and manage conflict. This includes the National Unity and Reconciliation Commission, the National Council of Dialogue, the National Commission for Human Rights, the Gacaca courts, and the National Commission for the Fight Against Genocide. All of these institutions attest to efforts to manage and prevent conflicts in Rwanda following the tragic events of 1994.

**ii. Mission Findings**

95. The CRM to Rwanda consulted one of the most important institutions put into place to promote the rebuilding of society's institutions and organisations and bringing about reconciliation after the genocide. The Government of Rwanda should be commended for its efforts. The establishment of the National Unity and Reconciliation Commission (NURC) and revival of traditional institutions such as the Gacaca courts to adjudicate genocide crimes could be considered important strategies for promoting national dialogue and generalised trust in society. The primary function of the NURC is to educate the population about the dangers of ethnic discrimination and exclusion by instilling in people a sense of common citizenship and the meaning and essence of being Rwandese. This is achieved through the monitoring and conditioning of all institutions to become watchdogs against policies and practices that seek to divide Rwandans and rekindle ideologies that encourage genocide.
96. The Commission thus engages in civic education, conflict management and advocacy for policy reforms to remove or modify factors that cause

conflicts such as land, insecurity, social injustice and poverty. The overall strategy is not just to preach reconciliation, but also to make citizens aware and become advocates of peace and harmony by realising that the main obstacles to their welfare was not ethnicity, but other factors such as poverty. Rwanda believes that reconciliation can be built only in the context of a democratic culture including freedom of expression, civil society and government partnership with communities empowered to solve their own problems at the local level. The Commission periodically conducts opinion surveys to gauge public perceptions about different components of government policy, and uses the results to improve its strategies and actions.

97. The remaining challenge is that the Government's unity and reconciliation programme must pass a major test of winning the trust of all citizens. During the CRM of April 2005, there were several reports of people in rural areas fleeing in fear of being accused as perpetrators of genocide. This fear is based on allegations that the Gacaca courts are a camouflage for a "victors' justice", since the crimes committed during the RPF's incursion and takeover in Rwanda in the 1990s may go unpunished while the focus remains on the genocidaires. The Government has a singular challenge to assure all citizens that the Gacaca courts are not designed for retribution or witch hunting.

### iii. Recommendations

98. The CRM recognises the ongoing efforts and advises the Government to:
- Deepen its national reconciliation effort based on its policy of dialogue and consensus;
  - Strive to ensure that its policy of inclusiveness wins the trust of all citizens, both victims and perpetrators of genocide; and
  - Tighten regional security links, promote social relations between populations in border areas, and contribute towards finding sub-regional mechanisms to curtail trafficking of small arms.

***Objective 2: To reach constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, citizens' rights, and supremacy of the Constitution***

99. The APRM framework calls for a constitutional democracy wherein constitutionally established provisions and institutions enable citizens to enjoy rights to freedom of membership of political associations of their choosing, and to free participation of these political groups and other

associations in open political competition. Constitutional democracy is also meant to empower people at the grassroots level through decentralisation mechanisms that allow local communities to participate in decision-making affecting their destiny. Promoting the rule of law in resolving conflicts, as a basic tenet of constitutional democracy, fosters peaceful and civil social interaction, equity in the legal domain, and respect for basic human rights.

#### **i. Country Self-Assessment Report**

100. The CSAR noted that Rwanda is making significant progress towards achieving constitutional democracy. The authorities have taken solid steps in trying to establish a sound legal framework, including the enactment of a Constitution, following a groundbreaking referendum and a subsequent and historic election that legitimated the current regime. In 2003, the country adopted a new Constitution. Inter alia, it seeks to foster certain principles in political governance, namely respect for human rights consistent with those advanced by the United Nations; assurance that political activity of individuals and organisations does not threaten the national unity, territorial integrity and security of the nation; and gender equality in access to elective offices.
101. Consistent with these principles, as well with the Protocol on power sharing in the Arusha Peace Accord of 1994, the Constitution contains consociational arrangements to promote peaceful cooperation and power sharing among political organisations and ethnic groups. In particular, it establishes a Consultative Forum of Political Organisations; contains a formula for the allocation of seats in the Senate that ensures representation mirroring somewhat the gender, ethnic and other diversities in the country; and places a ceiling of 50% on the representation in the Cabinet of the political party or organisation with a majority of seats in the Chamber of Deputies.<sup>4</sup> Following the adoption of the Constitution, a historical election was held in August 2003, under which for the first time, the incumbent Head of State was challenged. The elections ushered in a new government which replaced the Government of National Unity instituted since the RPF took over power in 1994.

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<sup>4</sup> In the 2003 elections, for example, the winner-takes-all model of politics was abandoned when President Kagame, winning with 95% of the votes, nevertheless appointed an inclusive seventeen-member Cabinet: six from his party – the Rwanda Patriotic Front (RPF), eight independents and three from the opposition. On power sharing, the National Assembly has 43 seats, whose members are elected by direct vote. The RPF has forty seats; the Social Democratic Party (PSD) seven and the Liberal Party six.

## ii. Mission Findings

### *Political competition*

102. Operationalisation of the Constitution is, nevertheless, fraught with major problems that are not elucidated in Rwanda's CSAR. The existence of core aspects of democracy and political freedoms were not clearly visible. First, for healthy competition for power there should be adequate guarantees of equity of access to the political space for all contending political organisations at all administrative levels. Second, in a democracy, the political environment should be sufficiently liberal to afford equal chance for all individuals appropriately qualified, in accordance with standards that are fair and generally accepted by the citizens, to compete for political office.
103. Although the principle of political pluralism or systems of constitutional democracy is well entrenched in the Constitution, political parties as such are not able to operate freely. The key issue is that while the Rwandan Constitution guarantees freedom to form, join and belong to political parties, it simultaneously undermines that freedom by attaching onerous conditions, such as political parties not being able to operate at the grassroots below the provincial levels. Effectively, this amounts to a denial of much political activity to citizens, as most people reside at the district, sector and cell levels.
104. During the CRM and consultations, it became patently clear that competitive political pluralism was consciously contained within clearly defined guidelines by the Consultative Forum of Political Organisations. Stakeholders' workshops also confirmed a general feeling that political competition for power was tightly structured in Rwanda to avoid repeating past conflicts and divisions. The explanation provided to the CRM was that a conscious decision had been reached that the quest for national reconciliation and reconstruction in the aftermath of the genocide did not allow for "traditional competitive" politics. Rwandans had crafted a new Constitution in response to the experience of genocide. The fundamental principles stated in Article 9 of the Constitution provide the ideological response to genocide and the abiding determination in Rwanda to promote national unity and to prevent divisive politics.
105. Article 18 further warns political party organisations against carrying out divisive acts or else face legal sanctions. The Consultative Forum of Political Organisations is the ultimate mechanism for regulating divisive behaviour of political organisations. Thus, political pluralism has been

made subject to strict guidelines for political competition and the spreading of ideas. The Constitution tends to treat inclusion and competition as antagonistic rather than as complementary.

106. To illustrate the point, the CRM found that, although the current Parliament comprises both the opposition and the governing party, the numbers are patently weighted in favour of the governing party.<sup>5</sup> This is in addition to the extremely difficult conditions in the Constitution attendant on party activities.<sup>6</sup> Political parties may be *de jure* authorised but *de facto* impossible to realise and operate freely.

### iii. Recommendations

107. The CRM recommends that:

- The Government provides the Electoral Commission with more resources to meet the task of renovating and modernising the voter' s register, contributing to making the civil status more reliable, boosting civic education on democracy, and increasing its intervention capacities.
- The Electoral Commission respects the principle of a secret ballot, as stipulated in the Constitution. The method of voting in local elections in which voters line up behind their candidates should be changed to one that protects citizens from the likelihood of intimidation and other forms of undemocratic and blameworthy practices.
- The country and development partners assist in building the Electoral Commission' s capacity and grant it adequate financial resources to discharge its duties effectively, and to shield it from various sources of influence.
- The Government facilitates the implementation of the policy of decentralisation by ensuring that as much real power (devolution) is ceded to local authorities as possible, and adequate resources are made available.
- The Government strengthens financial accountability through nationwide training programmes to harmonise and reinforce the financial management system.
- The Government puts more mechanisms in place to engage citizens and civil society (not just farmers' associations and cooperatives) in local government processes.

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<sup>5</sup> For evidence, see the Rwandan Parliament's own website: [www.intenko.rwi/ch/uk/compo.htm](http://www.intenko.rwi/ch/uk/compo.htm).

<sup>6</sup> See Title 111, Articles 52 to 59, imposing impossible conditions on free political party activities.

***Objective 3: To promote and protect civil and political rights, and economic, social rights, as enshrined in African and international human rights instruments***

**i. Country Self Assessment Report**

*Socio-Economic Rights*

108. The Rwandan Constitution guarantees civil, political, social and cultural rights. It outlaws discrimination on the basis of race, gender, religion and employment. Despite the poverty levels in the State, and its weak economic capacities, attempts are being made to respond to a wide range of socio-economic issues. The Government is attempting to fulfil economic and social rights through employment by creating public works. The 2003 Constitution of Rwanda also recognises the rights of its citizens and duties relating to health. The State is obligated to mobilise and assist the population in these activities. School fees have been waived for orphans, while compulsory universal and free primary education is being provided. There are also special measures for disabled children. The CSAR notes that the Government has provided space for the construction of cheaper houses, especially for families without shelter. Two-roomed *Imidugudu* have emerged to house widows, orphans and returnees.

**ii. Mission Findings**

109. The CRM' s consultations show that the Government of Rwanda is making steady progress on both aspects of socio-economic rights. In 2004, MINISANTE (the Ministry of Health) revised its health sector policy to move towards a sector-wide approach. Pilot projects have been undertaken in several provinces, where performance-based health schemes for health services are provided. Between 2002 and 2003, there was an increase of 10% and 7% in the number of physicians and nurses working in the public sector, respectively.<sup>7</sup>

110. The Government has moved to decentralise the health services, making elected local councils take responsibility for their communities, by empowering them and ceding to those bodies the power to deliver health services. Consequently, local communities are taking part in deciding the status of the health situations of their people and how these should be addressed. This is a best practice from which other APR countries can learn how to empower local communities to take charge of their health.

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<sup>7</sup> APR Background Document, APR Secretariat, April 2005.

111. A UNICEF study reported that 400 000 school-aged children in Rwanda could not go to school in 1999. This situation has since changed. In 2003, an education plan for all was put in place. The Ministry of Education finalised the Education Sector Strategic Plan. Primary education has since been made free, with primary education enrolment increasing by 10% from 2001 to 2003.

*Civil and Political Rights*

112. According to the CSAR, Articles 33, 34 and 35 of the Rwandan Constitution guarantee freedom of expression, of the press and information, and of association, respectively. A new press law was put into place in 2003 and a High Council of the Press (HCP) was set up, whose functions include the authorisation and approval of various permits, including starting a private radio station. The State has also allowed more newspapers to operate.
113. The State also licensed six private radio stations. The legacy of the genocide and especially the negative role the media played continue to inform the State' s cautiousness on press freedom. The CRM confirmed during its visit that members of the Council are drawn from media houses and associations of Rwandan journalists. It was not possible to confirm whether freedom of expression is being promoted or undermined by the regulatory regime supervised by the HCP. This would need an opinion survey on press freedom in Rwanda.
114. The composition of the HCP appears to be inclusive in its membership and also encourages participation from stakeholders of the media, including journalists. While the HCP works with individual journalists and media houses, it was not clear whether there was a strong and independent professional association of the media that can serve as a counterweight to the HCP. The CRM did not get an opportunity to meet with the journalists' association in Rwanda and had no evidence to prove that such an association does exist. The emergence of press freedom in Rwanda continues to be undermined by the absence of well-trained and professionally experienced journalists who can provide a counterweight to the HCP. Self-censorship, lack of adequate finances and the absence of the culture of reading are also impediments to the emergence of press freedom in Rwanda. Given these factors, a vibrant press will take time to evolve.

*Access to Justice (Gacaca)*

115. The CSAR lists several steps taken by the Government to facilitate equal access to justice for all, including restructuring of the justice sector, mobile courts, women' s rights associations, in addition to Gacaca



courts and mediation committees.

116. The CRM focused its consultations on the Gacaca as the most important vehicle for access to justice. It observed that the Gacaca is viewed not only as an instrument for administering justice, but also as a mechanism for promoting community dialogue, reconciliation and national unity. It appears well decentralised to the lowest political unit – the cell, thus facilitating broad access to the population. Although there have been instances that witnesses were afraid to come forward and some even fleeing the country, the Government of Rwanda has been conducting active campaigns to encourage them to come forward. In undertaking the process, the State is making a huge investment in the legal field in a country that lost most of its capacity in the judiciary sector. Instead of training a few judges, 400 000 traditional judges have been elected by their people and trained, and are being given the power to bring justice to their own communities. It is an investment in alternative conflict management and resolution. On victim support and compensation, a Social Fund is being established to help survivors.

### iii. Recommendations

117. The CRM recommends that the Government takes the necessary actions to assure all citizens of fair justice under the Gacaca system and to allay the fears of those fleeing the country.

#### **Box 2.1: Best practices in promoting right to health**

Between 2002 and 2003, there was an increase of 10% and 7% in the numbers of physicians and nurses working in the public sector, respectively. The Government has moved to decentralise the health services, making elected local councils take responsibility for their communities by empowering them and ceding to those bodies the power to deliver health services. Consequently, local communities are taking part in deciding the status of the health situations of their people and how these should be addressed. This is a best practice from which other APR countries can learn how to empower local communities to take charge of their health.

***Objective 4: To uphold the separation of powers, including the protection of an independent judiciary and an effective legislature***

### **i. Country Self Assessment Report**

118. The CSAR reports that the Rwandan Constitution affirms the principle of separation of powers. Article 60 of the Constitution affirms the existence of three arms of the Government. The legislature is bi-cameral and independent, and it is the country's supreme law-making body. Its members are chosen every five years by universal adult suffrage and a secret ballot. Judicial independence is affirmed by Article 140 of the Constitution. The independence of the judiciary is further ensured through the Superior Council of the Judiciary, which makes decisions relating to the appointment, promotion or removal from office of judges independently of the executive and legislature.
119. The CSAR reports that the principle of separation of powers is observed in the Constitution but, in practice, the powers of the executive override the judiciary. For instance, though declared to be independent, the judiciary is in practice an appointee of the executive branch. Besides nominating both the President and Deputy President of the Supreme Court for election by the Chamber of Deputies, the President of the Republic makes the final appointment (Article 147). Subsequently, the President of the Supreme Court presides over the Superior Council of the Judiciary, a powerful body with responsibility to appoint and discipline judges, and other judicial officers.<sup>8</sup> Instead of separation of powers, what seems to have prevailed in the strictures of the Constitution is, in fact, fusion of powers. With the recent political history of Rwanda, this arrangement is a recipe for danger.

### **ii. Mission Findings**

120. The CRM findings reveal that there is no Judicial Service Commission which underscores the role peers play in judicial appointments and regulations of the conduct of members of the judiciary, as is the norm in international law.<sup>9</sup> This raises an issue of the professional management of the careers of judges in Rwanda and the presumed independence due to the issue of security of tenure. The institutional effectiveness of the Inspector General of Courts, who presides over the removal of judges, could be not ascertained during the CRM. Finally, the CRM discovered

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<sup>8</sup> The judicial reforms undertaken by Rwanda must be seen within the context of a long history of centralisation of political power in the executive, both during the colonial and the post-colonial era. For example, from 1964 to 1994, the Head of State was also the President of the Superior Council of Judiciary, which appointed the President of the Supreme Court. The judiciary was tainted with much political corruption and viewed with extreme suspicion by citizens. The system needed a complete overhaul, which the transition government began to undertake during the transition period.

<sup>9</sup> Discussions with the Secretary General, Ministry of Justice, Rwanda, Kigali, April 2005.

that the Bar Association in Rwanda is relatively new and has no representative on the Superior Council of the Judiciary (SCJ). This presents a problem of the most prominent legal profession not being represented on the SCJ.<sup>10</sup>

### iii. Recommendations

121. The lack of capacity in the judiciary service should be an opportunity to be creative rather than viewed as a constraint. The CRM recommends that the Rwandan authorities ensure that:

- The Supreme Court and the judiciary are independent of the executive branch;
- One or two members of the professional Bar Association are elected to serve on the SCJ;
- The Rwandan Bar Association is strengthened as an interest group and as a professional legal service; and
- The functions of the career management and judicial personnel matters are removed from the SCJ and are placed within a unit of the proposed Public Service Commission.

***Objective 5: To ensure accountable, efficient and effective public office holders and civil servants; promote the development and participation of civil society and the media***

### i. Country Self-Assessment Report

122. To ensure an efficient civil service, the Constitution provides for an independent civil service. Rwanda's civil service is defined by the genocide circumstances – almost the entire service was wiped out by

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<sup>10</sup> The Superior Council of the Judiciary is composed of the President of the Supreme Court, who also serves as its Chair, the Vice-President of the Supreme Court, a judge of the Supreme Court, the President of the High Court, one judge from each provincial court and the city of Kigali, one judge of a district or municipal court, two deans of Faculties of Law, the President of the National Commission of Human Rights, and the Ombudsman. Although the CRM was informed that the Supreme Court of Justice has changed from what it used to be before 1994, as a cocoon of judges chaired by the Head of State, into an inclusive institution representative of sectors of societies which it must serve, none of its members is from the professional Bar Association or any civil society groups. This raises an issue of the professional management of the careers of judges in Rwanda and the presumed independence due to the issue of security of tenure. In addition, the mission discovered that the Bar Association in Rwanda is relatively new and could not have representatives on the SCJ. This presents a problem of the most prominent legal profession not represented on the Superior Council of the Judiciary in terms of professional lawyers missing in the assessment of the judiciary.

the genocide. What emerged thereafter was a bloated, inefficient, poorly trained and poorly remunerated civil service. Its recruitment, disciplinary control and terms of service are to be handled by a new Public Service Commission, as mandated by Article 181 of the Constitution.

123. The Rwandan Public Service is being reformed through various initiatives that touch on its organisation, the conditions of recruitment, staff training and the adoption of new operating procedures. This has sought to reorganise Ministries and State departments. A civil service census permitted the State to uncover 7000 “ghost workers” and 3000 unqualified ones. The civil service reform started in 1998 in the context of the ESAF programme. The CSAR states that priority has been given to revision of the legal framework, reorganisation of ministries and State institutions to enhance their efficiency, improvement of human resource management, and taking steps to ensure that public service delivery is more effective and efficient.
124. The Ministry of Public Service, Labour and Skills Development oversees public sector restructuring, human resource management and development in general. As to public service delivery, the National Decentralisation Policy has facilitated implementation of policy intentions. Feedback from the local population at all levels, beginning with the cells, has proved very valuable. A Public Service Commission has also been established with the task of ensuring transparent systems and procedures for the recruitment, promotion and evaluation of civil servants; clearer job definitions and salary structures, as well as a performance-based appraisal system for employees.

## **ii. Mission Findings**

125. Making the reforms has been a painstaking, slow process, but there is much evidence of progress. Capacity building and human resource development programmes are in place. Important in this process are a Human Resource Development and Capacity-Building Institution and a National Public Servants In-Service Training Institution (the Rwanda Institute of Administration and Management). The Auditor-General of State Finances Office conducts regular audits of all national and local government organs, public enterprises and parastatals, privatised State enterprises, joint ventures in which the State participates, and government projects.
126. Moral accountability, discipline and integrity are being promoted among public sector employees by preaching, example and action. Article 182.4 of the Constitution stipulates that the President of the Republic, the

President of the Senate, the Speaker of the Chamber of Deputies, the President of the Supreme Court, the Prime Minister and other members of Cabinet must declare their assets on taking up and leaving office. Civil servants are monitored and reported on by committees of persons of integrity; for example, there are health committees and education committees. Moreover, the Government is not reluctant to use the threat of dismissal as an important disciplining device. Within the past five years, several government officials in leadership positions, a significant number of persons in the judiciary and local government employees have been dismissed for indiscipline, inefficiency, incompetence and corruption.

127. Despite commendable reforms, the CRM learned that challenges to building an efficient and effective civil service remain. The main problem faced by the public service is discontinuity caused by the lack of records and, therefore, the absence of recollection. This significantly hampers its performance, because it does not allow proper follow-up of decisions. Moreover, as the Government seeks to decentralise social services to the local level, there is no local government civil service commission to which issues of service delivery can be directly reported. Although the elected representatives at the local level can monitor services, this is not a sufficient mechanism.

### **iii. Recommendations**

128. The CRM recommends the following:
- As the Rwandan administration is being rebuilt, it is necessary to improve the training of staff with a view to building the administration's capacities and imbue in staff a spirit that will shield them from compromising its integrity.
  - It is recommended that the Government should continue to reinforce civic education to involve the public more effectively in civil service delivery.
  - It is beneficial for the reforms to be supported in the efforts to build up a Civil Service Commission and a reciprocal Civil Servants Union. The State needs support at the level of training and improvement of the civil service.

***Objective 6: To fight corruption in the public sphere*****i. Country Self Assessment Report**

129. The CSAR states that, globally and domestically, Rwanda is perceived as having a low level of corruption. Nevertheless, the authorities have declared their resolve to fight whatever corruption there is in the public services and have taken actions to demonstrate their resolve. Among the actions are the many references in the Constitution, intended to underpin the legal basis of anticorruption measures. Article 182 of the Constitution prescribes the declaration of assets to the Ombudsman (as referred to above), whereas Article 184 obligates a complete report by the Auditor-General on the implementation of the State budget of the previous year. In addition, Article 32 of the Constitution makes mandatory respect for public property and prohibits any act of corruption with respect to public property. The Rwandan Government has also launched a campaign to organise and mobilise the society to curb corruption.

**ii. Mission Findings**

130. The CRM was informed that action to raise awareness and to combat corruption were concurrently undertaken by the authorities, civil society and the media, and that the State supports non-official actors in their work without infringing on their independence, to enable them to be more effective. The CRM also learned that the Ombudsman, whose responsibility is to establish the accuracy of declarations of assets, has a variety of administrative and legal resources at his disposal.

131. The CRM raised questions about the accuracy of the declarations of assets by politicians and public office holders, and about the adequacy of the resources available to those with the authority to check such accuracy. Also raised was the question of efficiency of sanctions against those guilty of corruption.

132. In response, the authorities outlined all the institutional (including legal) and organisational measures adopted by the State to prevent and combat corruption. The presentation included descriptions of procedures instituted at various levels of the State to hear and rule on allegations of corruption. The representatives of the authorities also reiterated that action to raise awareness and combat corruption were concurrently being undertaken by the authorities, civil society and the media, and emphasised that the State supported non-official actors in their work, giving them free rein to enable them to be effective.

133. The CRM notes, however, that this had not stemmed criticisms and accusations, especially from outside opposition, that corruption was growing among senior officials in government. This should give some cause for concern, even though the criticisms should be expected.
134. Concerning cases of internationally publicised corrupt practices perpetuated by senior Rwandan officials during their stay in the DRC, the CRM was informed that the relevant authorities had taken appropriate actions. There was an element of denial in indications that the United Nations report was not fair to Rwanda. The Government's self-perception is that it is committed to fighting corruption.

### **iii. Recommendations**

135. The CRM commends the Government of Rwanda in its endeavour to fight corruption. To reinforce the positive outcome of such an undertaking, the CRM further recommends that the Government:
- Strengthens the right of access by citizens to administrative documents and information;
  - Provides civil society and the media with the necessary resources to support and accompany State action in the fight against corruption;
  - Enhances the resources and scope of competence of relevant State entities;
  - Institute an offence in respect of false declaration of assets, with the burden of proof in corruption crimes reversed; and
  - Considers creating an all-embracing institution comprising all existing agencies dealing with corruption.

### ***Objective 7: To promote and protect the rights of women***

#### **i. Country Self-Assessment Report**

136. The CSAR points to Section V of Rwanda's Constitution which outlaws any form of discrimination based on gender, disability, language or social status. The Family Code has improved the legal position of women in matters relating to marriage, divorce and child custody. The law allows women to inherit property from their fathers and husbands. It allows couples to choose the legal property arrangements they wish to adopt. The Government has committed itself to gender equality by signing the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The issue of gender has been given a very high profile in political life.

137. In addition to constitutional provisions, Rwanda has created a plethora of institutions and development programmes to enhance the status and welfare of women in all walks of life. It has set up the Ministry of Gender and Women in Development (MIGEPROFE) within which the Secretariat has the responsibility to implement the Beijing Accords. The Ministry has the responsibility of coordinating policy implementation in the promotion of gender issues. At the political level, the Constitution sets aside 30% of the seats in Parliament for women. A separate procedure for the election of women to Parliament has been set up, to prevent women from being taken advantage of under the general electoral roll.
138. All political parties are required by law to reserve 30% of their posts for women. Women's rights are also guaranteed by the National Human Rights Commission set up under Law No. 04/99 of March 1999. Senior positions such as the Minister in the President's Office; Ministers of Justice; Gender and Family Promotion; Lands, Environment, Forestry and Water are all women (also discussed in the section on Socio-Economic Development). Nearly half (49%) of the seats in the Chamber of Deputies are held by women (the largest representation in the world). Rwanda's record in the number of women in positions of responsibility is unprecedented in Africa, a shining model of best practice worthy of emulation.
139. Several legal reforms have recently been made to enhance the status of women in other areas of society. These include the inheritance law, land law, labour code and family law, all designed to address stark discrimination against women in economic and social relations. Policy actions of the authorities are also focusing on discrimination or inequities in male-female status and opportunities in areas such as education and employment in the formal sector of the economy. The Gender Monitoring Office, established by the Constitution, has been designed to promote gender equity and the rights of women in Rwanda.

## **ii. Mission Findings**

140. Despite the tremendous progress, however, the CRM confirmed that women still face societal discrimination. They perform much of the work in the agrarian sector. Worse still, most were left widowed or abused during the genocide. Gaps still exist with regard to control and ownership of key resources and means of production, as evidenced in the section on Socio-Economic Development of this report. There still exists a gender inequality in terms of access to social services such as health and education. Women are yet to be fully integrated into local government processes.



141. Although women are well represented in national decision-making bodies, the downside of the increased representation of women is that capacity building has yet to be upgraded in tandem to empower them. In the CRM' s meetings with parliamentarians, for example, women Members of Parliament (MPs) agreed that capacity building in Parliament is crucial for their effectiveness. Still, much remains to be done, particularly in the implementation of laws and gender policies put in place by the Government. The discussion during the CRM centred on additional improvements that the country could make, namely:

- The distribution of authority in relationships, an imbalance that typically favours the husband, such as being recognised explicitly by law as head of the family;
- The requirement of the husband' s permission for a married woman to carry out commercial activities; and
- The prohibition of an unmarried woman from inheriting property in the event of the death of a man with whom she cohabited under the Rwandan Constitution, which stipulates monogamy as the form of marriage.

142. The representatives of the authorities had the following response. There was no shortage of political will to address the issues raised and to empower women accordingly. The authorities must, nevertheless, contend with the sociological and cultural values of the society, which have tended to place women under men. In addition, the limited formal education and skills development of women have placed them, in general, at a disadvantage in dealing with men and even in advocating for their own improvement and empowerment.

### **iii. Recommendations**

143. The CRM recognises the commendable efforts made towards women representation, particularly in Parliament (Box 2.2). To reinforce and deepen this best practice, it is recommended that the Government:

- Engages in more capacity-building activities to enhance the effectiveness of women parliamentarians; and
- Continues the implementation of the gender laws and policies already in place.

**Box 2.2: Best practices in promoting rights of women**

At the political level, the Constitution sets aside 30% of the seats in Parliament for women. A separate procedure for the election of women to Parliament has been set up, to prevent women from being taken advantage of under the general electoral roll. All political parties are required by law to reserve 30% of their posts for women. Women's rights are also guaranteed by the National Human Rights Commission set up under Law No. 04/99 of March 1999. Senior positions such as in the National Unity and Reconciliation Commission and *Gacaca* process, the Deputy Commissioner of Police and the Minister of Justice, are all held by women. Nearly half (49%) of the seats in the Chamber of Deputies are held by women (the largest representation in the world). Rwanda's record in women in positions of responsibility is unprecedented in Africa, a shining model of best practice worthy of emulation.

***Objective 8: To promote and protect the rights of children*****i. Country Self Assessment Report**

144. The 2003 Constitution introduces in Article 22 the principle of “ special measures of protection” of the child as being of fundamental consideration. Before the Constitution, an organic law was passed in 2001 specifically to protect children from involvement in armed conflict, thereby complying with the protocol to the CRC on child involvement in armed conflicts. Children were the most affected by the genocide and the war, as they endured various forms of physical and psychological abuses, were recruited into the army as soldiers, and later abandoned as orphans without relations. To implement these guarantees, the Human Rights Commission, in tandem with the military, conducted training workshops for the military designed to enlighten them on how to treat children.
145. Other actions carried out by Rwanda and summarised in the CSAR indicate inadequacies. These are due mainly to the inadequate protection of children, particularly those who committed crimes as minors and who, because Rwanda had yet to ratify the African Charter on the Rights and Welfare of the Child, would not benefit from the provisions of that legal instrument related to the abolition of the death penalty for children aged below eighteen. There was also a wide gap between the paltry resources available and the huge and pressing needs.

**ii. Mission Findings**

146. With regard to the above two points, Rwandan authorities gave the following answers: (i) Rwanda could have done more and better in favour of children if it was not hindered by its multiple emergencies and limited resources; and (ii) Nothing was hindering the country from signing the aforementioned Charter and the required formality would be soon completed, if that had not already been done. In any case, the representatives promised to examine the matter and to inform the CRM.
147. The Government has also responded to the problem of orphans on the streets or children-headed households by providing housing under the Imidugudu (villages) scheme for children orphaned by the genocide. Between 2001 and 2004, the Ministry of Local Government and Social Affairs estimated that the number of children living on the streets dropped from between 400 000– 500 000 to 7000.
148. In terms of education, school fees have been waived for orphans, while compulsory universal and free primary education is being provided, allowing all young children to go to school. The Cost Sharing and Financial Sector Plan for Tertiary Education has been put in place. A Student Financing Agency for Rwanda was put in place in 2003 and began operating in 2005. State expenditure on education accounts for 25% of the Government' s non-interest recurrent expenditure.

**iii. Recommendations**

149. The efforts made by Rwanda on behalf of children are appreciable. However, the CRM recommends that the Government:
- Reinforces the protection of the rights of children, particularly by ratifying the African Charter on the Rights and Welfare of the Child;
  - Promotes the reintegration of children by assisting grassroots organisations to support them in developing their physical, psychological and socio-economic potential within the scope of rehabilitation programmes for post-conflict situations; and
  - Withdraws reservation on compulsory education and criminalises the act of not sending children to schools.
150. The Constitution provides that the State must safeguard the well-being of genocide survivors, the disabled, the destitute and the elderly, as well as other vulnerable groups. In that context, there were several policies already in place, namely the orphans and vulnerable children policy, the

policy on the disabled, and the policy on refugees. A policy on the aged was in the pipeline. There was also a Survivors of Genocide Fund, to which 5% of the National Budget was being assigned.

***Objective 9: To promote and protect the rights of vulnerable groups, including internally displaced persons and refugees***

**i. Country Self Assessment Report**

151. The Constitution provides that the State must safeguard the well-being of genocide survivors, the disabled, the destitute and the elderly as well as other vulnerable groups. In that context, there are several policies already in place, namely, orphans and vulnerable children policy, policy on disabled, and policy on refugees. A policy on the aged was forthcoming. There is also a Survivors of Genocide Fund to which 5% of the National Budget was being assigned.
152. The Rwandan authorities emphasised that the Government was doing all it could, particularly via the legal and regulatory framework, to ensure the security and safety of all citizens and to strengthen their harmonious relationships. Indications were given of the resources devoted to institutions, facilities, education, health, housing and so on.

**ii. Mission Findings**

153. With respect to the Batwa minority, the approach adopted by the authorities was based on a policy of assimilation. There appears to be a desire to obliterate distinctive identities and to integrate all into some mainstream socio-economic fabric of the country.
154. The CRM confirmed that the Government has achieved a great deal in this area. In 1994, there were two million Rwandans in exile, one million dead due to genocide and another one million internally displaced. To date, fewer than 100 000 Rwandans remain in exile. The rest have been resettled successfully. Underlying this process is a wide range of legal and institutional frameworks.
155. The Government set up National Unity and Reconciliation Commission in March 1999 to facilitate reconciliation and integration of refugees and other social identities. The Commission's efforts have engendered internal cohesion through provision of civic education and national unity, integration of the returnees, and the construction of settlement villages. The Government set up the Gacaca court systems to help in the process of reconciliation by resolving the question of genocide suspects.

**iii. Recommendations**

156. The CRM recognises the considerable and immense efforts Rwanda has made in meeting the needs of the vulnerable, especially in the light of its recent past. It recommends that:

- Rwandan authorities step up efforts to provide education, health and housing for displaced persons and/or refugees;
- The Government initiates an in-depth dialogue with the Batwa; and
- The international community provides more support and effectively assists the country to permanently put the painful events of its history behind it.

**Box 2.3: Best practices in promoting access to education**

In terms of education, school fees has been waived for orphans while compulsory universal and free primary education is being provided, allowing children to go to school. The Cost Sharing and Financial Sector Plan for Tertiary Education has been put in place. A Student Financing Agency for Rwanda was put in place in 2003 and began operating in 2005. Government expenditure on education accounts for 25% of the Government' s non-interest recurrent expenditure.

# 3

## ECONOMIC GOVERNANCE AND MANAGEMENT

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### 3.1 Introduction

157. A number of critical issues have dominated Rwanda's post-genocide economy: internal and external security, reconstruction, rehabilitation of displaced persons, and redressing of social fragmentation. From 1995, the initial strategy targeted annual real GDP growth at 7%, of which 5% would be generated by agriculture. By 2004, the country had achieved a remarkable economic transformation from a condition of near collapse. It had reformed many aspects of the economy and was deepening the reforms to the provinces and the districts. The year 2003 had already seen a new Constitution enacted, marking a milestone for the country's citizens and institutions.
158. Far-reaching changes in economic institutions and regulation are under way as part of the implementation of many new aspects of the Constitution relating to the economy and the conduct of business relations. Nevertheless, Rwanda remained highly indebted externally and was running acute fiscal deficits. The practical results as of 2003 are acute financial distortions and vulnerability in the financing of medium-term economic activities. Should external finances be disengaged, the achievements of the past ten years could not be sustained in the medium term. Policy must focus on structural questions, notably the twin issues of restoring growth momentum (after a setback in 2003) and strengthening sustainability of growth and development.
159. The policy orientation change is needed so that Rwanda can face its most pressing development constraints, namely human resources, vulnerability of the real economy to exogenous shocks and financial imbalances. Faltering growth due to failed rains in 2003 saw real GDP growth reduced to 0.9%. Even though the Government's revenue base strengthened during 2003– 2004, the structural fiscal imbalances remain large. The revenue-to-GDP ratio rose to 13.5 in 2003 and was matched in 2004, due to income tax reforms of 2003, including the taxation of in-kind benefits. Government spending still focused on social programmes and some capital expenditure. However, fiscal performance was just recovering from budgetary overruns incurred in elections during 2003, as

well as controversial spending on a hotel related to the hosting of an African Union meeting, when a private investor reneged on the project.

160. In external operations, the current account widened during 2003, before narrowing modestly during 2004. Improved prices and incomes for coffee and tea were offset by a drop in coffee export volumes. In the same year, the continued significant depreciation in the real effective exchange rate did little to slow import growth, given the substantial share of donor-financed government-and project-related imports in the import bill. The current account deficit, before grants, increased by 3 percentage points to reach 19.2% of GDP.
161. Economic governance in Rwanda has improved with the current shifts. During 2003, the office of the Auditor-General was able to audit the 2002 accounts of most public entities, including the Ministries of Finance and Defence, and it issued a report to Parliament in March 2004. A new Auditor-General' s Act is before a parliamentary commission. In addition, a new chart of accounts was developed for government operations, an Internal Audit Department at the Ministry of Finance has been strengthened. A computerised accounting system (SIBET 1) has been in existence since 2000, and an improved version (SIBET 2) was introduced in 2004.
162. Parliament has approved a new organic budget law, and substantial progress has been made in finalising the financial instructions supporting it. A new tax law is under implementation, incorporating tax provisions that were previously under the authority of the Investment Promotion Agency. Similarly, new tax and customs legislation has been enacted along with a revised investment code. During 2004, tax administration was strengthened with the creation of a large taxpayer' s unit in the Rwanda Revenue Authority and a peer-led Tax Appeals System.
163. In the financial sector, the National Bank of Rwanda (NBR) conducted on-site audits of three commercial banks, established a department for microfinance sector supervision, and hired additional supervisors. Bank regulation and supervision were strengthened with a new set of regulations issued at end 2003 including, in particular, an increase in the solvency ratio from 8-10%, and clarifications on credit concentration and asset quality. With a recapitalisation in 2003 financed by the World Bank, Rwanda' s key microfinance institution, namely the Union of People' s Banks of Rwanda, doubled its lending portfolio, mainly to borrowers in urban areas. At the end of June 2004, the NBR reached agreements with five commercial banks on action plans that would bring them into full compliance with bank regulations by the end of 2004, and a provisional

agreement with the sixth bank was reached in August 2004. At end July 2004, agreements were reached for the sale of the majority shares in the Commercial Bank of Rwanda (BCR) and the Continental Bank of Rwanda (BACAR) to foreign investors.

164. Given the above strategic changes, Rwanda seems well positioned for reorientation of its economy in the next phase of economic strategy, which will emphasise supply-side aspects rather than emergency rehabilitation and social sector questions. Certain developments, such as the maintenance of peace in the Great Lakes region, could yield a critical dividend to the strategy by enabling Rwanda to benefit from commerce with the rich resource-based economy of the eastern DRC.
165. Successful completion of the HIPC in April 2005 – worth US\$ 1.4 billion in nominal terms and US\$ 452.4m in net present value terms (NPV), as well as US\$ 243.1m additional assistance in NPV terms – will support the country’ s current macroeconomic outlook by easing acute external imbalances. Rwanda can conserve financial resources for internal expenditures towards growth of production, employment and reshaping of fiscal revenues.<sup>11</sup> The savings in debt service is worth US\$ 48m annually. The reorientation to the supply side will also generate new sources of income and tax revenues, facilitate inflows of non-debt creating investments – foreign direct investment – and consolidate new economic initiatives such as decentralisation, including the implementation of the country’ s Common Development Fund (CDF). Because of the export promotion components contained in the new strategy, domestic developments should also support the post-HIPC easing of external imbalances.
166. This chapter of the report assesses economic governance and management in the same sequence of standards and codes and objectives used in three key documents that preceded the CRM, namely (a) the Country Self-Assessment Report and Action Plan, (b) the Background Paper and (c) the Country Issues Paper. Standards and codes relate to those reported in the CSAR in relation to those identified in the APRM Questionnaire. The objectives in Economic Governance and Management relate to the country’ s policies and strategies in:
- Promoting macroeconomic policies that support sustainable development;
  - Implementing sound transparent and predictable government economic policies;

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<sup>11</sup> The NPV is the discounted sum of all future debt service obligations (principal plus interest).



- Promoting sound public finance management;
  - Fighting corruption and money laundering; and
  - Accelerating regional integration by participating in the harmonisation of monetary, trade and investment policies amongst participating states.
167. Rwanda's macroeconomic framework cannot be assessed without reference to its pro-poor programmes, as outlined in the Poverty Reduction Strategy Paper (PRSP). This was completed in June 2002 after extensive consultations with civil society. Rwanda's PRSP is based on six strategic pillars: (a) rural development and agricultural transformation, (b) human development, (c) economic infrastructure, (d) good governance, (e) private sector development, and (f) institutional capacity building. The fourth review of Rwanda's economic performance resulted in the decision on 13 April by the Executive Boards of the International Monetary Fund (IMF) and the Development Bank of Rwanda (BRD) to agree that Rwanda had taken the necessary steps to reach the completion point under the enhanced HIPC.
168. The CRM shares the assessment made by the two Bretton Woods Institutions that Rwanda had largely achieved macroeconomic stability and established a good track record of policy implementation in 2004. The CRM is also of the view that looking forward, the key challenge for Rwanda is to raise its economic growth rate while maintaining macroeconomic stability and debt sustainability, in order to reduce poverty significantly and advance towards the MDGs. The authorities' commitment to limit external borrowing and accelerate export promotion efforts will be key to maintaining debt sustainability. In line with this commitment, the CRM believes that the authorities' intention to seek external financing mostly in the form of grants is appropriate. In this perspective, the CRM adds new issues to be addressed.

## **3.2 Standards and codes**

### **i. Country Self-Assessment Report**

169. The CSAR states that as far as the internationally available principles, standards and codes are concerned, Rwanda has subscribed to or accessed standards pertaining to macroeconomic fundamentals comprising principles that govern the dissemination of national macroeconomic statistics and practices to achieve monetary and fiscal transparency, as well as to those relating to financial regulation and supervision, especially the principles, standards and codes covering the regulation of banks. The country is making efforts to access the

standards and codes relating to institutional and market infrastructure, and to be part of the broad-based effort of the World Bank to develop a set of principles and guidelines on insolvency regimes.

170. The CSAR reports that the Rwandan Government had not ratified many of the international standards, codes and conventions that the country had signed. The CSAR recommends that efforts be made to ratify and implement them. The CSAR looked in detail at four of the standards and codes for which the authorities had made great strides towards compliance, namely the Code of Good Practices on Transparency in Monetary and Financial Affairs; Core Principles for Effective Banking Supervision; Core Principles for Systemically Important Payment Systems; and Best Practices for Budget Transparency. Table 3.1 lists the particular principles and standards in the first three of these areas where there were non-compliance and the actions that the authorities intended to take. In the case of Best Practices for Budget Transparency, the actions planned by the authorities are discussed in the text of this chapter under the relevant objectives.

**Table 3.1 Action plan for selected standards and codes**

Standard and code	Non-compliance to be addressed	Action plan proposed by the Rwandan authorities
1. Code of Good Practices on Transparency in Monetary and Financial Affairs	Where a permanent monetary policy-making body meets to assess underlying economic developments, monitor progress towards achieving its monetary policy objective(s), and formulate policy for the period ahead, information on the composition, structure and functions of that body should be publicly disclosed. If the policy-making body has regularly scheduled meetings to assess underlying economic developments, monitor progress towards achieving its monetary policy objective(s) and formulate policy for the period ahead, the advance meeting schedule should be publicly disclosed.	Authorities envisage making the operational framework of the Monetary and Exchange Policy Committee, established by <i>Ordre de Service no. 15/2001 of 28/09/2001</i> , which is operational, more formal in 2005. The disclosure of the meetings and the decisions of the Committee should then be made public.

	Changes in the setting of monetary policy instruments (other than fine-tuning measures) should be publicly announced and explained in a timely manner. The central bank should publicly disclose, with a pre-announced maximum delay, the main considerations underlying its monetary policy decisions.	The main considerations underlying monetary policy decisions of the central bank are not publicly disclosed so far. Such an action would be considered in 2005. As a minimum, regular meetings are planned with the business community and the media to make public statements on monetary policy.
	For proposed substantive technical changes to the structure of monetary regulations, there should be a presumption in favour of public consultations, within an appropriate period.	So far, for any changes of the structure of monetary regulations, there is wide internal consultation within the banking system, but no public consultation is made. The modalities of a public consultation will be considered in 2006.
	Senior central bank officials should be ready to explain their institution's objective(s) and performance to the public, and have a presumption in favour of releasing the text of their statements to the public.	Senior central bank officials do explain, through interviews with the media, the bank's objectives and performance to the public. This is, however, not done regularly or in a comprehensive manner. The requirement to address the public regularly will formally start in 2005.

<b>Standard and code</b>	<b>Non-compliance to be addressed</b>	<b>Action plan proposed by the Rwandan authorities</b>
	Officials of the central bank should be available to appear before a designated public authority to report on the conduct of monetary policy, explain the policy objective(s) of their institution, describe their performance in achieving their objective(s), and, as appropriate, exchange views on the state of the economy and the financial system.	This appearance before a designated public authority on the conduct of monetary policy is not being done as yet. It will start with the "Statement on monetary policy for 2005".
	Information about legal protections for officials and staff of financial agencies in the conduct of their official duties should be publicly disclosed.	This is not yet being done and will be addressed in the revised central bank law.
2. Core Principles for Effective Banking Supervision	A suitable legal framework for banking supervision that includes legal protection for supervisors.	The Banking Act shall seek protection for inspectors carrying out their duties in good faith. The provisions will be included in an amended Banking Act before the end of 2006.

	<p>Arrangements for sharing information among supervisors and protecting the confidentiality of such information should be in place.</p>	<p>The Banking Act shall be amended accordingly before the end of 2007.</p>
	<p>Banking supervisors must be satisfied that banks have adequate policies and procedures for identifying, monitoring and controlling country risk and transfer risk in their international lending and investment activities, and for maintaining appropriate reserves against such risks.</p>	<p>There is no existing regulation relating to country risk in Rwanda. The central bank shall issue regulations in this area before the end of 2005.</p>
	<p>Banking supervisors must be satisfied that banks have in place a comprehensive risk management process (including appropriate board and senior management oversight) to identify, measure, monitor and control all other material risks and, where appropriate, to hold capital against these risks.</p>	<p>The central bank shall issue regulations in this regard by the end of 2005.</p>

Standard and code	Non-compliance to be addressed	Action plan proposed by the Rwandan authorities
	Banking supervisors must determine that banks have adequate policies, practices and procedures in place, including strict "know your customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank being used, intentionally or unintentionally, by criminal elements.	As discussed in the text, the IMF and World Bank are assisting the authorities in developing an appropriate framework to fight money laundering and the financing of terrorism.
	An essential element of banking supervision is the ability of the supervisors to supervise the banking group on a consolidated basis.	This is not applicable because banks do not yet have outside subsidiary companies. Should this need arise in the future, the authorities will then address it.
	Banking supervisors must require the local operations of foreign banks to be conducted to the same high standards that are required of domestic institutions. They must have powers to share information needed by the home country supervisors of those banks for the purpose of carrying out consolidated supervision.	The central bank needs to develop a regulation on holding banks by the end of 2005.
3. Core Principles for Systemically Important Payment Systems	Principle 4: The system should provide prompt final settlement on the day of value, preferably during the day and at a minimum at the end of the day.	The systemically important system is a cheque system with deferred settlement (48– 72 hours). The plan is to set up an Automated Clearing House system, which will probably start in 2006/2007.
	Principle 7: The system should ensure a high degree of security and operational reliability, and should have contingency arrangements for timely completion of daily processing.	This requirement will be met in the modernised National Payment System to be implemented by 2007.
	Principle 8: The system should provide a means of making payments, which is practical for its users and efficient for the economy.	The expectation is to satisfy this requirement when the system is modernised.

**ii. Mission Findings**

171. Compliance with these principles, standards and codes are observed in many instances. It has resulted in the improvement of the Rwanda' s budget management system that had to be reconstructed from a low base, following the devastating events of 1994. Since then, the authorities have taken a number of actions to enhance fiscal transparency. The Government' s role in the economy has been clarified by the privatisation process and improvements to the regulatory framework. The new Constitution specifies the roles of the legislative and executive branch of the Government.
172. Budget preparation has been significantly strengthened: the budget is presented to Parliament in a timely manner; the classification was revised in line with international standards; planning takes place in the context of a MTEF; and a comprehensive background document is being prepared. More fiscal data are being published. After the adoption of the new Constitution, the Government updated its legal framework by enacting a new Organic Budget Law and revising the External Audit Act with the establishment of the Auditor' s-General Office.

**iii. Recommendations**

173. The above-mentioned accomplishments constitute a significant start, but a number of improvements are necessary to achieve good practices in all basic fiscal requirements. For that purpose, the CRM recommends that:
- The Government of Rwanda should establish an Inter-Ministerial Task Force to review, harmonise and monitor implementation and ratification of standards, codes and conventions pertinent to Rwanda' s economic environment.
  - With regard to the compliance of standards and principles stated above, an economic data and information system, as well as a follow-up mechanism, should be established to ensure satisfactory compliance. To this effect, the Government is advised to accelerate current plans for the establishment and effective operation of an autonomous and fully resourced National Statistics Institute, already approved by Parliament.
  - The Central Bank of Rwanda, supported by the Government, should: (a) strengthen its capacity for data collection and analysis; (b) train the staff of commercial banks, popular banks and microfinance institutions in the countryside in order to improve the quality of their services and ease their supervision.
  - The revision of the Central Bank Act should address and cater for

these mechanisms for enhanced public disclosure and access to information relating to the banking sector.

- Most importantly, (a) a comprehensive, reliable, uniform and integrated accounting system should be put in place to service the needs of all levels of government; (b) timely annual reports should be produced to facilitate the external audit function of the Office of the Auditor-General.
- The Rwandan authorities should: (a) improve the quality of fiscal data through broadening and coverage to include donor-financing expenditures and spending agencies' own revenues; (b) publish fiscal information once data quality has improved; and (c) disseminate public debt data more widely.
- The authorities should establish effective internal auditing, especially as the Government accelerates its ambitious decentralisation agenda. In the longer term, comprehensive reporting is advised on contingent liabilities, state asset holdings and tax expenditures, including by autonomous agencies and lower levels of government.

### **3.3 Assessment of APRM objectives relating to Economic Governance and Management**

*Objective 1: To promote macroeconomic policies that support sustainable development*

#### **i. Country Self-Assessment Report**

174. The CSAR stated that macroeconomic policies that support development could be classified as macroeconomic fundamentals, broad structural policies, sectoral policies and miscellaneous policies that improve the business climate. The last set of policies affects direct incentives, the quality of the labour force, the transaction costs of doing business, and the general attitude of the populace toward business, and hence the uncertainty of the business environment in the eyes of investors. Also important in promoting macroeconomic policies that support sustainable development is building and sustaining adequate capacity to formulate and implement the policies.
175. Fiscal reforms, both tax and expenditure, have been of major importance in improving macroeconomic fundamentals to support sustainable development. Some of these have been of a structural nature. Institutional and structural reforms have included the establishment of the Rwanda Revenue Authority; the adoption of VAT; broadening the tax base; revision of customs and income tax laws and rates; and creating a

taxpayer appeals body. The authorities were also instituting various practices to ensure appropriate control of expenditure. These included introducing a clear and coherent MTEF and a public financial management framework.

176. The Government systematically defines certain priority areas to help it focus on its budget spending priorities. Priority programmes are also protected from budget cuts. In the CSAR, the priorities given are: rural development, agricultural transformation, human resource development, economic infrastructure, governance, private sector development, and institutional capacity building.
177. The monetary policy framework has been reformed in ways that should foster sound macroeconomic policies supporting sustainable development. According to the CSAR, the central bank has been given instrument autonomy in the conduct of monetary policy; indirect instruments of monetary policy are in use, and Treasury Bill auctions were started in 1998. The foreign exchange market has also been liberalised and the exchange rate of the Rwandan franc is market-determined.
178. In addition to the above fiscal and monetary policy reforms, other broad structural policies have been directed at the financial sector, exports and private investment. Financial sector reforms have included improving bank balance sheets (especially reducing non-performing loans) and bank supervision, as well as restructuring of some banks (especially recapitalisation of microfinance institutions).
179. The CSAR states that the authorities were in the process of designing an export promotion strategy. An element of the strategy, already in place, was increasing the production of tea through privatisation. Also, in August 2002, the National Coffee Policy was adopted, aimed at improving the quality of coffee. Moreover, the authorities seek to diversify exports somewhat, by increasing the production of pyrethrum, horticulture, fruit, livestock and minerals. The Government has established an Agriculture Guarantee Fund, which will assist investment in the export sector. This includes support for the coffee quality improvement programme.
180. The investment promotion strategy of Rwanda has been pursued within the context of the COMESA objective of gradual movement of its members to a harmonised structure of trade and investment incentives. In 1998, the authorities established the Rwanda Investment Promotion



Agency, which has been restructured to become the Rwanda Investment and Export Promotion Agency. The agency has been taking steps to reduce transaction costs to investors.

## **ii. Mission Findings**

181. The Rwandan authorities have pursued policies in all these areas but they have also faced, and will continue to face, serious challenges. The findings of the CRM were the same as those contained in the CSAR.
182. The Rwandan authorities have been pursuing policies aimed directly at specific sectors, on top of the general macroeconomic and structural policies described above. The sectors highlighted by the CSAR and during the CRM visit were agriculture, infrastructure, tourism, education and health.
183. In agriculture, the objectives have been diversification of production, and increased specialisation and production for the market. The actions being taken by the authorities are: liberalisation of markets in general; facilitating increased access of farmers to credit; supporting agricultural research activities and extension services; and cooperating, as partners, with associations of farmer groups in the generation and dissemination of appropriate technologies. The plan is to coordinate activities and actions to achieve these objectives with infrastructure development policies.
184. In addition to its role in raising productivity in the agricultural sector, the basic objective in infrastructure development would be to enhance private sector development in the economy as a whole, by reducing costs of doing business. Although this would involve substantial public investment, there would be some privatisation of State-owned enterprises and much public-private-community cooperation and partnership. At the time of the CRM visit, the authorities were still in the throes of working out the details of the complete strategy. Tourism development would also benefit greatly from infrastructure development.
185. The authorities recognise the importance of human capital in achieving their overall development objectives. Indeed, the main objectives of education policy in this respect were to achieve quality and basic education for all and ensure that education programmes stressed skills development, with special attention to science and technology. To achieve their education objectives, the authorities were examining, and revising as necessary, all elements of education programmes, especially teaching methodology, curricula and teacher training.
186. To improve the health of the average citizen as an element of human

capital to support sustainable development, the authorities were stressing access to the micro-insurance scheme, Mutuelle de Santé, and improvements in the fee structure and cost-effectiveness of formal health care interventions.

187. The authorities have had to contend with capacity-building problems that were seriously aggravated by civil unrest and the genocide. They emphasised to the CRM the efforts they were making in this area – institutional as well as organisational. As stated in the CSAR, and reiterated during the CRM, a difficulty was their ability to attract and retain qualified staff.
188. Apart from human and other resource capacity constraints, the authorities will face many challenges in the coming years in their macroeconomic policy management. Among these are vulnerability to internal and external shocks, domestic resource mobilisation, public external debt management, and the competing urgent demands on public expenditure.
189. Internal shocks are basically weather-related, with prolonged drought and unexpected heavy rainfall affecting agricultural production, but civil conflicts have also proved to be serious in the form of internal shocks affecting output. Constraints in capacity and resources render the weather-related shocks insoluble for the time being. Hence, the Government is planning capacity-building initiatives and improved systems of farming to mitigate this problem. In broader sense, though, it is a combination of measures that the Government is considering. Institutional and structural shocks related to civil conflicts are addressed via the policies being put in place to prevent such conflicts, such as those to be pursued by the National Unity and Reconciliation Commission.
190. External shocks emanate from terms of trade changes, political instability in or with neighbouring countries, or instability in aid flows. Again, domestic policies are put in place to mitigate the impact of, for instance, increases in the oil price or falls in the world prices of Rwanda's exports. Less reliance on aid and greater reliance on foreign direct investment, borrowing from non-inflationary domestic sources, or improved tax effort could greatly reduce the severity of external shocks. Finding ways to resolve peacefully conflicts in and with Rwanda's neighbouring territories would also be of obvious value in reducing the incidence and severity of shocks from that source. While all of this is well known to the Rwandan authorities, the CRM appreciates that solutions are not easily found. The Rwandan authorities have no alternative but to double their efforts in designing policies that can be implemented to solve the problems.

191. Domestic resource mobilisation would be positively influenced not only by tax effort, including better tax administration, but even more so by financial sector reform and monetary and exchange policies that induce a rise in saving-income ratios and greater saving in the formal financial sector. Thus, the authorities are urged to continue their financial sector reform programme and to seek technical assistance from the IMF, World Bank, and/or the African Development Bank on ways to improve the efficiency of the Rwandan financial system and direct a greater proportion of savings in that direction.
192. The authorities have, as part of their external public debt management, sought debt relief, and this is clearly a wise policy to continue. The CSAR mentions – and the CRM was also informed of – the authorities’ resolve to work to keep debt no higher than at a reasonably sustainable level. They therefore seek grants before debt, and debt with high grant content. Hopefully, the authorities would also not be too optimistic in calculating debt sustainability, and hence not underestimate the variability in export earnings, their import requirements and domestic revenue variability. This would prevent internal and external shocks outside their short-term control from placing undue strain on the authorities’ ability to service their external debt.
193. The authorities are fully aware of the challenges they face, not only in allocating expenditure between competing ends, but also in continuing to exercise prudence in overall fiscal management in the interest of macroeconomic stability and not crowding out the private sector in financial markets. The need for sound analytical work in this area to ensure optimal solutions, and thus finding ways to overcome all the statistical, capacity and uncertainty problems, cannot be overestimated.

### **iii. Recommendations**

194. The CRM recommends that:
- The Government continues with the proposed redrafting of the second PRSP strategy and the restructuring of economic priorities from social spending to productive activities;
  - Public finance reforms and the initiatives of the Rwanda Revenue Authority continue, so as to create a better incentives framework for production, exports, employment and economic growth; and
  - The attainment of the HIPC completion point in April 2005 be used as an opportunity to strengthen internal finances and build exports to underpin external sustainability.

***Objective 2: To ensure the implementation of sound, transparent and predictable economic policies***

**i. Country Self-Assessment Report**

195. The CSAR states that the Rwandan authorities have been striving for transparency, predictability and credibility of government economic policies in several ways:
- There were certain relevant processes and procedures on the verge of being firmly entrenched and institutionalised in policy-making. Those processes were used in the PRSP formulation and its monitoring, and were being used in budgetary formulation and monitoring.
  - The decentralisation process was also playing a role.
  - Agencies such as the National Tender Board and the Office of the Auditor-General were contributing to transparency and credibility.
  - The Ministries and other official bodies provided information to the public through speeches, meetings with the media (press briefings and interviews), the Internet and publications, including Annual Reports of, for instance, the central bank and budget statements of the Government.
  - Direct cooperation with stakeholders was increasingly encouraged via face-to-face discussions of policy issues. Such cooperation was sometimes dubbed “ partnerships” .
196. The CSAR explains that the Government has created a department in the Ministry of Commerce, Trade, Cooperatives and Investment charged with fostering cooperation (“ partnership” ) between the Government and the private sector. The Department’ s overall mandate is to see that government policies are communicated to the public at large, and ideas on policy design are solicited from the public.
197. The CSAR states that, in a survey in connection with the APRM exercise, 32 out of 34 respondents from the Rwanda Private Sector Federation (RPSF) complained that the authorities were not transparent in formulating taxation policy and did not adequately consult stakeholders. They also complained that the Government in general did not disseminate information about tax laws. The respondents also complained that the tax rates on intermediate goods were high and discouraged investment. Moreover, the majority of them were unaware of the existence of the tax appeals body. Rather, they complained that the Rwanda Revenue Authority had been uncooperative and that taxpayers had nowhere to seek arbitration.

**ii. Mission Findings**

198. The authorities pointed out a number of challenges faced by Rwanda. Foreign aid and the interactions with aid partners during the budgetary and planning processes raised some ownership issues, especially with regard to policies and projects. In addition, capacity problems, especially at the cell level, were affecting the pace and success of decentralisation, even though the Government was addressing them resolutely. Moreover, stakeholders often complained about lack of information on government policies and the unwillingness of the authorities to heed them in decision-making or to give them a hearing on their grievances.
199. The preparation of the Poverty Reduction and Growth Strategy Paper for the Poverty Reduction and Growth Facility (PRGF) had involved nationwide participation of various stakeholders. A PRGF Steering Committee had also been set up, comprising all Secretary-Generals of Ministries and heads of some public entities, and charged with the responsibility of monitoring the implementation of the programme. The Committee reports to the Minister of Finance and Economic Planning.
200. As regards the budget process, during the CRM it was confirmed that the long-awaited Organic Budget Law had been passed by Parliament. Since fiscal year 1998, the budgets have been presented to the National Assembly and passed on schedule. Together with the institutional changes in the fiscal area (discussed earlier under Objective 1), transparency and predictability have been greatly enhanced in the budgetary process. The Ministry of Finance has also put in place budget monitoring systems that enable good and regular (monthly) tracking of commitments, payments and financial flows of both recurrent and capital expenditures.
201. In late 2000, decentralisation legislation was passed and fiscal decentralisation began in 2001. By the time of the CRM visit, officials of the districts and provinces had already received training on the MTEF, and started to prepare their budgets on it. The Ministry of Local Government, through its Decentralisation Management Unit, had initiated programmes to strengthen administrative capacity at the local unit level, particularly in the areas of public accounting and procurement. A draft Financial Management and Accounting Procedures Manual for Local Governments had been prepared and distributed.
202. Challenges are being confronted in the foreign aid area. The CRM was told that the Government was working with donors to institute procedures that would ensure that foreign aid financing fitted seamlessly within the

MTEF process. In particular, foreign aid flows must be predictable. In addition, the Rwandan authorities want donor financing to be harmonised across donors and with the overall objectives and plans of the authorities. In particular, they want both the direction and timing of donor support to be consistent with reasonably optimal project composition and sequencing in implementation.

### **iii. Recommendations**

203. The CRM recommends that:

- The weight, financing and urgency attached to accounting and auditing capacity building in the POA developed by Rwanda be scaled up; and
- Development partners be encouraged to exert their major responsibility to engender the predictability and timeliness of disbursements.

### ***Objective 3: To promote sound public finance management***

#### **i. Country Self-Assessment Report**

204. The CSAR states that the authorities have taken a number of steps to promote sound public finance management, but need to work resolutely to overcome the obstacles they face in implementation. In general, the authorities have been taking steps to ensure what the CSAR describes as “ financial accountability” . For instance, the Office of the Auditor-General sends audited budgetary reports to Parliament; there is a Treasury Management Committee that manages the cash management system and comprises officials from the Budget, Treasury, Macro-Department, the Rwanda Revenue Authority, and the central bank; and there is an information management system (SIBET) that reports detailed execution of the budget across Ministries.

205. In addition, the Ministry of Finance presents mid-year status reports to Parliament on annual budget implementation. Given the importance of proper accounting and the current weaknesses in that area, an Accounting Code is planned for adoption soon, after Parliament approval, which would meet international accounting standards. The Government, with the support of the World Bank, DFID and the European Union, had already prepared a comprehensive Financial Accountability Review and Action Plan (FARAP), including capacity building.

206. Capacity constraints, once again, bedevil public finance management. For instance, in the area of fiscal decentralisation, expenditure reporting by the local units is reported in the CSAR as being poor. As stated above, the accounting system of the public sector was still weak, including the absence of a well-structured Chart of Accounts.

### **ii. Mission Findings**

207. The major institutional changes recently made, namely the enactment of the Organic Budget Law and the MTEF, have already been mentioned. The CRM could also mention that the Ministry of Finance and Economic Planning introduced a cash budget system in 2001. The CRM found that the recurrent expenditure need was great. For many years, a narrow tax base has made controlling the overall deficit heavily dependent on painful limits on capital expenditure, and heavily reliant on foreign aid – to the tune of some 90% of capital expenditure.

208. The CRM also raised some questions about expenditure that the authorities had classified as “ exceptional expenditures” – intended to help solve problems created by civil war and genocide – such as for demobilisation, Gacaca courts, feeding of a large population of prisoners, and so on. The CRM felt that it might be difficult to track where those funds had ended up and if they had contributed at all to poverty reduction. The CRM also learned that Parliament faced acute constraints, with limited capacity – including resources – in performing its oversight functions in all areas of economic policy-making and implementation, most notably in the public finance area. It was not clear to the CRM that the authorities had focused on this issue, and if they had, whether they had attached any urgency to remedying the deficiency.

### **iii. Recommendations**

209. The CRM recommends that:

- Information on tax procedures and appeals process, through the Tax Appeals system involving independently appointed players to hear appellants, be rendered more accommodating and be widely disseminated by the Government; and
- Parliament’ s capacity and capability to review economic documents and policy be upgraded by the Government.

***Objective 4: To fight corruption and money laundering*****i. Country Self-Assessment Report**

210. The CSAR states that corruption in Rwanda was low, as attested by a recent KPMG report. The authorities had decided to fight even the low-level corruption found in the public administration. With regard to money laundering, the CSAR mentions, and the authorities confirmed to the CRM, that the legal framework was inadequate in Rwanda and there was no official information system to detect the practice. Still, a 2004 report by the Bureau for International Narcotics and Law Enforcement Affairs indicated that there had been no documented reports of money laundering in Rwanda, principally due to the Government's monitoring, through the central bank, of monetary transfers of over US\$ 50 000, both internally and internationally.

**ii. Mission Findings**

211. During the CRM, the representatives of the authorities spelled out the legal and other instruments being employed in this fight. Among the existing legal provisions was a national code of conduct that, among other things, subjected civil servants to regular disclosure of assets. In addition, a procurement code law, which established procurement rules and procedures, had been submitted to Parliament. The judiciary, the Office of the Ombudsman and the Office of the Auditor-General were very important bodies in the fight against corruption. The authorities were therefore making concerted efforts to strengthen the capacity of these bodies to perform their assigned tasks. As low salaries are often given as an explanation for corruption at the middle and lower levels of government, the authorities were also reviewing the salary structures.

212. The authorities emphasised to the CRM that they were taking steps to improve the monitoring of, and information on money laundering, as well as financing of terrorist activities. Following technical assistance from the IMF and the World Bank, the Government of Rwanda had agreed on an action plan with both organisations, which included setting up a legal and regulatory framework that meets international standards to combat money laundering and the financing of terrorism.

213. The CRM was also informed that the central bank had drafted an Anti-Money Laundering law, which was being reviewed by the Ministry of Justice before submission to Parliament. The expectation was that the law would be enacted by the end of 2005. A law on combating the financing of terrorist activities developed by the Commissioner of Police



was also being reviewed by the Ministry of Justice, which will decide whether the two pieces of legislation should be combined. In the meanwhile, other elements of the Action Plan were being pursued: the authorities had launched a campaign to raise consciousness about money laundering; internal controls in the banking system were being tightened to make them alert to potential money laundering activities and transactions; and relevant training was taking place for bankers, insurers, judges and policemen.

### **iii. Recommendations**

214. The Rwandan authorities are advised to:

- Review, ratify and domesticate the United Nations Convention on Combating Corruption;
- Rationalise anticorruption bodies based on a systematic assessment of its peculiar needs and priorities, to guide against legal loopholes and avoid duplication of mandates;
- Create a centralised coordinating mechanism or framework composed of all relevant public institutions, the private sector, civil society and the media;
- Increase the operating budget and staffing level of the Office of the Ombudsman;
- Clarify, in the most transparent way, the conduct of Rwandan troops and security operatives in the DRC to bring satisfactory closure to this matter together with the UN and the DRC;
- Ensure that Parliament reviews and passes the Anti-Money Laundering Law and the Law Combating the Financing of Terrorism, once submitted for their consideration, and allocates the resources required to ensure their effective implementation once passed; and
- Reinforce collaboration with neighbouring countries in matters of anti-money laundering activities.

### ***Objective 5: To promote regional integration***

#### **i. Country Self-Assessment Report**

215. The Rwanda CSAR indicates tremendous political will and general support for regional integration in Rwanda. The main focus is COMESA, but the CSAR begins by listing other important regional organisations to which Rwanda belongs, namely the Nile Basin Initiative, Economic Community of Great Lakes, Kagera Basin Organisation, and Economic Community for Central African States.

216. Focusing on COMESA, the CSAR contains a lucid discussion of the costs and benefits of integration; the policies Rwanda was attempting to put in place to ensure that it realised its potential gains from integration while substantially reducing any short-run losses; and the measures that the authorities had taken, and the success achieved, in implementing agreements among the COMESA members, as regards liberalisation and harmonisation of tariffs, other trade policies, exchange system reforms, investment incentives, and monetary and fiscal policies. The political will comes ultimately from the expectation that the medium- to long-term gains from integration far outweigh the costs, whatever the transitional short-term balance may be between benefits and costs.
217. The CSAR explains that the authorities expect income and consumption net gains to set in very quickly, if appropriate policies are put in place. Consumer prices should benefit relatively from tariff declines within COMESA. Although Rwandan firms were complaining about the adverse impact of competition from other COMESA countries, the competition should be good for their efficiency, and foreign direct investment was expected to flow into Rwanda at a brisk pace in the light of the country's investment incentives, which were in line with COMESA agreements. To ensure this, however, the authorities were aware that they needed to improve their infrastructure and put in place other policies to counteract the disadvantage of relatively high energy costs.
218. A major factor on the cost side was the negative effect on government revenue, given that customs revenue collected on COMESA imports was a substantial part of government revenue. In time, the expansion of the tax base ensuing from the positive production effects of integration was expected to more than counter this negative effect.

#### **ii. Mission Findings**

219. Unfortunately, as the CRM explained in its discussion with the authorities, there were clearly uncertainties in this area regarding how soon the positive effects of integration would begin to be realised.
220. The authorities claimed to be very successful in their liberalisation and harmonisation policies. For instance, (a) non-tariff barriers, including export and import licensing, had been abolished, except for a short list of items controlled for health, security and environmental reasons; (b) tariffs on intra-regional trade had been abolished and the recommended COMESA common external tariff regime was in place; (c) privatisation policies were being vigorously pursued; (d) steps were being taken to improve efficiency and reduce risks in the payment system, including the introduction of an electronic transfer system; (e) the Rwanda Investment

and Export Promotion Agency was streamlining procedures to enhance incentives; and (f) several steps were under consideration to develop the capital market.

221. In the broad area of monetary and fiscal harmonisation, several policy objectives and quantitative targets had been agreed by the COMESA members. Rwanda was making good progress in achieving them, and was determined to achieve them all. In particular, the targets and objectives were: (a) the overall budget deficit in relation to GDP (5% or lower); (b) stability of the exchange rate and its market determination; (c) levels of internal and external debt at manageable levels in relation to GDP; (d) external current account deficit (excluding grants) at a manageable level in relation to GDP; (e) use of indirect instruments in monetary operations of the central bank; (f) market determination of interest rates; (g) a ratio of gross investment to GDP of at least 20%; (h) a GDP growth rate of at least 5% per annum; (i) an inflation rate averaging no more than 5% per annum; (j) reduction of the budget deficit financed by the central bank to zero; and (k) official international reserves equivalent to at least four months of imports.

### **iii. Recommendations**

222. The CRM commends Rwanda's new directions in regional integration, especially the impending membership of the East African Community. Nevertheless, the CRM recommends that the country undertakes cost-benefit analyses of the potential impact of membership of regional integration bodies.

# 4

## CORPORATE GOVERNANCE

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### 4.1 Introduction

223. Rwanda has one of the smallest and most poorly developed manufacturing sectors in the region. Manufacturing accounts for about one half of industrial output in value terms and less than 10% of total GDP. The sector is poorly developed and food, beverages and tobacco account for 80% of total manufacturing, a higher proportion than anywhere else in the region. Chemical industries account for 4% of total manufacturing, and textiles and clothing another 2%, which is the lowest share in the region. The private sector is in its infancy and the involvement of the State as producer and provider of economic essential services is widespread.
224. There is no capital market in Rwanda in the conventional sense. The monetary and financial market is dominated by nine banks and six insurance companies in which the State continues to be the dominant shareholder. The state of the capitalisation of the economy is not known, although it is clear that the State is the principal owner and the multinationals appear to come second while the SMEs dominate in the informal sector. In the informal sector, family enterprises appear to dominate while public liabilities companies are present in the modern segment of the sector.
225. It is estimated that there is a total of sixty businesses with annual turnover of Rwfr 100m or more registered in Rwanda, along with 5000 small and medium-sized enterprises. In recent years, service growth has been below that achieved in the economy as a whole, and appears to be the result of the termination of emergency relief programmes by most donor organisations. Rwanda has considerable tourist potential, but attracts only a small number of visitors, as it is geographically isolated. The country has been overcoming its history of political instability. Altogether, tourism still makes a marginal contribution to the economy.
226. The Government has taken steps to establish basic infrastructure through its Competitiveness and Enterprise Development Project, which

is currently funded by the World Bank. However, the country still lacks the key institutions of corporate governance, such as chambers of commerce and industry or genuine regulatory, supervisory oversight bodies, including an institute of directors, association of accountants, association of auditors, association of brokers, association of dealers, association of investment advisers, association of notaries, and association of architects. Its Bar Association is very young and lacks sectoral and thematic expertise. The CRM underscores the need for Rwanda to develop the appropriate institutional framework with the most suitable principles, standards and codes for corporate governance, using the international standards to which it has already subscribed.

## **4.2 Standards and codes**

### **i. Country Self-Assessment Report**

227. The CSAR states that Rwanda has adopted or ratified all the standards and codes listed in the APRM Questionnaire, with the exception of the core principles of securities, insurance and corporate good governance. However, the current level of implementation and compliance varies.

### **ii. Mission Findings**

228. The CRM observed that Rwanda has, indeed, ratified and adopted a significant number of key international standards and codes in corporate governance. Specifically, Rwanda has ratified and/or adopted the following international standards and codes:

- NEPAD Framework Document (2001);
- Principles of Corporate Governance (OECD and Commonwealth);
- International Accounting Standards;
- International Standards on Auditing;
- Core Principles on Effective Bank Supervision;
- African Charter on Human and People' s Rights;
- Labour Codes of the International Labour Organisation; and
- Codes on Industrial and Environmental Safety and Hygiene of the World Health Organisation.

229. Official reaffirmation of adherence to these principles notwithstanding, there is an overall lack of awareness of corporate governance. Several sensitisation programmes are being carried out both at public and private initiative, including non-governmental organisations (NGOs) and the execution agencies for DFID projects. The main findings on standards and codes are subsequently summarised below.

230. The Core Principles for Securities and Insurance Supervision and Regulation have not been adopted and will not be adopted soon, despite the decision to set up a stock exchange. These provisions, if they existed, would be supportive of the planned Kigali Stock Exchange, whose ambitions include being integrated in the regional East African capital market.
231. The Programme of Action stipulates that all Rwandan banks should be Basel II-compliant by December 2007. The National Bank does not feel that this is possible and will rather focus on securing convergence criteria under Basel I.
232. The OECD and Commonwealth Principles of Corporate Governance are not adopted by the Rwandan business community. The Government and the RPSF are currently holding sensitisation workshops with the assistance of the World Bank-funded Competitiveness and Enterprise Development Project in an effort to raise awareness of corporate governance in both the private and public sectors.
233. The accounting plan currently used by Rwandan corporations is not compliant with the International Accounting Standards. The International Standards on Auditing are not largely applied by corporations. It is hoped that when created, the Rwanda Institute of Certified Accountants (RICA) will contribute to the revision of the accounting plan and training of local accountants to use it, but also to the sensitisation of corporate managers, directors and shareholders to the usefulness of auditing practice.
234. Rwanda has ratified the Codes on Industrial and Environmental Safety and Hygiene of the World Health Organisation, but an enabling law is yet to be enacted. The country has ratified twenty-seven of the International Labour Organisation (ILO) Codes, including the eight compulsory conventions. However, these are not widely observed by the Government, employers or workers. There are also no mechanisms for enforcing them, or for instituting sanctions in the event of breaches of the conventions and recommendations.

### **iii. Recommendations**

235. The CRM recommends that:
- An Inter-Ministerial Task Force be established by the Government to review the state of implementation of all the standards and codes; and

- Efforts to raise awareness of corporate governance by both the private and public sectors be sustained.

### 4.3 Assessment of APRM objectives relating to Corporate Governance

#### *Objective 1: To promote an enabling environment and effective regulatory framework for economic activities*

##### i. Country Self-Assessment Report

236. The CSAR indicates that Rwanda has established several regulatory bodies, such as the National Bank of Rwanda, Rwanda Bureau of Standards, Insurance Commission, National Tender Board, Privatisation Secretariat, and Public Sector' s Partnership Forum. According to the CSAR, these regulatory bodies aim at aligning Rwanda' s laws, instruction and regulation with international standards and codes. In this sense, these institutions are key in the legal and regulatory frameworks. However, they are far from ideal in the quest for the best frameworks. The CSAR recognises the restrictiveness of its frameworks, as it enumerates in the challenges Rwanda faces in creating an enabling business environment a set of laws and regulations that are needed to strengthen the Rwandan legal and regulatory frameworks.

##### ii. Mission Findings

237. The view of the CRM is that Rwanda has put in place the basics for establishing an enabling environment. However, the country needs to expand, reform and enact a substantial amount of new laws, regulations and rules, as well as put in place several other institutions, which are the key players and actors in the creation of a favourable business climate. In this regard, the CRM proceeded to a thorough analysis of its findings from its investigations on the major components of the legal and regulatory framework, as well as the institutional framework of Rwanda.

##### *Legal and Regulatory Framework*

238. Over the last ten years, the Government of Rwanda has put in place an impressive set of laws and regulations, which partly cover the subjects relating to corporate governance. It can be said that overall the country has a good legal framework for promoting the business sector of the

economy. The business climate is quite hospitable, although a great deal needs to be done. Over the last decade, a number of governance institutions have been established, with a particular focus on the economic environment and, more specifically, for the regulation of the key sectors of the economy. However, this corpus of laws and regulations are disparate and often outdated. They need to be framed more coherently to provide the essential tools to deepen corporate governance. This should be taken into account in the ambitious legal and judiciary reforms programme that the country has launched in the past few years, and which has generated new laws currently in the process of being examined and voted on by both chambers of Parliament.

#### *Corporate Legal Framework*

239. The Government of Rwanda has engaged a wide process of reforms in the legal and judiciary domains to bring its laws and regulations into conformity with international and regional standards as the country strives to make the private sector the engine of its economic growth. The process aims at regrouping the texts of laws into a more coherent and efficient framework, which will be consistent with the standards and codes listed above. The various stakeholders have been associated with this exercise, including the RPSF and the Bar Association. This process is supported by a World Bank-funded project, the Competitiveness and Enterprise Development Project (CEDP). It has played a key role in scrutinising the various texts of laws and proposes a new comprehensive legal framework to improve the investment climate in Rwanda. The task is enormous, and the Ministry of Justice has set the priorities classifying the laws to be amended and harmonised into two groups.
240. In the first phase, drafts for laws in the following areas are being prepared or already being examined by parliamentarians:
- Investment code;
  - Tax code;
  - Tax procedures;
  - Customs code;
  - Public procurement code;
  - Mine code;
  - Land law;
  - Environment law;
  - Intellectual property code;
  - Stock exchange; and
  - Money laundering.



241. In the second phase for which the Government is actively seeking financial resources, the focus will be on draft laws in the following areas:
- Companies' Act;
  - Insolvency and bankruptcy;
  - Commercial procedures;
  - Alternative modes of commercial dispute resolution;
  - Civil and commercial contracts;
  - International trade;
  - Auxiliary trade activities;
  - Banks and financial institutions;
  - Insurances and the Insurance Commission;
  - Economic and financial penal law;
  - Competition and consumers' protection;
  - Labour and social law;
  - Microfinance; and
  - Accounting law.
242. The process presented by the Ministry of Justice puts the accounting law review at the end on the list. However, impending initiatives such as the stock exchange would indicate a higher urgency and priority for this law.
243. The CEDP will focus on first assisting the Government in elaborating the commercial and financial laws. Then, other texts such as the laws on partnerships, electronic trade, competitiveness and insolvency will be elaborated. The last phase will aim at revising the labour and social security codes, and the laws on microfinance, insurance and accounting.

*Regulatory and Enforcement Bodies*

244. Setting up a legal framework would imply that there is capacity to enforce the rules set, and to sanction any infringements. The CRM extensively discussed the issue with the various stakeholders, and raised the concern to ensure enforcement and compliance after all the laws and regulations have been put in place according to a reasonable time-frame, given the ambition of the country to create an environment conducive to business.
245. Despite the recent establishment of several regulatory bodies, there is a general lack of capacities to enforce the law's prescriptions. The CRM believes that this concern should be urgently addressed. This applies to all agencies at different levels, but there remains a relevant issue for the following institutional bodies that are responsible for the supervision and

enforcement of correct implementation of corporate governance principles:

- Rwanda Revenue Authority;
- Rwanda Environment Management Agency;
- Rwanda Utilities Regulatory Agency;
- Rwanda Insurance Commission;
- Rwanda Bureau of Standards;
- Mining Authority;
- Rwanda Office for Tourism and National Parks; and
- National Tender Board.

246. The above agencies, most of which were established in recent years, do not yet have an effective impact in their respective fields of competence, even though progress was notable. In addition, the CRM underlined that there is a potential conflict of interest when it comes to a government agency such as the Rwanda Utilities Regulatory Agency, which is in charge of enforcing rules and regulations on government-owned monopolies, including utilities.

*Financial Sector and Banking Supervision and Insurance Regulatory Bodies*

*(i) Insurance Sector*

247. The National Insurance Commission (NIC) was created in 2002, but it became operational only in July 2004. It has started working on the insurance regulation with the assistance of a US consultant. The insurance law is expected to be presented to Parliament during the course of the third quarter of 2005, and the law should be applicable by the end of the year. Meanwhile, there is a vacuum when it comes to brokerage activities. The Rwandan insurance market only accounts for six companies and a limited number of agents so far. New investors are considering entering the brokerage market, but the Insurance Commission does not yet have a regulatory tool for supervising these activities, even though they cannot be banned. Therefore, a temporary framework is now considered, most certainly with a presidential decree to be taken before July 2005.
248. The CSAR reaffirms that Rwanda has opted for free trade and the principles of pricing freedom. In the same document, however, it is stated that even though insurance companies currently set their premiums, the Commission will in future determine them. The CRM thinks that such a statement is in contradiction with the principles of a free market.

249. Likewise, the CRM observed that limited access to adequate human and financial resources appears to be a real obstacle to the Commission' s effectiveness. There are no actuaries in the whole country. The Insurance Commission is seriously understaffed, with four professionals only, despite its important mission. The need to accelerate institutional capacity building is acute. In this regard, the CRM considers the cooperation with other African insurance regulatory bodies, such as the Conférence Interafricaine des Marchés de l' Assurance (CIMA), a priority to ensure quick and effective regulation of an industry representing 32% of the financial sector in Rwanda.
250. Finally, the CRM observed that corporate compliance with the main codes and principles on good corporate governance is not widely achieved by the six national insurance companies. Only subsidiaries of multinational companies and NGOs are effectively compliant.

*(ii) Banking Sector*

251. Since the introduction of the 1999 law on banks and other financial institutions, the National Bank of Rwanda (NBR) has been the regulatory body of the banking sector. The NBR is consulted and its views are sought when the Government determines the macroeconomic framework on which the national budget is drawn up every year. Although the NBR is involved in the process of determining the general macroeconomic framework, the CRM still thinks that it does not have full autonomy in conducting the monetary policy.<sup>12</sup> It depends on the Ministry of Economic Planning and Finance.
252. The CSAR recognises that the State participates extensively in banking activities. Now that the Government has bailed out the UBPR and privatised two other banks (BCR and BACAR), the CRM notes that the State might consider selling all its majority shareholdings in the banking sector to avoid conflicts of interest when it comes to decision-making in credit allocations.
253. Regarding the money markets, the CRM notes that the Government' s intervention through the sale of debt – issuance of treasury bills for relatively high yields – has biased the market. The banks need not lend for productive activities to make money. Therefore, given that the money market is not a competitive market, the CRM was of the opinion that the

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<sup>12</sup> This finding is replicated in the Economic Governance and Management section (Standards and codes) of this report.

Government needs to lower its offered rates in order to drive the market down, especially when no serious underlying macroeconomic fundamentals justify the high yield on government debt instruments.

254. The CRM noted that local banks will need to have their line staff trained, especially in commercial and credit recovery skills, in order to be more innovative and increase the quality of the service rendered to the customers.

***(iii) Insolvency and Money Laundering Laws***

255. The CRM observed that Rwanda does not yet have an anti-money laundering law, but is working in conjunction with the World Bank and the IMF to prepare a draft law that will be submitted to the Government. The National Police is working on a draft law against financing of terrorist activities. Merging those two laws is being considered, but no decision has been taken yet. The CRM observed that the country is seriously committed to close the vacuum and should have applicable laws against money laundering and financing of terrorist activities towards the end of 2005. In the meantime, the National Bank of Rwanda will continue to issue instructions for banks to apply a minimum set of diligences when dealing with their customers in the framework of the initiative “ Know your Customer” .

***(iv) Consolidation and Tightening of Banking Supervision Rules and Procedures***

256. The CRM observed through its visit and working session with the hierarchy of the NBR that the managerial weaknesses of local banks that were noticeable in the aftermath of the genocide have now been corrected. Due to tough collection procedures, the stock of non-performing loans – which used to approach 40% of the banking sector’ s total assets – came down to 26% in 2004, and was concentrated in two banks, BCR and BACAR. As those loans are partially collateralised, and the banks were recapitalised in 2004, provisions to be taken should have limited impact on the banking industry.
257. UBPR, the largest rural credit institution, was recapitalised in 2004 with the financial assistance of the World Bank. The CRM concludes that the banking sector in Rwanda is now stronger than it was in 2001. The new instructions provided by the NBR will further strengthen the banking sector. Indeed, banks are now requested to publish their conditions on a quarterly basis, and since the end of 2004, they also have to publish them in a local gazette.

258. The CSAR reports that less than 4% of the population has a bank account. This figure does not take into account all those persons accessing financial services through the microfinance institutions, especially through the UBPR. Nevertheless, bank service coverage is effectively very low compared with other African countries. This could be explained by the lack of customer service orientation on the part of commercial banks, as well as customers' lack of confidence in the banking system.
259. Despite the revived competition following the recent partial privatisations of BCR and BACAR, the general public does not really perceive the value added by the banking system. Reasons cited were long queues at bank counters, poor service quality, the high credit cost, expensive bank fees and transactional costs, and weak credit allocation. In fact, available information and discussion with stakeholders by the CRM revealed that credit procedures are lengthy and do not always result in actual credit allocation. This constitutes a handicap which hampers the private sector's development. The CRM is of the view that this condition also retards the growth of a banking culture.
260. The CRM believes that the NBR's capacities need to be reinforced so that the central bank could become a truly autonomous regulatory and supervisory body. This will allow the NBR to build and consolidate its structures, as it already benefits from technical assistance from the Bretton Woods Institutions in many aspects.
261. The CRM considers that the banking system in Rwanda could be more dynamic in order to broaden its depositors' base. If not, it will perpetuate a vicious circle where a narrow base of bank users generates a high-cost banking infrastructure, which in turn will serve as a deterrent to ordinary Rwandese to open bank accounts. Should the trend not be reversed, the excess liquidity the banks currently have will not be invested in the long-term productive sectors of the economy. High yields and high levels of liquidity may, instead, breed speculative and short-term transactions in banking.

***(v) Other Institutional and Regulatory Bodies for Strengthening  
the Business Environment***

**(a) Institutions in support of investment promotion**

262. One of the objectives of the CEDP is to help in improving the business environment in order to promote private sector development. In this

regard, the CEDP has assisted the Government in establishing and strengthening two important agencies: the Rwanda Investment and Export Promotion Agency (RIEPA) and the Centre d' Appui aux Petites et Moyennes Entreprises au Rwanda (CAPMER). The CRM did not have the opportunity to meet these agencies during the visit. However, the visits to the Executives of the CEDP and the RPSF, as well as to the Secretariat of Privatisation, seem to indicate that they are now operational.

- RIEPA, which was created in 2000, is working towards the promotion of foreign direct investment and has demonstrated its capacity to do so with the identification on 41 new projects, seventeen of which have already materialised.
  - CAPMER, whose chairman is designated by the RPSF, is assisting emerging businesses and training business undertakers to develop their activities.
263. Procedures for the registration of new companies have been significantly improved and now take an average of fourteen days to be completed. The introduction of a one-stop centre is expected to reduce the registration of microfinance institutions and NGOs from two months to two days. As the registrar' s decentralisation is also under way, it is the view of the CRM that proper infrastructure, especially in terms of an efficient and integrated information system, should be put in place so as not to lose information exhaustiveness at the expense of speed.
264. Property registration remains an issue, as it is centralised at the Kigali City Council, even for upcountry properties. Securing such registration takes an estimated 354 days and is costly, which is a big concern for investors, as it is difficult to use it as collateral for banking loans. The Land Law is completed and in the process of being voted on in Parliament. Its preparation was a real governance issue, as it had to be a collection of scattered laws dealing with the complexity of land issue in the historical context of Rwanda.
265. Finally, the CRM observed that the CEDP has participated in the review of the investment code, which has recently been adopted by the Parliament, and which offers significant incentives for new investments of an amount exceeding the equivalent of US\$ 100 000.
266. Also, the CRM observed that the Rwanda Revenue Authority (RRA) has launched a full information system renovation, which will reduce the inconveniences to the business community while integrating the systems of the RRA (income tax and customs), NBR, the National Tender Board, National Bank of Rwanda, and Social Security. The RRA

procedures manual has been made to comply with the relevant international standards. A special unit has been established to control the integrity and professionalism of tax and customs officers.

267. The NBR has set up a department in charge of establishing a centralised database on the financial information of bank customers, in conjunction with the RRA. This process is still at an early stage. The NBR is pushing for the adoption of general accounting standards and their enforcement in order to be able to collect coherent data and make them available to the public. In this regard, the CRM finds that all efforts need to be focused on establishing a credible database. It is worth recalling that the banks already share information on customers' outstanding debit balances in bank books, especially non-performing loans.

**(b) Laws, regulations and rules to streamline tax rates, custom duties and fees**

268. The CRM observed that a new income tax law has been adopted by the Parliament and is in the process of being promulgated. This law is now fully compliant with the investment code, which was not the case under the former version.

**(c) Liberalisation of the utilities sector for reducing the costs of doing business**

269. Rwanda has embarked on a vast programme of economic liberalisation, especially in the utilities, transport and telecommunication sectors. However, the law does not ban monopolies, which could be a factor of reduced competitiveness and effectiveness when it comes to State-owned utilities and companies. This is a cross-cutting issue, as electricity, water and gas production and distribution, as well as transport and telecommunication services, are crucial to the development of the economy.
270. The reduction of costs of factors (electricity and other sources of energy, telecommunications, and water) and increasing the efficiency of public services and administration are further challenges Rwanda faces. The privatisation of Rwandatel is currently being finalised, and negotiations with the potential strategic partner are in their final stage. It can be expected that communication services will improve following privatisation.
271. Electricity shortages still remain a real hindrance to business development in Rwanda. New projects are being negotiated for gas-

based independent power supply concessions on the Lake Kivu, as well as peat-based and solar domestic energy in cooperation with the Kigali Institute of Science and Technology (KIST). These projects should be pursued with the view to quickly curb the power shortages in the country.

272. A 1996 law established the Privatisation Secretariat, which is in charge of the sale of several public companies. To date, the Secretariat has already sold 39 companies in various sectors: agriculture and agro-industry; hotels and tourism; industry; mining; energy; service; and the financial sector (banking and insurance). The CRM believes that the Government needs to regulate the utility sectors, but gradually withdraw from the actual management of these services.

*(vi) Kigali Stock Exchange*

273. The country does not yet have a Stock Exchange. However, all the stakeholders in Rwanda feel strongly that the establishment of a stock exchange in Kigali will be the necessary condition and first step for setting up and developing a capital market, which is vital for the dissemination of good corporate governance principles. In the process, a steering committee has been established, which has appointed a Kenyan consultant to conduct a feasibility study financed by the UNDP. The results of the study were to be presented to the Task Force members at the end of April 2005. A stakeholders' meeting would be organised in early May 2005 for validation before the conclusions of the study are presented to the Government. A draft law is then to be prepared and submitted to Parliament for voting.
274. Given the low purchasing power in the country, one could wonder whether there will be enough investment funding to be channelled through the new stock exchange. It is expected, however, that initial public offerings (IPOs) will be the main privatisation instruments, national and international investors' funding should be able to achieve adequate capitalisation for the stock exchange. Potential candidates for IPOs are Heineken, MTN, the remaining shares held by the Government of Rwanda in the Commercial Bank of Rwanda and Continental Bank, Rwandatel, etcetera.
275. Cross-listing with the Nairobi Stock Exchange is being envisaged at a certain point, but there is a risk of turning this opportunity into a capital flight channel, as investors could be more interested in stronger Kenyan stocks. The Rwandan authorities are thus considering starting with a fully local stock exchange, the premises of which have already been identified.



276. In addition, it is possible that the creation of the capital market regulators be delayed, which has to be considered carefully. As a result, the deadlines set in the Action Plan are already behind schedule. Given the urgent need for both institutional capacity building (preparation of regulatory framework, procedures, brokering firms, etc.) and private sector capacity building (investors and potentially listed companies), it is most likely that the stock exchange will not be operational before the second semester of 2005, and will be established with a large implication of the Government and the NBR, at least at the beginning.
277. The adoption of a new company law, a securities law and securities regulators; of central and decentralised registry and depository regulations and rules; of listing rules; of regulations and rules on market intermediaries, as well as an accounting system and an auditing system entirely compliant with International Accounting Standards, are prerequisites for launching a stock exchange so as to ensure that listed shares are correctly valued. None of these laws, regulations, rules and best practices is now in place.

***(vii) Court and Arbitration for Commercial Litigation Settlement***

278. Until recently, corporations could only settle their disputes through the Kigali City Court or the local provincial courts. The endeavour to bring the administration closer to the citizen, including corporations, has resulted in the introduction of new dispute settlement structures.
279. The Centre for Arbitration and Expertise of Rwanda (CAER) has been established to solve commercial disputes when contractors agree to choose it. A judge assisted by two assessors designated by the RPSF renders decisions. The private sector assessors have been designated, and are awaiting specific training. The CAER has a pool of about 38 referees. Bankers who wish to settle the claims of their money markets transactions mostly use arbitration. It has also been used to settle some issues between the private sector and public entities. The use by other corporations of the CAER is still timid, as most entrepreneurs are not familiar with arbitration procedures. The CAER benefits from the assistance of the CEDP.
280. The Courts are being reorganised, with a new Commercial Chamber having been established in Butare, Kigali and Ruhengeri. The introduction of specific chambers will facilitate the way justice is dispensed, as the judges – already designated – will be assisted by professionals. The Chambers, however, are not yet operational, as it is difficult to find assessors. Indeed, the law stipulates that assessors have

to be individual traders (*commerçants*), but most of them do not have the educational background needed to occupy these positions, which as a consequence are still vacant. Here again, the capacity issue is crucial.

281. In the regions, small litigations amounting to less than Rwfr 3m are settled locally at district level. Byumba stakeholders, for example, expressed satisfaction with regard to this system and cited the case of a businessman who won his case against the administration.

***(viii) Labour Law or Code***

282. There is more than one organisation of workers/employees in Rwanda. The CRM has not been able to establish the formal existence of a unique organisation of employers. However, the visits to stakeholders dealing with the issues of labour relationships have revealed that Rwanda largely complies with the core ILO conventions. The employers' stakeholders feel that the labour code is too favourable to the workers. The workers, on their part, argue that the employers and the Government respect the most basic freedoms embodied in the labour conventions. There is no formal mechanism for consultation between the social partners on labour issues and/on decisions that affect the well-being of workers.
283. Likewise, the organisations of the workers are very weak, as they lack training to know their rights and duties. This appears to be a consequence of how labour was perceived before the genocide and the civil war. In this context, the non-observance of some of the provisions of the national labour code and the ILO conventions should not be blamed only on the Government and the employers. The workers are also responsible for their weak standing on labour issues in the country.

***(ix) Soundness of the Procurement Regulation***

284. The Government of Rwanda, through a resolved will, created fairness in the country' s procurement system. It sought to minimise insider trading and to resist pressure from those who collect rents from unclear, undefined rules and obscure procedures. These concerns determined the basics on which the reform of the procurement system has been launched and carried out. In the process, the Government set up the National Tender Board (NTB) in late 1997. The legal hurdles were such that it was finally given a legal base by a ministerial decree only in 2002, as the Procurement Law had not been voted on by then.

285. However, the Government has now drafted an organic law on the basis of COMESA standards and UNCITRA Model Law on Procurements of Goods, Construction and Services, with the assistance of international experts. The draft bill is now being examined by the Economic Commission of the Parliament, and should be adopted and promulgated as law by June 2005. It is only after the implementation of this new procurement law, that the law establishing the NTB can be promulgated. Meanwhile, the draft bill giving legal competence to the NTB is still under review by the Government and should be transmitted to parliamentarians and voted into law by June 2005. This new legal framework will then replace the Belgian Royal Decree of 1959, which is currently being used to rule public procurement.
286. The current mandate of the NTB is based on three principles: transparency, economy, and equity. It currently controls the procurement procedures of governmental entities (ministries, provinces, districts, government agencies). Since 2004, these procedures exclude from membership of the procurement teams all auditors, financial clerks and individuals carrying electoral mandates. It is directed by a Board composed of nine members, five of which are public sector representatives (Prime Minister's Office, Ministry of Finance and Economic Planning, Ministry of Infrastructures, National Bank of Rwanda, and the Rwanda Revenue Authority). Two members come from the civil society and two from the private sector. The Government, including the representatives of the private sector, nominates all members of the Board. They are designated for a period of three years, which is a good way to avoid any risk of misconduct. The Board generally meets weekly.
287. With the objectives of efficiency, celerity and responsiveness, the NTB has introduced some amendments in its practices. There are three levels of bidding. Biddings are set at Rwfr 3m, less than Rwfr 40m and Rwfr 100m. With the fragmentation of the bids in three levels, governmental bodies and agencies can now process most of their procurements independently. At the Rwfr 3m level, the district executive officer is competent to make the final decision; at the less than Rwfr 40m level the provincial executive officer is competent to make the decision, while between Rwfr 40m and 100m the officer needs the approval of the Board of the NTB. The procurement system appears sound and fair. It entrusts the decentralised entities and is a good case of decentralisation that forges the principles of good governance. This appears to be a case of best practice that Rwanda can share with its peers in the APRM process.

288. The sanctions currently applied for infringement of the normal procedures vary. For private sector, it mostly consists of putting the faulty company under a black list, but given the limited investigative tools available to the NTB, it does not prevent the promoter from reappearing under another company legal status. Indelicate civil servants are sanctioned under the terms of the 2002 law on civil service acts.
289. All open public procurements, including those directly dealt with by the governmental bodies, must be publicised in a gazette. NTB-processed procurements are publicised not only in a local gazette, but also on its website ([www.ntb.gov.rw](http://www.ntb.gov.rw)) and that of the World Bank and UNDP. Restricted public procurements mainly relate to consultancy services. No publicity is requested for those, which is a risk, given that the amounts involved can be important.
290. The NTB has a structuring role in terms of corporate good governance, as companies can only be selected for tender if they have registered with the Court and the RRA, and if they regularly pay their social charges to the social security. NTB works closely with the RRA (their respective computer systems interconnection is planned for this year) and the RPSF, with which it is currently establishing professional chambers to designate those companies eligible for public procurement tender on the ground of their professional and technical abilities.
291. The NTB receives very few claims on the procurement procedures, but this is mostly because most entrepreneurs have a low educational background and ignore their rights and the recourse channels. NTB staff need to be trained in this regard. The NTB has started a programme for building sector operators.
292. The NTB's Board is still involved in processing all markets of a value in excess of Rwfr 100m. As decentralisation results in investments of amounts in excess of this limit being made in the provinces and districts, this puts more pressure on NTB staff and their members definitely need to be increased.

*(x) Other Mechanisms for Strengthening the Private Sector Participants*

**(a) Capacity building**

293. It was observed that capacity building is the real challenge that Rwanda has to face in corporate governance and elsewhere. The country has taken bold and positive decisions to comply with good corporate governance. The country's history is, however, always catching up with it when it comes to finding competent human resources to tackle

the job. With regard to this issue, several initiatives have been taken, which are just starting.

**(b) Multi-Sector Capacity-Building Programme (MSCBP)**

294. This is a long-term government strategic framework aimed to guide and direct the preparation and implementation of capacity-building actions in Rwanda, in order to develop resources needed for completion of the Vision 2020 strategic goals. One of its main focuses is to strengthen the institutional capacities first in the public sector, and especially Ministries' departments and agencies, and also in the private sector, notably in the process of delivering services to the public. This is even more important as the country is undergoing an ambitious decentralisation process. Three dimensions have been taken into account when designing this programme: capacity creation, effective utilisation of capacity, and capacity retention.
295. The programme resulted in the recent creation of the Human and Institutional Capacity Development Agency (HIDA). HIDA will focus on critical areas considered as the primary growth engines, such as the training of civil engineers and technicians for the infrastructure sector.
296. To finance HIDA's activities, the Government of Rwanda has benefited from a US\$ 20m loan from the World Bank and US\$ 4m from the Africa Capacity Building Foundation. The total estimated cost is US\$ 77m.

**(c) Other capacity-building initiatives**

297. There are several other initiatives aimed at building capacities in Rwanda. Due to limited time, the CRM was unable to go through all programmes currently being executed in the country by NGOs and donor agencies.
298. The CRM has already mentioned the role played by the CEDP and the RPSF. The local authorities have also established technical centres in all regions to train professionals, as the lack of resources for small activities (carpenters, plumbers, technicians, hair dressers, etc.) is obvious. The Ministry of Justice is considering participating in a project to set up a School for Magistrates and an Institute for Judiciary Professions, including a documentation centre.
299. Some private schools (School of Finance and Banking) and universities were recently created, offering day and evening programmes for professionals to raise their educational level. There is a real momentum in the country with people willing to learn, which should not be lost due

to lack of resources.

### **iii. Recommendations**

300. The CRM recommends the Government of Rwanda to: (a) reform and enact new laws, regulations and rules, as well as put in place other institutions to create a favourable business climate; and (b) accelerate the pace towards the privatisation of this sector of the economy.
301. The CRM proposes that the Insurance Commission sets the rules to ensure that insurance companies respect the financial soundness required to protect insurance beneficiaries' assets, and allows market competition to set the prices.<sup>13</sup>
302. Noting that the establishment of an insurance company is still subject to prior authorisation by the President of the Republic, the CRM recommends that licensing of insurance companies be devolved entirely to the NIC.
303. The CRM advises that, in the implementation of the new law, the land registration process be decentralised and an integrated information system be put in place for the sake of efficiency and transparency.
304. Also, the CRM considers traceability to be a permanent concern to avoid future litigations. With a view to eliminating potential conflicts of interest, it is recommended that land registration be independent and separated from political authority (e.g. in Kigali, the Mayor is also the registrar of land titles).
305. The CRM recommends that the efforts to improve service quality for corporations, and thus increase tax collection, be sustained.
306. The CRM is of the view that it would be important to establish and strengthen a Rwanda Capital Markets Authority as a regulatory body to oversee the new developments.
307. In the absence of appropriate anti-money laundering regulation, proper tracking procedures need to be put in place to identify the sources of capital invested through the stock exchange.
308. The CRM recommends that the CAER be permanently staffed with a senior administrative executive in charge of assisting the corporations,

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<sup>13</sup> Note: The same contradiction exists in the CSAR document for tourism, as it is planned to have the law, rather than hotel operators, set the room rates. (page 170)

and also of launching a communication campaign targeting the business community as a whole to raise awareness on the advantages of arbitration (i.e. a faster, simpler, cheaper and single procedure).

309. Training of both the judiciary and the corporations is much needed. As a temporary measure, and given the importance of these institutions, the authorities need to designate interim assessors so that the new Chambers could function. The law should be amended as soon as possible to broaden the conditions to be an assessor, so that permanent assessors could be designated on the basis of their competences.
310. In sum, very few companies actually apply the codes and employers are rarely conscious of their responsibility. The Ministry of Labour needs to train the labour inspectors and provide them with logistical capacities to enable enforcement of the law and the conventions in the workplaces and corporations. Inspectors also need to be properly remunerated to allay temptations of corruption and ensure independent reporting on corporate governance infringements.
311. It is recommended that the NTB focuses on controlling these processes, and offers institutional support for capacity building in partnership with the School of Finance and Banking. In this regard, it needs the necessary human and logistical resources to do so. Twenty new staff members have been recruited on the basis of competence, and special authorisation will be given to the NTB by the Government to buy vehicles.
312. The CRM proposes that HIDA also prepares a training programme for Members of Parliament who have requested both research capacities and a stronger economic background to be able to play a preventive role rather than react to changes in their environment.
313. The CRM believes that the Government needs to raise resources to fund the vital capacity-building programme, which conditions the sustainable success of all other positive initiatives that have been implemented in the country.

***Objective 2: To ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability***

**i. Country Self-Assessment**

314. The CSAR did not systematically examine the issue.

**ii. Mission Findings**

315. The CRM observed that Corporate Social Responsibility (CSR) is a new concept in Rwanda, as might be the case in many other African countries as well. The CRM had to give examples to stakeholders to illustrate what the concept covers practically. Yet, the country has put in place disparate laws and regulations to address the concerns of some of the stakeholders. In general, there is a lack of a legal and regulatory framework to deal systematically with the issues embodied in corporate social responsibility. The CRM deepened its analysis to reflect the need for quick education on CSR first, and to suggest ways for elaborating a holistic law on CSR.
316. In its efforts to elicit information on what has to be done in the area of CSR, the CRM had to explain that the business enterprise stakeholders are all those involved in, affected by, or able to influence the business enterprise, including customers and consumers; owners, shareholders and creditors; employees and agents; suppliers; competitors; media and advocacy groups; government; families; communities; society; and the environment.
317. However, for this part of the ARPM Questionnaire, information was sought on how the business enterprise treats its employees, responds to concerns and needs of the communities, and reacts to environmental issues in carrying out its activities. Following these explanations and illustrations, the CRM observed that there is no legal framework yet to deal systematically with the issues embodied in CSR. However, the Environmental Law addresses some aspects of corporations' responsibility. Some other aspects are addressed in specific regulations, for example when it comes to cede a public entity to a private operator.
318. The sensitisation campaign and other outreach activities should focus on the provisions of the existing laws and regulations that address the concerns of the stakeholders, such as the Environmental Law, the Labour Code and the ILO conventions, the conventions of the World Health Organisation, as well as what is expected from each stakeholder to comply with these laws and regulations, how to report on them, and to whom the report should be addressed in due time.

*Environmental Law*

319. The CRM observed that a new environmental law has been under preparation since 1999, and that the process has involved large consultations with all stakeholders. The CRM feels that the law



represents a real innovation in the country, and should be promulgated during May 2005. In accordance with the Constitution, the law establishes the communities' rights to a proper environment, but also their obligation to protect it for future generations. The fundamental principles of the new law are:

- Precaution;
- Sustainability of the environment and equity to future generations;
- Polluter/payer;
- Information and communities' participation; and
- Cooperation (establishing Rwandan policies in a larger framework including neighbouring countries, especially for forestry and water resources issues).

320. Rwanda has signed and ratified all major environmental protocols including the Kyoto Protocol. The Organic Law covers two main areas: the natural and the human environment. Furthermore, the law takes into account the respective roles of all stakeholders – central government, local authorities and citizens. Likewise, the CRM observed that the Ministry of Environment works in close cooperation with other ministries (agriculture, industry, commerce, tourism, infrastructure, human settlement, and health) to set specific laws on cross-cutting issues.

### **iii. Recommendations**

321. The CRM recommends the establishment of a national fund for environment to provide incentives for environmental protection. It is preferred that its structuring takes into account not only incentives for adequate investments for environment protection, but also capacity-building issues such as community training, and research (for alternative energy sources to protect the forestry capital of the country; to assess the mineral potential; to rationalise water resource utilisation, etc.).

322. The CRM proposes that the Rwanda Environmental Management Agency (REMA) be equipped with the required resources and capacity to supervise and monitor the correct application of the regulation, and have the legal authority to enforce sanctions on infringers. The REMA needs to be able to exercise its preventive role, and should be able to design and launch a programme for sensitisation and awareness on environmental issues. It has to be allocated adequate logistical and human resources to be able to enforce the law.

323. As it is essential to raise awareness on the above-mentioned issues, the CRM advises targeting stakeholders at all levels:

- Government, parliamentarians;
  - Owners, shareholders, creditors;
  - Workers, consumers, suppliers;
  - Competitors, public and private sector corporations;
  - Communities, media and advocacy groups, families; and
  - Non-governmental organisations.
324. The Government and corporate entities are encouraged to publicise CSR activities to raise awareness and set an example for other companies.
325. The Government of Rwanda is also encouraged to embark on intensive consultation for the formulation of a comprehensive strategy on CSR.

***Objective 3: To promote adoption of codes of good business ethics in achieving the objectives of the corporation***

**i. Country Self-Assessment Report**

326. The CSAR recognises that there are no codes of best practices in the private and public sectors. The report stated that corporate governance is a new phenomenon in Rwanda and is still at the stage of creating greater awareness of principles. According to the CSAR, some companies, particularly multinationals, international NGOs and large local enterprises, have adopted codes of best practice. The codes in use are largely similar to those of the parent organisations. The Ministry of Public Service is working on a code of conduct for public servants. The CSAR continues its analysis by listing a number of measures that have been taken to combat white-collar crimes, such as insider trading, corruption and money laundering; the role of the media and the quality of investigative financial journalism in reporting economic crimes and violation of ethics; and public and private sector bodies for promoting good business ethics.

**ii. Mission Findings**

*Good Business Ethics: Issues*

327. Although a regulatory framework promoting good corporate governance exists or is contemplated in Rwanda, covering the governance of companies, property laws, banking regulations and labour standards, the CRM ascertained that much still needs to be done to establish and enforce these legislative obligations and duties, as well as to update and

expand them. Separation of powers and authority at board level is weak, while accounting and auditing standards are fairly new in concept and application. These issues have been extensively dealt with in the preceding sections on the recommendations.

328. The CRM observed, further, that a corporate governance code for Rwanda does not yet exist, but a committee comprising the newly established Auditor-General's Office, the Inspector-General of Finance, representatives of the central bank and the Rwanda Revenue Authority, and members of various business professions has been established to draw up a code. Within the Government, a Minister of Corporate Governance has been appointed. All these initiatives clearly indicate that attention to business ethics is on the rise across the country. Many companies realise that, in order to succeed, they must earn the respect and confidence of their customers. Various institutions in the private and public sectors have been asking and encouraging corporations to improve their business practices to emphasise legal and ethical behaviour. These include essentially the RPSF and the Public-Private Partnership Forum (PPPF).

*Private Sector Initiatives*

329. The CRM observed that KPS, the local correspondent of KPMG in the area, issues an annual bulletin commenting on main features of the government budget. It also cooperates with the Eastern Africa Association's quarterly magazine, which gives highlights on the economic status of several East African countries, including Rwanda.

*Rwanda Private Sector Federation*

330. The CRM observed that the RPSF is the only representative of the private sector in Rwanda. It has recently launched a strategic plan fixing six priorities for the period 2005– 2007, namely to:
- Strengthen Rwanda's private sector companies;
  - Build human capacity for the private sector;
  - Facilitate sustainable funding sources for the private sector;
  - Provide dispute arbitration and business challenge assistance;
  - Perform private sector advocacy in the PPPF; and
  - To develop a vibrant private sector association.
331. The Federation also benefits from the financial support of CEDP in implementing its strategy. It is very active and plays a key role for the promotion of the private sector, with recognition from both the public and

private sectors. Based on its privileged status, the RPSF should be able to develop a Code of Ethics for the attention of the private sector corporations, and conduct a communication campaign for its promotion and diffusion.

332. In the absence of a Chamber of Commerce and Industry, the RPSF has also initiated an organisational reform to create four multi-sectoral chambers (agriculture and livestock; commerce and industry; financial services; liberal professions) and four sectoral associations (tourism; women entrepreneurs; youth in business; manufacturers). The RPSF has planned to offer business development and training services to its members. This ambitious development programme estimated at US\$ 12.8m would, over the next three years, require US\$ 3m from the Government of Rwanda and US\$ 7m from donor agencies in the form of grants. This is a challenge that will require particular attention from the national and international community.

*Public-Private Partnership Forum*

333. The CRM has learned that the Forum was created by a decree in 2002. The Forum offer is a permanent framework for discussions and debates to all stakeholders, and provides them with the opportunity to define the priorities towards achieving the objectives of Vision 2020. The Forum consists of the following structures:
- The Committee chaired by the President of the Republic, comprising five representatives from the public sector and five from the private sector. The Committee meets once a year to deliberate and make decisions on issues raised by the Consultative Committee;
  - A Consultative Committee co-chaired by the Prime Minister and the President of the RPSF. The Consultative Committee meets three times a year to identify and discuss projects and proposals to achieve the Vision 2020 goals; and
  - A Secretariat jointly staffed by the Ministry of Commerce and the RPSF.
334. The CRM has observed that the PPPF seems to be recognised as an effective and efficient structure. It is praised for its innovative role both by the Government and the private sector, in the sense that it allows partners always to reach consensus on the priorities set for national development. The CRM feels that this initiative should be shared amongst peers as a best practice in corporate governance.

***Objective 4: To ensure that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner***

**i. Country Self-Assessment Report**

335. Concerning the extent to which the corporate governance framework protects shareholders' rights, the CSAR has listed a number of Articles in the current Company's Act, especially Articles 35, 150, 161-165, 167, 176, 180, 188 and 202. As to the recognition of the rights of other stakeholders by the corporate governance framework, the CSAR has cited a number of legal instruments available to protect the rights of stakeholders, particularly those legal instruments related to: registry companies; commercial enterprise; government enterprises; central bank and banking Acts; insurance; investment; telecommunications; electricity; products and service standards; domestic trade and competition; foreign trade; customs duties; cheques; trade and traders; brokers and transport forwarding agents; accounting; bankruptcy; value-added tax; privatisation; government procurement; information technology; tourism; labour code; and anticorruption law.

**ii. Mission Findings**

336. Most of the laws enacted under this objective have found little ground for application. The CRM constantly underlined to the stakeholders that a confusing, burdensome or unfair legislative and regulatory framework drives up the cost of setting up a business, dissuades investors, and provides fertile ground for corruption. Such a framework is particularly damaging to small and medium enterprises. The CRM has appealed to all stakeholders to ensure that all these concerns are effectively reflected in the laws, and to take steps where necessary to reform the framework accordingly.
337. The preliminary exchanges between the CRM and the stakeholders have led to the assessment of some of the existing laws of the above framework, especially the Labour Code, and the laws related to banks, with a focus on the rights of workers and the rights of women. The assessment has resulted in the wide non-observance of the critical provisions on these rights and duties on both sides.

***Fair Treatment of All Stakeholders: Issues***

338. It is the understanding of the CRM that improved business performance, profits and economic progress come to those who effectively and

efficiently foster and meet the reasonable expectations of their primary stakeholders: customers and consumers; employees and agents; suppliers and service providers; shareholders and owners; lenders and investors; government officials and agencies; and the environment. All these stakeholders should have a high degree of confidence in the rule of law for business to meet its economic, social and environmental responsibilities. A legal framework oriented towards free markets and reliable judicial institutions is essential for this confidence to develop over time. Such a framework will need:

- Contracts laws;
- Laws regarding the formation, operation, management and dissolution of corporations;
- Laws on privatisation;
- Real estate laws;
- Laws against unfair competition;
- Labour management laws;
- Tax laws;
- Accounting and auditing standards;
- Laws protecting intellectual property rights;
- Bankruptcy laws;
- Insolvency laws;
- Environmental protection legislation and regulation;
- Laws ensuring fiduciary responsibilities of managers and directors;
- Rules governing the rights and obligations of shareholders, managers and boards of directors; and
- Laws permitting class-action suits.

#### *Labour Law*

339. The CRM has observed that the Labour Law, though not perfect, covers the main aspects of all parties' protection and rights, but also their respective obligations. Even though it is recognised by most stakeholders that the Labour Law largely favours employees, the employers do not find it a real obstacle in the current environment. On the other hand, employees should be trained to be a positive proposition force in the country through trade unions. When the Labour Law is amended, it would be opportune to provide for the creation of a permanent consultative framework between the Government, employers' organisations and workers' organisations.

#### *Rights of Workers*

340. The CRM feels that the management of companies rarely associates the other stakeholders, especially their employees, to the decision-making process in their corporations, even when it comes to their conditions. On the other side, trade unions are not very active and their failure to participate constructively to the life of their company is blatant. Local trade unions, which have been truly independent and active for only five years, should seek more technical assistance from the ILO to be able to play a responsible role in the improvement of corporate governance and the development of the private sector.
341. In the area of social protection, the Government has recently established the Rwanda health care insurance scheme, called RAMA, for its civil servants. The services of RAMA should be extended to the private sector so that all employees could benefit from health insurance coverage, with their employers also contributing to the fees.
342. The social security system seems to have significantly improved its procedures, but it is still difficult to trace employers' careers when they have changed jobs during their active life. This is mainly due to companies' negligence and also to the loss of administrative documents during the war. Efforts to reconcile individual files should be sustained and a communication campaign should be launched, possibly with the RPSF and CESTRAR, to raise workers' awareness of the services provided by the social security system and its improved performance.

#### *Rights of Women*

343. Rwanda's Constitution provides for a 30% stake for women at all positions. The CRM had the opportunity to observe that, when it is possible, the particular provision is applied. The real issue is, however, the problem of competences and skills of the beneficiaries. There is an important need to train women to allow them to fill the quotas they have been allocated by the people of Rwanda.

#### *Other Rights Covered by the Secretariat of Privatisation*

344. The CRM has observed that the Secretariat of Privatisation is also concerned about the social aspects of privatisation, and takes them into account during negotiations with potential investors to protect the workers' rights. In the case of unavoidable redundancies, the Secretariat ensures that they are adequately indemnified. Also, the

Secretariat tries as often as possible to make sure that stakeholders are associated to the privatisation process. For example, the privatisation process of tea plants allocates a 10% stake to tea farmers' associations and 35% to financial investors. These stakes are currently still held by the Government, but will be sold through the stock exchange when it is created. Unfortunately, the workers of the privatised companies are not yet associated to the process, given their low purchasing power.

***Objective 5: To provide for the accountability of corporations, directors and officers***

**i. Country Self-Assessment Report**

345. Concerning disclosure on all material matters relating to corporate entities, the CSAR underscored the provisions of Article 6 of Decree No. 19/78 of 14 August 1974, which stipulates that public companies are required to submit their annual financial statements to the registrar, together with their annual returns. The audited financial statements are to be published in the official gazette.
346. The CSAR recognises that the publishing of annual reports in the gazette is not strictly enforced. Other enforcement institutions cited by the CSAR include the Auditor-General, the NBR and the Registrar of Companies. As for the sanctions against corporations for non-compliance, the CSAR indicates that, in general, the Government and regulatory bodies may bring criminal and civil action against companies, their executives and board members. They can also use administrative measures that do not depend on lengthy court proceedings, such as imposing fines and issuing binding compliance orders that prevent or reverse potentially abusive actions. Challenges include an acute shortage of highly qualified professionals in finance, accounting and management.

**ii. Mission Findings**

*Accountability of Corporations, Directors and Officers*

347. Further deepening its analysis, the CRM observed that Rwandan commercial law clearly establishes the role and responsibilities of corporate boards and management. They are fully accountable for their acts, and management must report to the board of directors, which in turn reports to the shareholders. In practice, however, given that in most companies there is no distinction between the interests of shareholders, board members and management, these rules are seldom applied. The



CRM has also observed that the notion of independent board members is unknown to the Rwandan business community. Directors are usually designated with regard to their acquaintance with shareholders, whose sole interests they would defend.

348. At present, the commercial law imposes that limited liability companies only should have their accounts certified by an accountant. As this form of incorporation requires a minimum equity level of Rwfr 100m, very few companies are registered under the limited liability form. The vast majority of Rwandan public limited liability companies are set up under the form of proprietorships, which are very reluctant to apply transparency rules.

*Harmonisation of the National Accounting Plan with IAS/ISA*

349. The CRM has observed that there is an old official accounting plan in Rwanda, but it is not IAS compliant and its application is not enforced. With the exception of large corporations and NGOs, very few companies actually comply with the international auditing standards.
350. There is no local association for certified accountants. The number of certified accountants in Rwanda is estimated at sixty persons, which is a relatively low figure. Most certified accountants have graduated abroad, mainly in the UK, and operate in the private sector. The Government has only three qualified accountants (in the Ministry of Finance and Economic Planning, NBR and RRA). Local accounting firms do not always have qualified professionals, as opposed to international firms' representatives.
351. The decision to set up the Rwanda Institute of Certified Accountants (RICA) has been taken. A steering committee has been established, which is still working on the creation of the Institute. A stakeholders' meeting is planned for the beginning of May 2005 to validate the articles of incorporation of the Institute. It will then be submitted to the Government. When the CSAR' s Action Plan mentions the creation of the RICA in May 2005, it is not expected to be operational before July 2005.

*Other Rules and Practices under the Secretariat of Privatisation*

352. The CRM has observed that the Executive Secretary of the Secretariat of Privatisation makes all the necessary technical assessments, and conducts negotiations with potential strategic investors before

submitting proposals and options to the Secretariat's board for approval. (The Privatisation Technical Committee is composed of seven members representing various public entities.) There is therefore a clear separation of powers between the Secretariat, which carries out the technical investigations, and its hierarchical authority, which decides. A procedures manual has been issued in the three national languages (Kinyarwanda, French and English). The procedures are by all accounts very comprehensive. The information on the privatisation programme is made available to the public, and the Secretariat has identified communication as one of its priorities to popularise its works in the public.

### **iii. Recommendations**

353. The CRM recommends that the RICA, when fully operational, be used as a cornerstone for training board members, as well as for raising awareness in the business community about the value added by the appointment of independent directors to the board.
354. To improve transparency and disclosure, Rwanda is advised to:
- Lower the requested level of equity needed to set up a limited liability company, so that more enterprises could be under this legal status and comply with the audit and financial disclosure requirements; and
  - build capacities at CAPMER's level to set up accounting stop-shops, where individual entrepreneurs could get assistance to prepare their financial statements and have them reviewed by qualified accountants.
355. The CRM further recommends that a new law on the boards of directors of public agencies be voted, and that the law be applied to the Privatisation Technical Committee.

# 5

## SOCIO-ECONOMIC DEVELOPMENT

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### 5.1 Introduction

356. Socio-economic development is one of the four thematic areas of the APRM. It follows the principles that poverty can be effectively tackled through the promotion of a number of key objectives. These include democracy, good governance and security; the development of human and physical resources; gender equality; openness to international trade and investment; allocation of appropriate funds to the social sector; as well as new partnerships between the Government, the private sector and civil society. Rwanda' s long history of bad governance and the legacy of genocide pose a major challenge for the Government in view of the massive portion of the population living in dire poverty and lacking access to social amenities.
357. Another obstacle is the limited capacity of the State to tackle these problems efficiently and effectively. The socio-economic development review of Rwanda is intended to highlight the efforts and progress made in designing appropriate policies and delivery mechanisms in key social development areas, while highlighting the outstanding challenges.
358. Currently, poverty in Rwanda is largely concentrated in the rural areas (83% of the total population). Almost half the population (42%) is below 14 years of age. The country is not very rich in natural resources and suffers from severe adverse climatic conditions, such as drought in some parts of the country. Socio-economic indicators are mixed, with improvements in areas such as gender equality and education, and lack of improvements in areas such as maternal and child health. Nonetheless, Rwanda has made exceptional progress in establishing policy and institutional frameworks to improve socio-economic development. Vision 2020, the PRSP, and Sector Strategies constitute the key long- and medium-term plans and road maps for promoting socio-economic development. These strategies are facilitated by Rwanda' s ongoing decentralisation process, which is also supported by the Decentralisation Unit, the Community Development Committee (CDC), and the Poverty Observatory Unit.

359. The socio-economic development review is structured in questionnaire format, dealing with issues according to standards and codes, as well as the six objectives. For each objective, the strengths and weaknesses are identified based on the CSAR and the APRM' s Background Paper. This is followed by an assessment supported by findings from the CRM and its recommendations to the country, in order to address problem areas.

## 5.2 Standards and codes

### i. Country Self-Assessment Report

360. The standards and codes for socio-economic development which Rwanda has adopted, signed or ratified are:

1. The Constitutive Act of the African Union (2000)
2. African Charter on the Rights and Welfare of the child (2001)
3. African Charter on Human and People' s Rights (1983)
4. Protocol to the African Charter on Human and People' s Rights, including the protocol on the Right of Women in Africa (2004)
5. NEPAD Framework Document (2001)
6. Dakar Declaration on Education for All (1992)
7. Dakar Declaration on Gender Equality (1992)
8. Maputo Declaration (2003)
9. African Charter on Popular Participation in Development (1990)
10. United Nations Millennium Declaration (2000)
11. World Summit on Sustainable Development (2002)
12. UN Convention on the Rights of the Child (1990)
13. Optional Protocol on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography (2002)
14. Convention of the Elimination of All Forms of Discrimination Against Women (CEDAW) (1980)
15. UN Declaration on the Right to Development (1996)
16. World Summit on Social Development Plan of Action (1995)

361. Rwanda is reforming existing laws and designing new laws to comply with the 2003 Constitution and international standards and codes. These new and/or revised laws incorporate social concerns such as the gender issue, the youth, and environmental conservation and protection. Examples of reformulated and new laws passed, or in the process of being passed are:

- Family Law;

- Inheritance Law (that considers rights of women);
- Law on Women' s Council;
- Land Law;
- Environment Bill;
- Microfinance Law;
- Education Law;
- Health Law; and
- Law on the Rights of Children.

## ii. Mission Findings

362. The extensive list of regional and international standards and codes shows that Rwanda has demonstrated political will to adhere to these provisions by signing, ratifying and/or adopting all the standards and codes listed in the APRM Questionnaire for Socio-Economic Development. As indicated in the section on Democracy and Good Political Governance, Rwanda has not yet signed the Optional Protocols to CEDAW. Nonetheless, Rwanda has signed and ratified the AU Protocol on the Rights of Women, which very few African countries have ratified to date.
363. It is worth noting that Rwandan law establishes the supremacy of international legal instruments over domestic legislation. In the hierarchy of laws, the Constitution is supreme, followed by organic laws, ordinary laws, decree laws, presidential orders, Prime Minister' s orders, Ministerial orders, instructions (by authorities designated by law, e.g. NBR) and regulations.
364. Compliance with international standards and codes is the important next step after ratification. The official process in Rwanda regarding compliance is to translate these international laws into domestic laws, which are passed by Parliament. Once passed, the laws are published in the official gazette in three languages: Kinyarwanda, English and French. These are then disseminated to the provinces. The allocation of resources must also complement the process for effective implementation. In Rwanda, lack of adequate compliance remains a reality for several reasons. The main challenges in implementing some of these standards and codes include the:
- Low level of awareness by the public as a result of lack of resources to package and disseminate information;
  - Low literacy amongst a substantial proportion of the population (about 38% of the population are functionally illiterate, as they can neither read nor write in any of the three officially designated languages, according to the National Census, 2002); and
  - Social and cultural norms that hinder or slow down the process of

change.

365. Worthy of note in the process of formulating such laws is the participation of various stakeholders, including civil society, the private sector as well as women and religious groups.

### **iii. Recommendations**

366. The CRM recommends that the Government continues to:
- Disseminate information and sensitise the public regarding codes and standards and national laws;
  - Translate these important documents into the local languages; and
  - Build capacity that is essential for effective dissemination and awareness of legal instruments at the local level.

## **5.3 Assessment of APRM objectives relating to Socio-Economic Development**

### ***Objective 1: To promote self-reliance in development and building capacity for self-sustaining development***

#### **i. Country Self-Assessment Report**

367. National development programmes are designed at two main levels: (a) the Ministry of Finance and Economic Planning, as the national level (in collaboration with line ministries and all stakeholders dealing with various facets of social and economic development, such as education, health and infrastructure); and (b) the CDC, which designs development programmes at the district level. A major innovation in Rwanda is that community projects are owned by the communities, which enhances their ownership and responsiveness. Communities participate in project cycles starting from needs identification, prioritisation of needs, project design, tendering process and implementation, up to monitoring and reporting.
368. The Common Development Fund (CDF) is a widely used instrument throughout the country, at district and sector level, for socio-economic development at the community level. CDF projects are designed in accordance with nationally prioritised development projects by the CDC, which is represented by various stakeholders, including women's groups. Ten per cent of the national annual budget is directed to the CDF. In addition, it may acquire additional funding from other sources, including donors. Other institutions and mechanisms that influence the socio-economic development agenda in Rwanda include the Parliament,

which performs oversight functions, and the Gacaca judicial system, a community approach to expediting the trials of those accused of the 1994 genocide. Others are the National Unity and Reconciliation Commission, with representatives at the district and provincial levels; National Council of Women, with elected members from cell level to national level; the RPSF; and the Rwanda Association of Local Government Authorities (RALGA).

369. Rwanda has different laws, strategies and policies (in various stages of development) to promote access to basic needs, especially for the poor. A law on water management has been passed. The law on sanitation has not been updated since 1926, but a sanitation policy is under way. An energy policy exists, but the law is currently restricted to electricity and is also outdated (1928). Rwanda has updated laws on microfinance, land and settlement. A law on Information and Communications Technology is under way and a law on markets (1952) exists. Rwanda's efforts to bring gender equality to all facets of life in the country are quite significant, and are well captured in the CSAR and the CRM's observations. The affirmative action policy to have at least 30% of positions in Parliament filled by women has been fully implemented. This is aptly illustrated by the high proportion of women in Parliament (48%) and *The Economist's* recent rating of Rwanda as the trailblazer in the world in this respect. Current legal reforms include a gender-sensitive Constitution produced by referendum in 2003; and several laws..<sup>14</sup>
370. The constraints to achieving accelerated socio-economic growth are also well captured in the CSAR. To mention but some of them:
- 83% of the population live in the rural areas (2002 Census Report);
  - 86.67% live on subsistence agriculture (2002 Census Report);
  - 38% of the population cannot read or write;
  - 63% of the population live below the poverty line (CSAR, p. 210);
  - 322 persons per square kilometre is the average population density; and
  - Climatic conditions are adverse, especially the drought in some parts of the country.

*The country with its 8.2 million people has:*

- 95 000 vulnerable orphans of the genocide;<sup>15</sup>
- 250 000 vulnerable widows;

<sup>14</sup> Some of these laws are a law on child protection, which has gender aspects; a law on women's councils; a labour code; land law; and family law.

<sup>15</sup> The figure of 95 000 does not represent all vulnerable orphans in Rwanda. The actual number of all orphans in Rwanda is 1 264 064 children (Census, August 2002).

- 20 000 maimed victims;
- 54.7% female-headed households of genocide survivors;
- 60% female genocide survivors; and
- 13% of the population that are genocide widows.

371. Rwanda is heavily reliant on external aid. Data from the CSAR show that in 1995, externally financed capital expenditure from the total development budget was at 100%. In 2000, it was 96.6% and in 2003, 83.1%. This heavy reliance is explained by two factors: consequences of the 1994 genocide and the narrow tax base. Evidence from the debt to GDP ratio (98.1 in 2003) also shows that Rwanda is heavily indebted. The decline in aid reliance in the last ten years is moderate, but also indicative that efforts have been made to be self-reliant. Rwanda has also reached the HIPC completion point and hence qualifies for maximum debt relief. This is expected to have positive implications for self-reliance and sustainable development, especially where socio-economic development is concerned.<sup>16</sup>

372. Table 5.1 shows the percentages of resources directed to the specific sectors between 2003 and 2005.

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<sup>16</sup> There is more discussion on HIPC in the section on Economic Governance.



**Table 5.1: National budget allocation to sectors, 2003– 2005**

Sector	2003	2004	2005
General public services	39.3%	37.4%	32.1%
Defence	14.6%	8.4%	8.1%
Public order and safety	6.8%	6.4%	8.7%
Environmental protection	0.3%	0.7%	0.3%
Agriculture	1.6%	4.5%	3.0%
Industry and commerce	0.7%	1.3%	1.7%
Fuel and energy	0.5%	1.3%	4.7%
Transport and communication	2.6%	4.7%	5.4%
Land, housing, community amenities	0.3%	2.3%	4.3%
Water and sanitation	0.8%	1.6%	2.4%
Youth, culture and sports	0.6%	0.9%	0.8%
Health	4.0%	5.0%	7.9%
Education	17.4%	14.8%	14.6%
Social protection	9.5%	10.2%	7.2%

*Source:* Law determining the State finances for 2005 fiscal year.

373. Notably, the shares of resources allocated to the general public services and defence have been steadily decreasing. Investments in social sectors such as health, water and sanitation, as well as land, housing and community amenities have been steadily increasing. Also increasing are fuel and energy, transport and communication, and industry and commerce.

## ii. Mission Findings

374. The CRM established that, due to limited skill in project design and implementation, CDCs have to rely on NGOs and the private sector. In the absence of skilled personnel, which may not be available at the time of project design and implementation, delays in completion are experienced. Also, the quality of finished products may be at stake due to the lack of skilled human resources to observe quality control.
375. Building capacity for self-sustaining development is Rwanda's greatest and most acute challenge due to the lack of skilled human resources and financial resources. Further, institutions are young and are still evolving. Thus, projects that have been identified are not being implemented and put into operation. Rwanda also faces additional challenges, one being the change in the composition of the population after the 1994 genocide, due to massive internal movements of refugees, returnees and displaced persons. This has significantly hampered the desired socio-economic development of the country.

376. As a result of these problems, the Government has not yet been able to reduce the rural-urban disparities in terms of socio-economic development. The decentralisation process has also been slow due to capacity and financial constraints. Even with these constraints, the Government and all stakeholders in the country continue to show commitment to Rwanda' s development.
377. One of the policy mechanisms, Sector-Wide Approaches, is an initiative that complements CDCs and CDFs to improve the effectiveness of programmes through better coordination between the Government, civil society and donor agencies. The initiative has proven to develop a sense of ownership of development programmes by the Government, local communities and stakeholders. Development agenda ownership by stakeholders has been observed vividly in the provinces visited by the CRM. In discussions with stakeholders in Cyangugu, for instance, stakeholders expressed the opinion that they would prefer donors to put their funds in a basket, so that the funds may be allocated nationally, including distribution to district-level prioritised programmes and projects. Such basket funding will allow plans to be made for the longer term and will improve the chances of sustainable development.
378. Regarding the issue of sustainability of financing programmes for community development, especially in the light of Rwanda' s reliance on external sources for budgetary support, it was resolved that community development should be hailed as highly crucial and beneficial. Not only is the Government obliged to commit 10% of national funding to the districts for community development initiatives, but there are also plans to increase this percentage in future. It was also made clear that in the spirit of Ubudehe, communities have to contribute a minimal percentage to CDF projects. This contribution may take place in the form of monetary contributions or through labour (which is most often the case).
379. The decentralisation process has greatly facilitated Rwanda' s quest to be self-reliant and to build capacity for self-sustaining development. The district is the focal point in the development of the country and operates through two principal political bodies: the District Council and the Executive Committee. Decentralised structures allow local governments to make decisions within their jurisdiction. Local governments, through CDCs, initiate, design, implement and supervise their own development programmes and projects. In the areas of education, health, agricultural extension services and infrastructure maintenance, the units currently do their own recruitment, pay salaries and supervise development undertakings.

**Box 5.1: Best practices in fostering country ownership, self-sustaining development and broad-based participation in the development process**

Rwanda has institutionalised the participatory and consultative approach at all levels of its society, with the primary purpose of allowing all Rwandans to effectively own and internalise the political, economic and social development processes of their country. This is illustrated by the following examples, amongst many others, that the CRM documented during its interactions with the stakeholders and investigations during the ARPM review process.

Communities are given full responsibility for needs identification and prioritisation, design, tendering process, implementation, monitoring and evaluation. This assures community ownership of programmes and projects, as well as future sustainability. As regards budgeting and disbursement processes, 10% of national domestic revenue and 3% of national domestic revenue recurrent expenditure go directly to local government. There is also fiscal and financial decentralisation, where CDCs formulate development plans that are eventually incorporated into the district MTEF. District councils approve the development plans, which must be in line with the priorities of the district and of the PRSP. The district budget is submitted to the province, which then goes to the national level (Parliament) for the allocation of resources. There are also checks and balances to ensure that money is not embezzled, by putting in place an internal auditor for each district.

Rwanda also has a labour-intensive local development programme in place called HIMO (Haute Intensite en Main d' Oeuvre) . It creates work for local citizens who are required to invest, via HIMO projects, a portion of their earnings in the community health insurance scheme – Mutuelle de Santé. In effect, HIMO creates employment at the grassroots level and thereby consolidates a sense of ownership of development programmes in communities.

Ubudehe is one of the innovative Rwandan practices that emphasises collective community action to solve problems and meet community needs. The monthly practise of Umuganda, where the entire population has mandatory community service, is found to be an effective way of promoting self-sustaining development and ownership of the development agenda. The formulation of legal frameworks, policies, initiatives and development programmes (i.e. the Constitution, Gacaca courts, Vision 2020, and the ARPM national process) is typically done in a broad consultative manner, involving all stakeholders such as youth, women and the aged.

380. Furthermore, due to the fiscal decentralisation law and policy, these units collect property tax, rental tax and licence fees. They also receive 10% of the National Domestic Revenue for their development budget administered by the CDF. Additionally, 3% of the National Domestic Revenue is allocated to their recurrent budget. A Central Government Fund for Vulnerable People is now disbursed at local government level.

This is one of the vehicles through which the Government complements community-based efforts and reduces rural-urban disparity in socio-economic conditions.

### iii. Recommendations

381. The CRM, noting all the remarkable achievements under this objective, recommends that:
- Training be given by the Government in all areas stated to enhance the workings of the CDC, as well as the other agencies;
  - Outdated laws, such as those on energy and markets, be revised by the Government; and
  - Outdated laws, e.g. on energy and markets, be revised, as they constitute the policy and legal frameworks that need to be in place to promote self-sustaining development.

## ***Objective 2: To accelerate socio-economic development to achieve sustainable development and poverty eradication***

### i. Country Self-Assessment Report

382. The CSAR notes several policies and mechanisms in place to accelerate socio-economic development. As mentioned, Vision 2020, the PRSP, and Sector Strategies are the key long- and medium-term plans for promoting socio-economic development. The ongoing decentralisation process, supported by the Decentralisation Unit, CDC and the Poverty Observatory Unit, complement the strategies in place to actualise this objective..<sup>17</sup>
383. The agricultural strategy is one of the sectoral frameworks to accelerate socio-economic development. It aims to move Rwanda from subsistence farming to a market-driven agriculture. It also aims to improve land use and soil conservation management, among other goals. Forestry and land issues are critical in Rwanda. A new Land Law has been passed and the Law on Forestry Management has been revised.
384. Among the new provisions soon to be implemented, will be mandatory impact assessment for all major environmental projects, especially in the wetland areas. The compulsory registration of land is currently ongoing, and the Ministry of Land acknowledges that capacity is lacking to complete these tasks on time. It is a time-consuming task and the district

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<sup>17</sup> Policies on human development, such as education and health, are discussed in Objective 3.

level has insufficient human resources and skills. Rwanda has a labour-intensive local development programme (HIMO) in place. This programme aims to reduce poverty by relying on local resources in projects that are income-generating.

385. Rwanda has made strategic choices for accelerating socio-economic development through its decentralisation approach where CDCs design and implement their own development programmes and projects. These are mainly geared at infrastructure development, and are funded for the most part by the CDF (which has been elaborated on in Objective 1).

## **ii. Mission Findings**

386. On the agricultural strategy, the CRM noted that the Environmental Bill should be passed in order to expedite these goals. The CRM was informed that the Bill has been adopted by Parliament and was expected to have been published in the gazette by May 2005. The CRM learned that REMA – a compliance and enforcement unit – is not yet operational. There is simply a taskforce working to establish the institution until the law is passed. On land issues, Rwanda has consulted with other countries such as Mozambique and South Africa to learn lessons.
387. On the issue of poverty, the CRM asked civil society and government representatives, including the Ministry of Finance, why the numbers of population living below the national poverty line were increasing, despite augmented investment in poverty-related sectors. Rwanda's CSAR noted that in 2001, 60.3% of its people were living below the poverty line, rising to 63.3% in 2003. Some explanations obtained regarding this paradox were that vulnerable groups (i.e. widows, and persons living with HIV/Aids) were not patronising government support; environmental conditions were adverse; and there was a time lag of investments. The Ministry of Finance, however, pointed out that poverty statistics after 2000 are speculative, and that one cannot be certain that poverty indicators are indeed rising. The Ministry is writing the second PRSP and will use actual data from household surveys.
388. Rwanda has a poverty monitoring unit whose role, among others, is to see whether registered growth is truly pro-poor. This has not been highly effective due to the lack of statistics and inadequate capacity.
389. Three MDG goals, in particular, were brought to the attention of all stakeholders: reduction of poverty; child health; and maternal health. These indicators were felt to be most critical and were possibly worsening (poverty) or not improving (child and maternal health) over the years (see Table 5.2).

**Table 5.2: Results achieved in terms of the Millennium Development Goals indicators**

Goals	2001	2002	2003
EXTREME POVERTY – Halve the proportion of people living below the national poverty line by 2015	60.3%	–	63.30%
HUNGER – Halve the proportion of underweight among under-five-year-olds by 2015	24% of the under-five-year-olds have hunger-related problems	–	–
UNIVERSAL PRIMARY EDUCATION – Achieve universal primary education by 2015	73.3% net enrolment rate	74.5% net enrolment rate	81.7% net enrolment rate
GENDER EQUALITY – Achieve equal access for boys and girls to primary and secondary schooling by 2015	Net enrolment rate: Girls 74.9% Boys 72.9% Gross: Girls: 98.2% Boys 101,9%	Net: enrolment rate Girls 74.9% Boys 74% Gross: Girls 102.3% Boys 105.8%	Net: enrolment rate Girls 82.3% Boys 80.9% Gross: Girls 108% Boys 109.9%
CHILD MORTALITY – Reduce under-five mortality by two-thirds by 2015 (current levels)	107/1000	–	107/1000
MATERNAL HEALTH – Reduce maternal mortality ratio by three-quarters by 2015	1071/100 000	–	1071/100 000
COMBAT HIV/AIDS AND MALARIA – Stop and reverse the spread of HIV/AIDS and malaria by 2015	HIV/AIDS 11.20% MALARIA prevalence rates-50%	13% 57.80%	13.50% 60.70% 5.1% (Adult HIV prevalence rate only)
ENVIRONMENTAL SUSTAINABILITY – Reverse loss of environmental resources by 2015	–	–	–
GLOBAL PARTNERSHIP FOR DEVELOPMENT	–	–	–

Source: MDG Progress Report.

390. Evidently, Rwanda is performing well in gender equality where education is concerned. There has been steady improvement in the enrolment rates of girls. Equally encouraging results are found in universal primary education. On child and maternal health, all the stakeholders who met during the review admitted that the indicators were indeed disturbing, and that these components of health care were a persistent problem for the country, in spite of various attempts to address them. Explanations from civil society pointed in the main to persistent cultural practices and lack of adherence to family planning methods. Some said access to medicine was a problem. There were insufficient hospitals and some people also had to travel long distances to them, and they thus gave birth to their babies at home instead.

### **iii. Recommendations**

391. The recommendation for this objective is to expedite capacity building at the local level in order to catalyse the process of decentralisation. The CRM proposes that the Government:

- Undertakes empirical analysis on the proportion of resources allocated to projects enhancing women's development;
- Provides attractive incentive packages to encourage qualified people to work in the districts; and
- Makes high-level commitment towards the MDG goals, particularly to poverty reduction, maternal health and child health.

***Objective 3: To strengthen policies, delivery mechanisms and outcomes in key social development areas, including education for all, combating of HIV/Aids and other communicable diseases***

### **i. Country Self-Assessment Report**

392. Apart from development frameworks for social and economic development, the CSAR noted some innovative approaches being implemented at the local level to promote social development. An example is the Ubudehe practice that emphasises collective community action to solve problems and meet community needs. This concept complements the decentralisation policy headed by the local government ministry, and allows bottom-up selection and approval of development and financing priorities.

393. On health issues, while the CSAR reports that health indicators have shown signs of improvement since the genocide, it also admits that the indicators are still low in comparison with the average for sub-Saharan Africa. Malaria rates, noted to be increasing (50% in 2001 to 61% in

2003) continue to be the leading cause of morbidity for children under five years of age and the general population at large. The national HIV/Aids prevalence rate is reported to be at a high of 13.5%. The CSAR further states that malaria and HIV rates continue to increase even though the Government has doubled its efforts in the campaign against them. The incidence rate of HIV/Aids has been increasing in the past five years, and it is evident that HIV/Aids ranks as the second killer disease after malaria. On HIV/Aids treatment, there have been 25 operational antiretroviral sites and 6327 patients on such medication as of September 2004. Some 105 Preventing Mother-to-Child Transmission (PMTCT) and 120 voluntary counselling and testing (VCT) sites have been integrated in health facilities.

394. Child health and maternal health have shown no signs of improvement, as indicated in the data provided in the CSAR. In fact, the maternal mortality rates of 1071 per 100 000 is one of the highest in the world and poses the greatest challenge in meeting the MDGs. The health insurance coverage rate was reported to be at a low of 7% in 2003, but the innovative approach being utilised in Rwanda is boosting health insurance coverage in a cost-effective manner. This mechanism, known as Mutuelle de Santé, is a community-based health insurance that is decentralised from provincial level to the cell level. As of August 2004, the coverage rate was 24%. Employees of the Government, however, are provided with RAMA, a government health insurance scheme.
395. In education, the CSAR notes that an Educational Sector Policy was drawn up in 2003/2004. Measures have been taken by the central Government to make basic education universal and free for all Rwandans. Rwanda also has an Education Sector Strategic Plan (ESSP) 2004– 2008, which utilises a sector-wide approach by involving all partners in the development of the strategic plan and adhering to a global monitoring and evaluation framework. As far as resources are concerned, the share for education has been consistently more than half the total amount of priority spending. Particular attention is being paid to the education of girls and the promotion of Science, Mathematics and ICT (considered the heart of the education system) in schools.
396. Concerning institutional frameworks to manage, regulate, monitor and evaluate the education sector, there is a General Inspectorate, assisted by relevant departments at the Ministry of Education to ensure pedagogical and management standards; MINALOC (Ministry of Social Affairs and Good Governance); MIFOTRA (Ministry of Public Service, Skills Development, Vocational Training and Labour); a National Examinations Council; National Curriculum Development Centre; and Student Financing Loan Agency.



## ii. Mission Findings

397. In health, the CRM found that in the various provinces, all stakeholders appeared knowledgeable about the community health insurance (Mutuelle de Santé). The Minister of Health informed the CRM that there were plans to harmonise the rates of the community health insurance and peg the annual contribution at Rfr 1000. For the moment, various provinces have different rates, as collectively agreed by all stakeholders in that province. For instance, in Umutara, the yearly membership contribution is Rfr 3000 and the health insurance comprises two parts: a subscriber may go to a health centre and receive all treatments, including medication and consultation, for free, or go to a hospital and receive selected free treatments. For instance, at the hospital, malaria is fully treated; consultation and hospitalisation are free, and caesarean operations are done free of charge. Treatment outside of these categories must be paid for. The Government intends to extend coverage in the future.
398. With regard to the legal framework, there appears to be no recently updated laws on health care in the past fifteen years, as noted by the CSAR. Nonetheless, there are numerous policies and strategies covering many facets of health. A number of institutions (health centres, HIV/Aids Commission, etc.) have been established to improve the performance of the health sector.. Rwanda is also receiving substantial international assistance in the health sector, most of which is directed at HIV/Aids. For example, the World Bank-funded MAP is providing assistance for public awareness campaigns and community sensitisation, testing and antiretroviral drugs, as well as health care for those persons living with HIV/Aids.
399. On HIV/Aids, the CRM presented to various stakeholders an issue that is not sufficiently dealt with in the CSAR, namely the large influx of resources to combat HIV/Aids. This includes funds from the World Bank, the Global Fund and the United States Government. Rwanda is also one of fourteen countries included in the five-year President' s Emergency Plan for Aids Relief (PEPFAR) that began in the 2004 fiscal year. The concern was that the excess of resources for combating HIV/Aids could undermine the health sector, for example by providing incentives for several doctors to leave their practices in primary health care to find employment in a more lucrative field.
400. Discussions with the Division of Strategic Planning at the Ministry of Finance confirmed that funds for HIV/Aids were not overshadowing other health concerns, because they were being used broadly (for sensitisation, nutrition, etc.), which had multiple benefits for society at large.

401. Another concern, which was confirmed during the CRM, was the lack of reliable data for the national and regional estimates of the prevalence of HIV/Aids. An example of this was clear in the case of the Kibungo province, whereby the CSAR noted an HIV prevalence rate of approximately 6%. Nonetheless, a visit to the province and interactions with provincial leaders led the CRM to believe that Kibungo had the highest rate of HIV/Aids in the country, near to 13%. The discrepancy in data was eventually put forward to the National Commission.
402. A member of the Commission, who is also a senior expert in the Ministry of Finance, confirmed that data on HIV/Aids have been problematic in the past, as well as unreliable. Experience showed that people were more likely to respond – and to respond truthfully – depending on their degree of sensitisation on the subject matter. In fact, Rwanda is currently in the process of initiating another survey of HIV/Aids, especially for the regions of Umutara and Kibungo.<sup>18</sup> The Commission took note of the recommendation to commit resources to improving data collection and monitoring. The process of establishing an independent statistical institution is under way.
403. Interactions with civil society and the National HIV/Aids Commission confirmed that Rwanda has made available free VCT centres all over the country. It was disclosed in the provinces that women are more afflicted by HIV than men, with serious adverse effects on households, given the central role of women in the home. Nonetheless, many women have been (and still are) sensitised to undergo testing, and are informed about accessing relevant antiretroviral treatment. Pregnant mothers are encouraged to visit PMTCT sites. Efforts to combat HIV/Aids have been spearheaded by the Government from the grassroots level. Medication is available in the country and the World Food Programme (WFP) has been instrumental in supplementing treatments with the proper nutritional supplements. The Government is also making money available for income-generating activities to enhance the self-sufficiency of people living with HIV/Aids.
404. During a meeting with the President of the National HIV/Aids Commission, it was disclosed that the Commission is currently designing a strategic plan for HIV/Aids in conjunction with various stakeholders to

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<sup>18</sup> Recent data presented to the CRM after the visit indicates that the prevalence rate for Kigali Ngali is 13.2%; other cities average at 6.3% and 3.1% for rural areas. From these latest statistics, the average prevalence rate for the entire population is reportedly up to 11%. In 2000, the number of children orphaned due to HIV/Aids was 264 000 (3.2% of a 8.2 million population). On the data discrepancy, especially with regard to Kibungo, the new data corroborate the former statistics of approximately 6%. It may be worthwhile for the HIV/Aids Commission to investigate why the perception of prevalence rates in Kibungo is much higher than what the reality might be.

be ready around July 2005. The President of the HIV/Aids Commission confirmed that there is sufficient commitment in terms of resources to HIV/Aids from the Government and international donors. Nonetheless, there is a gap when it comes to the provision of antiretroviral centres. More resources need to be committed to this, especially in making centres available in rural areas. The President admitted that the bulk of the funding went towards prevention campaigns and workshops. These are beneficial, but there is also a need to focus more on curative centres. The medium-term goal of the Commission is to stabilise the prevalence rates of HIV/Aids in rural areas, which are currently increasing (compared with urban rates, which are declining).

405. In education, the CRM confirmed that tremendous strides have been made in the educational sector and the efforts are continuing. Rwandans proudly confirmed that basic education is free for all Rwandans and attendance is compulsory, as stipulated in the Constitution. The CRM asked both civil society and the Ministry of Education why enrolment was still not at full capacity in spite of the legal framework – and what was being done about this. It was explained that for several reasons, such as household chores, long distance to schools and the effects of genocide, parents might keep their children at home. Nonetheless, MINEDUC (the Ministry of Education) was in the process of introducing punitive measures for parents who do not send their children to school. To do this, it will work in collaboration with community-based administrations responsible for every ten houses in a district.
406. The lack of continuation on to secondary schools for many students, especially female students, was noted by the CRM and presented for further explanation. Early marriage and financial costs were cited as some of the reasons, but with the plans to extend free tuition up to the third year of secondary school, there should be some improvements in this trend. Most Rwandans consulted were aware of the Government' s plan to increase basic education from primary completion up to three years in secondary school.
407. The CRM held a meeting with some senior officials, including the Minister of State at the Ministry of Education, to gain more insight into current developments in the educational sector. The CRM was satisfied with the various policies in place, which were all developed after 2003. They include:
- Educational sector policy;
  - Policy on education for all;
  - Curriculum policy;
  - Textbook policy;
  - English language policy;

- Technical education policy;
- Teacher development and management policy (not yet finalised);
- Science and technology policy (not yet finalised);
- Distance learning policy (not yet finalised);
- Youth and adult literacy (not yet finalised); and
- HIV/Aids education policy.

408. These policies are reportedly developed in consultation with NGOs, faith-based organisations, teachers, ministries, and so on. The cluster of institutions continues to expand throughout the consultations and, finally, culminates in a national conference, which operates like a Parliament and adopts the policy.

409. At the local level, the CRM discovered that communities also put together funds for education and these are then decentralised to the sector level. Representatives from the community proudly raised the fact that there had been only one university in Rwanda before 1994. Now there are at least five, with several faculties. Graduates of the universities also assist communities in working out development plans. The communities also noted – as an incentive to maintain and increase enrolment in schools – that the practice of sending children home from school if they did not have their books, or were not wearing their proper uniform, has stopped. Children are taught in both English and French, and therefore will be very effective and competitive in the international arena.

### iii. Recommendations

410. The CRM advises the Government to:

- Commit to a deadline of a uniform policy of health insurance – Mutuelle de Santé – which sets an amount of Rfr 1000 on membership fees;
- Update laws on health care;
- Make a greater effort in sensitising the public in order to obtain more accurate data on HIV/Aids;
- Commit more resources to the construction of antiretroviral centres, especially in rural areas; and
- Build more schools close to the communities to increase enrolment to full capacity.

***Objective 4: To ensure affordable access to water, sanitation, energy, finance (including microfinance), markets, ICT, shelter and land to all citizens, especially the rural poor***

## **i. Country Self-Assessment Report**

411. In Rwanda's CSAR it was noted that collecting water in the rural areas is a time-consuming, energy-demanding and expensive daily task for most people. In a 2001 survey, the coverage rate for safe drinking water was estimated at 40% in rural areas and 60% in urban areas. The access rate to traditional household sanitation facilities was estimated at 85%. Concerning energy, only 6-8% of households were reported to have grid access, thus making Rwanda one of the lowest consumers of electricity. Power and energy supplies for rural households are almost entirely biomass for cooking and heating, while petroleum (paraffin and kerosene) is used for lighting. A reliable power supply remains a significant constraint. Plans to address this constraint include the extraction of methane gas from Lake Kivu, use of solar and wind energy, and other alternative sources. A feasibility study has already been conducted for the extraction of methane from Lake Kivu. It was revealed during the CRM that the Government has already awarded two contracts (one to a foreign firm and one to a Rwandan firm) to begin extraction. The additional benefit of methane is resultant by-products such as fertiliser.
412. On access to markets and finance, the Ministry of Commerce and Industry, as well as the Rwanda Investment and Exportation Promotion Agency (RIEPA), are tasked with policy formulation and investment, and export promotion respectively. There is also the Rwandan Private Sector Federation, established to promote the interests of private investors. Thriving domestic markets also depend to a large extent on good infrastructure, such as roads. Tremendous efforts have been made in this regard, with the construction of at least twelve bridges on national roads, five bridges on tarred roads, 23 bridges on non-tarred roads and the establishment of a national airline company, Rwandair Express, all in 2003. The CSAR noted that thirteen microfinance institutions have been established and new ones continue to be established to address employment creation for micro- and small-scale enterprise operators.
413. Even though ICT currently accounts for a small share of Rwanda's economic output, it is a priority sector in the long-term developmental goals of the country. Rwanda has an ICT policy and strategy committed to putting in place and implementing four five-year National Information Communications Infrastructure (NICI) Plans over a twenty-year time span.
414. On shelter and land issues, the CSAR noted that the effects of genocide have caused massive destruction of shelter. Poverty and previous absence of a land law hindered access to, and affordability of shelter. Construction materials, which have to be imported, also present a cost

challenge. The CSAR report notes that “ since 1995, Rwanda has experienced massive internal movements of refugees and returnees with far-reaching environmental consequences” . In response to the influx of returnees, a framework of villages, *Imidugudu*, was established, whereby communities lived close together in enclaves to be closer to basic amenities. Although most dwellings were said to be roofed with zinc or tiles, a significant proportion of dwelling units were still being roofed with grass.

## ii. Mission Findings

415. On access to basic utilities (water, sanitation and energy), the Government has tried to address the problem of water by encouraging communities to live in a “ communal” or village-like setting, namely *Imidugudu*. An umbrella organisation for gender issues informed the CRM that this setting is most appreciated by young people, while the older people like to be scattered and dislike living too close to each other. Other than this divergent view, interactions from other stakeholders at the provincial level seemed to indicate that the communal setting was working well and addressed adequately the constraint of access to basic utilities.
416. On access to markets and finance, notably, Rwanda is taking considerable measures to compete effectively on the global market. The recent attention given to the coffee industry is one illustration. Unfortunately, varying climatic conditions in the country may not all favour agricultural development. However, it was evident during the CRM’ s visits to the provinces that Rwanda had made efforts to minimise these problems by growing specific crops in those regions that have a more suitable climate. For example, the Kigali-Ngali province grows and exports coffee, rice, maize and fruit, as the climate is appropriate for the cultivation of those crops. Kibungo province specialises in bananas and a few other crops.
417. The growth of microfinance facilities aims at addressing the vast population that requires savings and credit services. Commercial banks have limited presence in the rural towns and the popular banks of Rwanda have limited services. Now that thirteen microfinance institutions have been established, however, the popular banks are becoming more competitive. The supervisory policy for microfinance is expected to be released in the second half of 2005.
418. Stakeholders in the Umutara province noted the burgeoning microcredit institutions that have provided local communities with credit through social collateral. The CRM was also informed that the Rural Sector Support Programme is particularly beneficial in raising savings of

communities, in the sense that borrowers have to pay back only 60% of loans borrowed for rural development projects. In this scheme, when tenders are provided to build roads and other such projects, materials imported for this purpose are exempted from tax.

419. On access to shelter and land, consultations with stakeholders in Rwanda did not firmly corroborate the perception of intense population pressure and the negative consequences of returnees on the environment. It was noted that a few refugees may aggravate the deterioration of the environment due to their dependence on wood for fuel and cooking. Also on environmental concerns, the CRM learned that civil society organisations (CSOs) and NGOs play a significant role in environmental protection. For instance, various groups helped with reforestation in Bugesera, which is a drought-prone area.
420. It was also explained that returnees integrated rather quickly into the country. The Land Law (which has recently been passed and is awaiting publication in the national gazette) allows returnees to acquire half of the land they originally owned prior to emigration – that is, if the land had been taken over by another occupant. By the same token, the Government had allocated some land to returnees and the registration of land is now being implemented. It is worth recalling that Rwanda has been known to face a serious predicament of rapid population growth, dependence on agriculture and subsistence farming, and land pressure as potential threats to the livelihood and survival of millions of rural dwellers in the country. Searching for alternative livelihoods would be useful.<sup>19</sup>
421. The new Land Law in many ways has addressed the numerous challenges to Rwandan society that were presented in the CSAR. Land registration has begun in Rwanda and women have gained more access to land, which has never been the case in Rwandan history. The new Land Law allows for equal inheritance rights between men and women. Women can now inherit land from any family member and pass on the land to their female children.

### **iii. Recommendations**

422. The CRM recommends to the Government to:
- Maintain its impetus to ensure that access to basic amenities is not restricted to the urban areas;
  - Train officials and build capacity at the district level to avoid the huge

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<sup>19</sup> The section on Economic Governance and Management can be referenced here on recommendations for diversification.

- burden of the task of land registration on the central administration in Kigali; and
- Continue to research alternative means of livelihood to alleviate the land issue.

***Objective 5: To make progress towards gender equality in all critical areas of concern, including equal access to education for all girls at all levels***

**i. Country Self-Assessment Report**

423. The CSAR notes that Rwanda has made good progress in gender equality, particularly in the areas of decision-making, legal reforms and education. The newly adopted Constitution is stated to be highly gender-responsive (i.e. mandating women to hold at least 30% of seats in Parliament). Other legal reforms include: a law on women councils; a labour code providing for equal rights; and a land law. A National Gender Policy is in place and gender issues are being mainstreamed in school curricula. There is a ministerial decree to establish a secretariat as a follow-up to the Beijing Plan of Action. The Ministry of Gender and Family Promotion is reportedly in place and empowered. In terms of statistical information, the CSAR shows that in 2003, women comprised 32% of the Ministers of State; 11.1% of Secretary-Generals; 48.8% of Members of Parliament; 50% Senators and 9.1% Prefects (Provincial Heads).
424. In spite of the legal reforms, the CSAR listed some existing discriminatory laws that have not yet been reformed. Examples include the fact that a woman should live where her husband chooses to live (Article 83); and that, in event of temporary separation, a husband can ask that the wife leave the marital home (Article 250).<sup>20</sup> These and several other laws have been acknowledged by MIGEPROFE, the Ministry for Gender and Women in Development, as requiring revision.

**ii. Mission Findings**

425. Considering that Rwanda is a country that has made momentous progress in promoting the rights of women, it was surprising that discriminatory laws still existed and were unrevised. This concern was presented to parliamentarians and some civil society groups, in particular the Secretary-General of the Ministry for Justice. The explanation was that these laws were adopted many years ago; they were admittedly

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<sup>20</sup> On the contrary, the wife cannot ask the husband to leave the marital home, except if the home is her personal property.



archaic and have no place in modern Rwandan society. The CRM was informed that there is a will to revise all these laws. However, several other proposed laws need to be deliberated by Parliament and those laws concerning justice (in the light of the genocide) have assumed priority. Nonetheless, the CRM took consolation from the fact that the Constitution is the supreme law of the land and would override other laws that contradict it.

426. The CRM was informed that the Secretariat to monitor the Beijing Plan of Action is up and running. However, there is a complementary institution, namely the Gender Monitoring Office, which has a broader mandate to monitor all gender-related issues, including the budget. The structure exists, but is still not functioning and civil society groups are putting pressure on the Government to follow through.
427. Concerning international standards and codes, Rwanda has signed and ratified CEDAW, but not the optional protocol to CEDAW. Furthermore, to date Rwanda has not submitted any of the reports to the UN as required of signatories to the Convention. The explanation provided to the CRM was that the period after the genocide hampered the capacity to produce these reports. Nonetheless, a report has recently been drafted to be submitted to the UN.
428. The CRM revealed that extra measures are being taken to further enhance the gender indicators. For instance, the First Lady of Rwanda has a special programme encouraging girls to learn Science in schools. As an incentive, prizes are awarded to girls who perform exceptionally well in Science courses. This shows that Rwanda is keen on not only equality in terms of enrolment, but also equality in terms of discipline. The CRM did not find substantial evidence for the claim in the CSAR that gender issues are still not yet well integrated into local government programmes. On the contrary, gender concerns seem to be well integrated at the local level, with the establishment of women councils even at the cell level. In several of the provinces visited, such as Umutara and Kigali-Ngali, representatives from the local women's councils testified to a well-functioning council that addressed the needs of women. Pro Femme, the umbrella organisation for women CSOs, also confirmed that there is a well-functioning system of women councils that is effectively lobbying and sensitising women at the grassroots level.

**Box 5.2: Best practices in promoting gender equality**

Rwanda adopted a Constitution in 2003 that is highly gender responsive, i.e. stating equality between men and women and mandating the composition of women in Parliament to be at least 30%. Currently (2005), 48.8% of positions in Parliament are held by women. The Minister in the President's Office; Ministers of Justice; Gender and Family Promotion; Lands, Environment, Forestry, Water, and Mines are all women, and the Ministers of State In Charge of Land and Environment; Community Development and Social Affairs; Primary and Secondary Education; Agriculture; Economic Planning; and for Skills Development and Labour are also women. Some 36% of Cabinet Ministers are women. A woman heads the judiciary, as one of the three state organs. Half of the senators are women. These are some indications to show that Rwanda has done well to establish women in decision-making processes at the national level. Rwanda goes further to mainstream women's concerns through the various levels of decision-making by passing a law to establish women councils. These councils have decentralised structures from the national level to the village level, and provide a forum for analysis and advocacy on issues affecting women. Rwanda has successfully managed to achieve an equal balance of girls and boys in primary schools. There are special initiatives to promote the advancement of girls in the field of Science. In this regard, the Minister of State for Education serves as a role model for young girls in that she holds a PhD in Chemistry.

**iii. Recommendations**

429. The CRM recommends as follows:

- The Ministry for Gender is advised to consider reporting of the status of women's rights to the UN Commission for CEDAW very seriously.
- The Gender Monitoring Office should be operationalised and the Government needs to commit to a time-frame for this.
- Capacity building of the women's councils is crucial to ensure that community projects adequately address the needs of women.

***Objective 6: To encourage broad-based participation in development*****i. Country Self-Assessment Report**

430. The CSAR notes that the law on decentralisation is the primary legal mechanism for encouraging broad-based decentralisation. The Sector-Wide Approach (discussed in Objective 1) is also a tool for fostering community ownership of development programmes. Other stated

mechanisms include, but are not limited to, Ubudehe (community participatory planning), Gacaca jurisdiction; a forum for political parties; Workers' Union; National Youth Council; commercial cooperatives and the Association of Demobilised Soldiers. The financial management system for local governments was elaborated on, highlighting that internal auditors are employed to compile reports for the district councils, according to the National Decentralisation Policy of May 2000.

## ii. Mission Findings

431. The CRM found that the effort towards broad-based participation is facilitated by the traditional Rwandan practice of Umuganda. This is a process whereby everybody, from the President to schoolchildren, engages in public projects on a voluntary basis. The CRM was informed that this practice occurs every last Saturday of the month. Public transportation does not operate during Umuganda hours and drivers may be stopped by police and questioned as to why they are not currently involved in Umuganda. The traditional justice system of Gacaca, more adequately explored in the section on Political Governance, is also a practice that heavily demonstrates broad-based participation.
432. An official from the Office of the Ombudsman explained that the budget is drawn up in a participatory and transparent manner. The district budget is prepared by the District Executive Committee and approved by the District Council. There are also checks and balances put in place to ensure that money is not embezzled. Each district also has an internal auditor. Elected officials are mandated to declare their assets to the Inspector-General.
433. Even though all stakeholders, including women, participate in the design and prioritisation of projects, it was observed that the prioritised projects did not always take into consideration and address projects that are gender-sensitive. For instance, water points to be constructed close to community living areas were not always constructed with the needs of women in mind. Nonetheless, the CRM was informed of a national plan for accessing water, which restricts the distance between water facilities and the community from 100 to a maximum of 500 metres. Furthermore, there are no statistics showing the shares of community development funds that directly address women's issues. Understandably, the CDF does not have a specific budgetary allocation for women. However, it will be important to periodically assess whether the community projects make an impact on women's concerns. The Gender Monitoring Office could take on this responsibility.
434. Lengthy bureaucratic procedures are another challenge for the Ministry of Public Service, which has a mandate to hire staff and identify training

needs. The Ministry faces the dilemma that qualified people prefer to work in Kigali and major cities, thereby compounding capacity constraints at decentralised levels. In order to attract people to the districts, the Government has to create attractive incentive packages. Due to a lack of capacity, districts may only design limited numbers of projects, even though they have access to funding for more development projects than designed. This lack of absorptive capacity may also affect the quality of work being done.

### **iii. Recommendations**

435. The CRM recommends that the Government engages extensively in capacity building at the local level and continues to find sustainable means of funding projects at local levels.

# 6

## CONCLUSION

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### 6.1 Overarching issues of concern in Rwanda

#### 6.1.1 Introduction

436. The APR Panel considers the following issues as overarching areas of concern regarding the progress towards good governance in Rwanda. These are the governance issues whose resolution must receive the immediate and utmost attention if the Government of Rwanda is to move closer towards achieving the ideals, principles and spirit of democracy, good governance and socio-economic development as enshrined in the APRM.

#### 6.1.2 Land and population

437. In the CSAR, Rwanda identified land as ranking highest among potential sources of conflict. The issue of land is linked to high population growth and density, pressures on land resources, lack of alternative sources of income for local communities besides farming and ethnic or community relations. Approximately 91% of the population depends on farming and the average farm holding is only 0.6 hectare per family. According to its own self-assessment, this extreme scarcity of land accounts for about 90% of conflicts in the courts, especially in high-density provinces of Rwanda. These conflicts often take on an ethnic dimension, especially in post-1994 genocide Rwanda, whereby many Hutus tend to think, rightly or wrongly, that the local authorities are biased in favour of Tutsis. There is no greater flashpoint for national conflict in Rwanda than the land issue.

438. The Government needs a clear land and population policy that includes a plan to create more off-farm employment for the youth and rural populations. By 2020, the present population of about 8.1 million is projected to double to 16 million.<sup>21</sup> This could reduce the already limited

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<sup>21</sup> APRM Background Paper; See also USAID/Rwanda Integrated Strategic Plan 2004–2009, January

land allocated per household, as well as increase the number of households that hold no land at all. Moreover, there seems to be a lack of clear family planning policy that could, in the long run, help overcome the ominously high population growth. High population growth levels may render the implementation of the government' s current policy and legislation regarding land use and ownership useless. Land undoubtedly remains a critical issue for a peaceful and challenging strategy of preventing conflicts.

### **6.1.3 Political pluralism and competition of ideas**

439. The other overarching issue of concern is the complexity of Rwanda' s steady move towards multi-party and political pluralism. Although the country has made significant progress, there is a “ rehearsed” participation in public affairs as determined by the political authorities. The Rwandese political system or culture is characterised by consensus rather than “ voluntary participation” by political parties. This is the overarching issue under which any meaningful assessment of Rwanda' s current democratisation process can be made.
440. Undoubtedly, the unity of Rwandans and their reconciliation are the political priority of Rwanda' s government. Foremost among its concerns is the eradication of ethnic discrimination. Thus, the Constitution outlaws any form of discrimination based on colour, creed and gender. This is understandable and desirable – after all, ethnic discrimination is what in the past caused the country to disintegrate and collapse into carnage. It is important to remember, however, that failure to grapple with the problem of diversity sparked the genocide, which continues to inform most of what is going on in the country. The Government faces an uncomfortable dilemma – how to promote political pluralism in a country where political parties have, in the past, been organised along two main ethnic lines.
441. The reality is that the refusal to recognise the diversity of Rwandese society is what bred the genocide ideology, whose consequences still haunt all Rwandans. Therefore, it is essential that efforts for improved democratic processes, especially political pluralism, should recognise the need for political parties and civil society to operate freely and express competitive ideas for governance within the rule of law. Removing all restrictions on political rights and freedoms, while ensuring that political
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parties are able to operate freely but along non-ethnic or racial lines would, in the long run, benefit democracy in Rwanda more than adhering to a tight framework within which parties can operate.

#### **6.1.4 Gacaca courts**

442. The Gacaca court system, while it offers a real potential for justice and reconciliation, could also have destabilising consequences if not implemented sincerely and successfully. It is believed that Gacaca courts would provide the speediest and most effective manner for healing the trauma of the 1994 genocide. While the Gacaca courts are viewed by the Government and some segments of Rwandans as a main alternative for dispute resolution, and a much-needed way to achieve justice and reconciliation, there are serious concerns about their legitimacy and ability to win the trust and confidence of the people in dispensing justice, while strictly conforming to contemporary international human rights norms and standards.

443. A more practical issue is whether the Government has the resources to train more judges to be effective for the 12 103 Gacaca courts that have been established in about 145 sectors. As of now, only 169 441 judges have been trained in part funded by some development partners. As of the end of April, 633 cases have been brought to trial and only three of them had incidences of false witnesses.<sup>22</sup> Already, we are witnessing the fleeing of thousands in fear of retribution. It is important in a democracy for the Government periodically to conduct a national survey to check the perception of citizens (both survivors and accused perpetrators) that Gacaca courts are rendering equitable justice.

444. The real challenge for Rwanda in the short to medium term is how to build capacity in the judiciary sector, so that the lessons and value added from reviving the Gacaca system can be institutionalised. There is a clear need eventually to merge the Gacaca system with the modern system. Although the 1994 genocide devastated the formal judiciary system of Rwanda, this should be seen as an opportunity to rebuild the entire Rwandese judicial system.

#### **6.1.5 Capacity constraints**

445. The objective of capacity building is to ensure that individuals and institutions (i.e. legislature, judiciary, civil society, etc.) perform their various functions efficiently and effectively. Rwanda has clearly made

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<sup>22</sup> Consultations with the Director of Gacaca, Kigali, April 2005.

significant effort in establishing institutions and mechanisms for promoting good governance and socio-economic development. Nonetheless, an emerging challenge throughout the four thematic areas is the lack of capacity within institutions to perform effectively. In this regard, the Human and Institutional Capacity Development Agency (HIDA) should be effectively strengthened.

446. Within governmental institutions, there are major capacity problems. For instance, the Ministry of Gender only recently completed the first report to CEDAW after ratifying the convention 25 years ago; the Ministry of Land Resettlement and Environment is facing a huge capacity problem in its first attempt at land registration; and there is limited skilled personnel in the decentralised institutions of the Government who are able to perform analysis on the responsiveness of public investments on certain sections of the population, for example women. Rwanda is advised to initiate extensive capacity building from local to national levels in terms of training and skills development. It is highly recommended that civil society, the private sector and development partners complement the Government' s efforts in this regard.

#### **6.1.6 Aid effectiveness**

447. Rwanda' s reliance on external assistance has been underscored in the report. An overarching issue is how effectively this aid is utilised. It would be helpful to the country periodically to see specific data on proportions of aid money that are allocated to infrastructural development, social services, and the like. It would also be helpful to see how much of the same aid money goes back to the donor country or institution in the form of external technical expertise, import and capital (equipment) acquisition from the donor country, and so on. The Panel is led to believe from the reports of the CRM that Rwanda has made a serious effort to use external aid appropriately in the form of social services, the traditional justice system, infrastructural development, decentralisation, policy reforms, etcetera.

#### **6.1.7 Managing diversity**

448. Managing and valuing diversity is a key component of effective conflict prevention and the promotion and protection of human rights. Diversity by itself does not give rise to conflict. It is when political leaders begin to use this factor and exploit it as a way of gaining or attaining power that it becomes an explosive factor. The Government of Rwanda has a policy to achieve national stability, unity and reconciliation through the creation of a Rwandan identity that has no recourse to ethnicity. This motivation is expressed through the significant steps taken by the Government to



promote the common denominators of culture and language, and the sense of community that has characterised Rwandan society in the past. It is striving to foster economic growth alongside social progress, so as to give Rwandans the dignity that poverty denies them.

449. However, effort still needs to be made to dilute the perception of potential ethnic hegemony by one group over others, and even greater effort needs to be made to reverse the denial of democracy by slowly opening up the political space. The manner in which resources are distributed in a multi-ethnic polity is crucial for good governance. In this regard, Rwanda should continue to pursue resolutely the principles and practice of multi-party democracy; of peaceful resolution of conflict; and of observance of human rights so that no community within the country feels excluded, whether in terms of political power or economic power. There must be a sense of participation, inclusion and power-sharing.
450. Because diversity is strength in a nation, one way to enhance this asset is for the Government of Rwanda to initiate in-depth dialogue with the various groups, as some are resisting the practice of assimilation, which they claim to be victims of.

## **6.2 The way forward**

451. The Rwandan experience so far has demonstrated that the APRM is a useful concept to have in place and a vehicle that can enhance good governance. The success of the APRM is predicated on high-level political will and multi-stakeholder commitment (the private sector and civil society). Accession to the APRM comes with challenges and obligations. If the APRM is to be credible and effective, it will need to be transparent and accessible to all sections of the population. The APRM can be a major instrument for enhancing governance only if it is implemented in a professional, technical and transparent manner and free from political manipulation.
452. The APRM does not end just with the submission of the report to the APR Forum. Rather, it is a continuous process that entails periodic reviews of the policies and practices of participating states to ascertain progress being made towards achieving mutually agreed goals and compliance with ratified political, economic, corporate governance and socio-economic standards and codes. The APRM Base Document spells out four types of review as follows:
- The base review, which is conducted within eighteen months of a

country acceding to the APRM process;

- A periodic review, which will take place every two to four years;
- A member country can for its own reasons ask for a review that is not part of the periodically mandated reviews; and
- Early signs of impending political or economic crisis in a member country would also be sufficient cause for instituting a review. Participating Heads of State and the Government can call for such a review in a spirit of helpfulness to a participating government.

453. The follow-up to this first cycle is important for sustaining the momentum and efforts to improve governance and socio-economic development. During this follow-up stage, the following activities are envisaged, as stipulated in the NEPAD/HGSIC-3-2003/APRM/Guideline/O&P:

- The country modifies its Programme of Action and continues to implement it and monitors progress;
- The APR Secretariat monitors the country's progress and interacts with the implementers of the POA to assist where necessary, especially with capacity building and resource mobilisation;
- The APR Secretariat organises regional workshops on issues identified in the review reports, and facilitates networking and sharing of experience and best practice among participating countries, with the participation of the APR partner institutions; and
- The APR Secretariat, partner institutions and, possibly, development partners continue to support the country with technical assistance and capacity building to ensure the effective achievement of the objectives and targets of its POA.

454. The ultimate goal of the APRM is assisting the reviewed country to improve its policy-making processes, adopt best practices from other countries, and comply with ratified standards and codes by involving all stakeholders in the country. In this regard, it must not be perceived as an instrument to access foreign resources, but rather as a process to improve national policy-making, sharing of experiences, and the creation of a conducive environment for growth and development, all of which are in the country's best interests.

# APPENDIX I

## RWANDA'S COMMENTS TO APRM PANEL REPORT

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### DEMOCRACY AND GOOD POLITICAL GOVERNANCE

#### 1. APR Standards and Codes

**CRT Report:** “ The country review mission confirmed the Self Assessment findings that the most important outstanding problems Rwanda had with regional and international codes and standards on democracy and good political governance were: a) the tardiness in acceding to them; b) ensuring timely reporting on implementation; and c) inadequate domestication.” (Page31, para 80)

**Country Comment:** This concern has been well noted, acknowledged, and integrated into the Plan of Action (PoA). Respective government institutions and ministries have committed to expedite accession to, and reporting on those instruments concerning them, and that the government has no outstanding reservations over.

#### 2. Prevention and Reduction of Intra and Interstate Conflicts

**CRT Report:** “ The government’ s unity and reconciliation program must pass a major test of winning the trust of all citizens. During the April 2005, APR country review mission, there were several reports of people in the rural areas fleeing in fear of being accused as perpetrators of genocide. This fear is based on allegations that the Gacaca courts are a camouflage for a « victors’ justice » since the crimes committed during the RPF’ s incursion in Rwanda and takeover of power in the 1990s may go unpunished while the focus remains on the genocidaires. The government has a singular challenge to assure all citizens that the Gacaca courts are not designed for retribution or witch hunting.” (Page 35, para 97)

**Country Comment:** The pursuit for national unity and reconciliation of all Rwandans is a priority for the government, and the challenges are well acknowledged. Indeed the national governance programme is anchored on the need for the unity and reconciliation of Rwandans as a priority. The National Justice Programme has two components, the first of which is an ordinary justice responsibility shared among all modern countries, while the second is unique to Rwanda, and concerns the crimes of Genocide. It is important to note that the

Gacaca Court Jurisdiction is mandated to address the special cases of Genocide Suspects only. All other cases are still handled through the classical justice system including the military tribunal; which Gacaca does not intend to replace.

Since it started operating, the Gacaca Court System has already shown that there is a lot not known that happened during the genocide. Some hitherto assumed innocent Rwandans are being found to have had a role in the genocide while others previously suspected of genocide are being set free. It is also becoming clear that some of those who have fled the country are fugitives from justice. Yet others are victims of political manipulation by some people who are interested in seeing the Genocide in Rwanda go unpunished, and unexposed; with a view to revise it in history. There are people who have returned pointing out that the incentive of readily available food rations and other accessories from humanitarian organisations often just a few miles across the border was their driving motive. We are hearing several kinds of excuses as the one quoted above.

There are clearly many allegations being sited rather than the so-called “ victors justice” . For Rwanda, the Gacaca court system is considered one of the local innovative instruments of conflict resolution and mitigation that other post-conflict African countries may learn from.

### **3. Constitutional Democracy, Political Competition and Citizen Rights**

**CRT Report:** “ *The key issue is that while the Rwandan constitution guarantees freedom to form, join and belong to political parties, it simultaneously undermines that freedom by attaching onerous conditions such as political parties not being able to operate at the grassroots below the provincial levels. Effectively, this amounts to a denial of much political activity to citizens, since most people reside at the district, sector and cell levels.*” (page 37 para 103)

“ *The Consultative Forum of Political Organizations is the ultimate mechanism for regulating divisive behaviour of political organizations. Thus, political pluralism has been made subject to strict guidelines in political competition and the spread of ideas. The constitution tended to treat inclusion and competition as antagonistic rather than as complimentary.*” (Page 38, para.105)

**Country Comment:** Rwanda’ s Constitution of 04th June 2003 acknowledges the concerns raised by majority of Rwandan population that after a tumultuous experience of genocide in their local communities, they needed time to heal and re-unite, where political parties had previously antagonised them. But they also acknowledged the importance of political parties as avenues for channelling their ideas for social economic development of Rwanda. The outcome was a

compromise, to allow multiparty politics operate freely, with citizens free to assemble, campaign for members and run for office as they wish. On the other hand, the need for community healing, rebuilding a shattered social infrastructure required that the administrative offices of political parties be established up to the Provincial Level, from which coordination of activities at grassroots can be conducted.

There is currently no evidence of inhibition to the practice of vibrant party political activities at the grassroots. Nonetheless, the government of Rwanda recognises that this approach may be short of meeting some common standards, and thus commits to periodically review it and assess the constitutional instrument through a proper legal framework.

The Forum of Political Parties is an innovative creation of Rwandans for internal peer review and sharing of best practices in national political settings. After terrible past experiences with exclusion and conflict, Rwandans have chosen inclusion and consensus building. The Forum is part of a package of innovations introduced to consolidate constructive ideas even from minority parties, rather than isolate them. It is consistent with the Constitutional provision of power sharing, requiring that a party holding the majority of seats in the Chamber of deputies may not exceed 50% of all members of the cabinet (article 116 of the constitution). The same constitution in its article 58, states that “ the President of the Republic and the Speaker of the Chamber of deputies shall belong to different political organisations” . Furthermore, no less than 30% of seats in Parliament are reserved for women, others for the youth and the disabled people. It is this recognition that the “ winner takes all” approach to political competition breeds more conflicts, and is inappropriate for national unity; that led to the Forum of Political Parties within which even the smallest have an equal contribution as the largest. From Rwanda’ s experience with it, this Forum initiative is most recommended as a “ best practice” for countries emerging out of conflict and struggling with reconciliation and national unity, while building a multiparty democratic culture at the same.

#### **4. Separation of Powers**

**CRT Report:** “ *The CSAR reports that the separation of powers principle is observed in the constitution. In practice however, the powers of the executive override the judiciary. For instance, though declared to be independent, the judiciary is in practice an appointee of the executive branch. Besides nominating both the President and Deputy President of the Supreme Court for election by the senate, the President of the Republic makes the final appointment. Subsequently, the President of the Supreme Court presides over the Supreme Council of the Judiciary, a powerful body with responsibility to appoint and discipline judges, and other judicial officers.*” (Page 42, para 119)

**Country Comment:** The report rightly noted that the President of the Republic of Rwanda nominates candidates for both the President and Deputy President of the Supreme Court. It should be emphasized however, that the President always suggests two candidates for each position, after consulting with Cabinet and the Supreme Council of the Judiciary (Article 147 of the Constitution). Before anyone of the candidates can be officially appointed to the posts, the Senate debates their suitability rigorously. The Senate must approve the most qualified candidates before being proposed for appointment by the President of the Republic. Up until the recent legal reforms, the President of the Republic of Rwanda was also President of the Supreme Council of the Judiciary, as is the practice in several countries. It is particularly not clear in the report what benchmark for best practices were used, nor what country' s model is appropriate to emulate, because Rwanda' s existing framework is a result of very recent legal reforms in the country that were informed from several other practices around the world. For example, the representation of the Private Lawyers Association on the Supreme Council of Judiciary is feared to cause conflict of interest in countries where it exists, and was on that basis determined inappropriate for Rwanda.

## 5. Protection of Rights of Vulnerable Groups

**CRT Report:** “ *With respect to the Batwa minority, the approach adopted by the authorities was based on a policy of assimilation. There appears to be a desire to obliterate distinctive identities and to integrate all into some mainstream socio-economic fabric of the country*” .

**CRT Recommendation:** “ *Government to initiate in-depth dialogue with the Batwa, since they are resisting the policy of assimilation which they claim to be victims of*” . (Page 52 para 156)

**Country Comment:** The Batwa community continues to have a disproportionate number of vulnerable members, and seem not to benefit sufficiently from the ongoing social economic integration of all Rwandans. Their integration into the Rwandan social economic mainstream continues to be a voluntary but inevitable process necessitated by changing times and must be encouraged. It's important to mention that the government has never had a policy of assimilation, since that is comparable to socio-cultural genocide. As a community however, it is clear that a targeted response to their specific problems is recommended and the government has already initiated programmes to do so.

### Comments on the Report' s Overarching Governance Issues in Rwanda

(The CRT identifies the following among issues most deserving of attention in

Rwanda)

**(a) Land and Population**

**CRT Report:** “ *According to Rwanda’s own self-assessment, the extreme scarcity of land accounts for about 90% of conflicts in the courts especially in high-density provinces of Rwanda. These conflicts often take on an ethnic dimension, especially in post-1994 genocide Rwanda, whereby many Hutus tend to think, rightly or wrongly, that the local authorities are biased in Tutsis favour*(page 126, para 437)

**Country Comment:** As correctly pointed out, Rwanda has one of the highest population densities in the world. With majority of people still depending on land for a livelihood, it should be no surprise that land related cases have for a long time dominated the courts, only recently overtaken by those associated with the 1994 genocide. Among all land cases however; more than 80% have been between family members, often related to inheritance conflicts. The other large component is between neighbours, associated with plot boundaries, purchases of land and breaches of contracts. As a result of returning refugees, a new category emerged associated with land claims often resulting into sharing, between peasants of all socio-ethnic descriptions. But even with that, studies have shown that the provinces with highest land court cases tend to be those with fewest returnees. This category as a result still accounts for less than 10% of all land related cases, and is clearly the least dominant and hardly an ethnic one threatening national security as suggested in the report. The government is aware of potential ethnic overtones in these cases and always recommends using local community councils to solve them appropriately.

A national land policy and law have been passed recently, and the CRT’s recommendation for a strategy for more off-farm income is relevant, and indeed consistent with Rwanda’s national rural development policy.

**(b) Political Pluralism and Competition of Ideas**

**CRT Report:** “ *The government faces an uncomfortable dilemma – how to promote political pluralism in a country where political parties have, in the past, been organized along two main ethnic lines..... Removing all restrictions on political rights and freedoms, while ensuring that political parties are able to operate freely but along non-ethnic or racial lines would, in the long run, benefit democracy in Rwanda than adhering to a tight framework within which parties can operate” . (Page 127, para 440 - 441)*

**Country Comment:** Rwandans and their government are consciously aware of the importance of political competition, in the emergence of best ideas to govern. That’s why political parties operate freely in the country, and many

Rwandans belong to at least one of them.

Our country on the other hand has experienced one of the worst politicisation of ethnicity in the world; leading to genocide. The desire for unity and reconciliation following the genocide has led Rwandans to choose to manage their own competition through a domestic “ peer review” of each other. Done through a “ Forum of Political Parties” , this is one of several initiatives including the principle of power sharing that prevents “ winner takes all” outcomes and associated conflicts that have a potential for violence. Nonetheless, Rwandans regularly compete for party members and run for office freely and democratically.

**(c) Gacaca Courts**

**CRT Report:** “ *While the Gacaca courts are viewed by the government and some segments of Rwandans as a main alternative for dispute resolution, and a much needed way to achieve justice and reconciliation, there are serious concerns about its legitimacy and ability to win the trust and confidence in dispensing justice while strictly conforming to contemporary international human rights norms and standards*” . (Pages 128, para 442)

**Country Comment:** Gacaca emanates from an old Rwandan cultural value of conflict resolution that is shared and practiced by all Rwandans. Its legitimacy is uncontested and further reinforced by the fact the community elects its own judges, considered wise and honourable. Furthermore, all community members of adult age constitute the jury for their peers, a principle shared with modern civil and common law practices. It’ s a participatory instrument of conflict resolution that builds strong community ties, serving important unity and reconciliation purposes.

Gacaca was resorted to as a second best alternative due to an insurmountable problem of large caseloads of genocide suspects that country faces. By classical and International Justice Standards, it was not expected to complete all the cases in one lifetime. Conscious that justice delayed is justice denied; Gacaca was adopted and specifically mandated to deal with Genocide related cases.

The traditional Gacaca has been refined to comply with the core principles of common “ international standards and norms” of justice. These include the presumption of innocence, the jury of peers, legal defence, appeal of sentence, etc. It is the view of Rwandans however, that while adherence to minimum international standards is important; this should not be at the expense of innovation and creativity. In Rwanda, Gacaca is seen in the category of creative innovations under difficult circumstances, designed to address our specific problems.



**(d) Managing Diversity**

**CRT Report:** *“ The GOR has a policy to achieve national stability, unity and reconciliation through the creation of a Rwandan identity which has no recourse to ethnicity. This motivation is expressed through significant steps taken by the Government to promote the common denominator of culture, language and a sense of community that has characterized its society in the past. It is striving to foster economic growth alongside social progress, to give Rwandans the dignity that poverty denies them” (page 129, para 447).*

**Country Comments:** Ethnicity as the core form of identity was for a long period promoted in Rwanda at the expense of national identity. This practice disintegrated the country, denying citizenship to the weak and culminating in a genocide against them. But it also obscured the more constructive forms of identity that breed healthy competition and bring about progress. The promotion of ethnicity as the sole form of individual identity prevents the population from recognising their individual and shared interests, advancing their opinions and ideas, nor pursuing a professional career with its ethical and professional values. The GoR encourages the population to recognise their interdependence of each other, and the individual gains from a united people. It is not a concoction to say that Rwandans share a culture, language, faith values, etc that form a strong basis for national identity. They also share common challenges that require consolidated contributions by all.

Long oppressed by a unilinear self perception solely through an ethnic identity, Rwandans are now encouraged to identify and pursue individual and shared interests in business, professional and civil associations, or community organisations as necessary. The GoR believes that its duty is to set a conducive environment for this collective and constructive action by individuals and groups that will lead our country to development.

## APPENDIX II

### COMMENTS FROM APRM PANEL AFTER SUBMISSION OF REPORTS TO APR FORUM

At the 4th APRM Forum Meeting in Abuja, the reports for Rwanda and Ghana were submitted to the Heads of State and Government. The Lead Panel Members for the two countries presented the main findings, best practices, shortcomings and recommendations. The Heads of State and Government were then given an opportunity to respond. H.E. Paul Kagame, President of Rwanda, noted some areas in the Panel's Report that appeared misrepresentative possibly as a result of a lack of in-depth interaction by the Country Review Mission with Rwandans. These areas included:

- the analysis on the independence of the Judiciary (separation of powers)
- the Gacaca Court System
- Management of diversity and political pluralism.

After the Forum meeting, the APRM closely examined the above-mentioned issues. Taking into consideration the requirements as outlined in the APRM Base Documents as well as the information presented before the Panel by the GoR, and noting that the review process is a permanent dialogue rather than a scorecard, the Panel decided to append to the report this addendum which clarifies the issues of Judicial Independence and Political Pluralism.

#### *Judicial Independence*

The arguments presented by the GoR were well-received by the Panel. Upon consideration of those arguments and reflection on the Rwandan Constitution which states, " The President and Vice-President of the Supreme Court are elected by the Senate for a single term of eight years by simple majority vote of members from two candidates in respect of each post proposed by the President of the Republic after consultation with the Cabinet and the Supreme Court of the Judiciary" [Art. 147], the Panel noted that the Rwandan system of judicial appointments was comparable to that of many countries, including developed countries. Nevertheless, the Panel encourages the GoR to pursue its efforts towards good governance. This may lead the GoR to set new international benchmarks in the matter of judicial independence.

#### *Political pluralism and Competition of Ideas*

While the Panel maintains the view that restricting the operation of political parties to the guidelines of a Consultative Forum is indeed restricting political pluralism, it was accepted that the activities of the Consultative Forum was not in conflict with those of parliament (as alluded to in the Panel's report). The

point was well-taken that the Consultative Forum acts more like a hearing to influence the Parliament which remains independent. In this regard, the Panel recommends that the GoR and the Parliament of Rwanda encourage all parties to participate freely and openly in the Forum consultations and avoid adhering to a tight framework within which parties have difficulty operating freely.

## APPENDIX III

### RWANDA' S PROGRAMME OF ACTION 2005– 2008

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The major objective of this programme of action is to bridge governance gaps identified in the APRM assessment process.

**Specific Objectives:**

1. To guide and mobilise the country' s efforts in implementing the necessary changes to improve the state of governance
  2. To indicate a clear time bound commitment on implementation of key governance and social economic development priorities including the identification of key stake holders for implementation (and an estimated budget.)
  3. To highlight the capacity building and resource mobilisation requirements for undertaking the programme of action.
  4. To outline the implementation, monitoring and evaluation mechanisms for the programme of action
- A) Note: The substance of programme of action presented below is what was presented to the APRM Secretariat by the Rwandan Focal Point. For purpose of clarity and analysis of the PoA, the Secretariat has made formatting adjustments by arranging the action plan by objective. The only additions to the substance are presented in a separate column beneath each objective. These are the observations made by the Panel to the PoA and suggestion to improve the action plan. The Panel appreciates that the PoA should be owned by the country and that the comments and recommendations are merely suggestions for consideration and not binding.
- B) Note: Recommendations to the original PoA, which are consistent with the National Governance Strategy, that were proposed during the country review visit report have been integrated into this final plan of action.

## 1. DEMOCRACY AND GOOD POLITICAL GOVERNANCE

### Standards and Codes

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Regular reporting on implementation of treaty provisions	Treaty implementation reports	Establish a department in the Ministry of Foreign Affairs to report regularly on treaty provisions implementation	100,000	2005-2006	MINAFET MIFOTRA	Civil society organisations and line ministries	APRM Focal Point

### Objective 1: To prevent and reduction of intra- and interstate conflicts

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Effective Regional task force	Reports on the deductions of small arms in circulation	Sensitisation of the population about the dangers of small arms, Sensitisation workshops and information sharing	150.000	2005-2008	National police and MINALOC	Civil society	

**Objective 4: To uphold the separation of powers, including the protection of an independent judiciary and an effective legislature**

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Publication of parliamentary proceedings	A quarterly publication on parliamentary proceedings	Publish and publicise Parliamentary proceedings.	15,000	2005	Parliament	General public	APRM Focal Point
Professionalism and integrity in the judicial service	Increased number of skilled and professional judges	Professional training of judges through short courses, study tours, and seminars	200,000	2005-2008	Supreme council of judges	Association of advocates Ministry of Justice Faculties of law form both government and private universities	APRM Focal Point
Improved quality of service	Increased number of professional and skilled advocates and lawyers	Workshops, training and study tours and establishment of a central library	200.000	2005-2008	Bar association	Association of judges and advocates	APRM Focal Point

**Objective 5: To ensure accountable, efficient and effective public office holders and civil servants; promote the development and participation of civil society and the media**

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Employee code of conduct for public servants	A national document that lays down the employees code of conduct	Enactment of a legal instrument with a code of conduct to be respected and adhered to by public office holders	60000	2005-2006	MINIJUST MIFOTRA Parliament Ombudsman Public service Commission	CESTRAR (Trade union)	APRM Focal Point

**Objective 6: To fight corruption in the public sphere**

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Lowest levels of corruption	Anti corruption Task Force	<ul style="list-style-type: none"> <li>• Establish an anticorruption body</li> <li>• Public sensitisation on the dangers of corruption</li> <li>• Surveys on the</li> </ul>	200,000	2006-2008	MINIJUST Parliament	Ombudsman Auditor Generals' office, National Police, Civil society Transparency International	APRM Focal Point

		levels of corruption • Experience sharing with other countries				Rwanda Chapter	
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### Objective 7: To ensure promotion and protection of the rights of women

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Protection of women rights	Number of gazettes available	Official gazetting of family codes	170,000	2006/2007	MIGEPROF	Women associations	APR Focal Point

### Objective 8: To ensure promotion and protection of the rights of children

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Status of Children and Young persons' rights	A detailed report on the status of Children and Young persons' rights.	Study to review children' s and young persons rights	40,000	2005-2006	MIGEPROFE, MIJESPOC, MIFOTRA	Children' s council and young persons, Associations, NGOs advocating for children' s rights	APRM focal point
Laws and institutions that protect vulnerable	Children' s Welfare Courts and rehabilitation	Enact laws and establish institutions to	1,000,000	2005-2007	MIGEPROFE, MINIJUST MINALOC	National Childrens' Council	APRM focal point



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children	centres	ensure children' s rights and welfare				NGOs advocating for children' s rights	
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**Objective 9: To ensure promotion and protection of the rights of vulnerable groups, including internally displaced persons and refugees**

Expected Output	Indicator	Activity	Estimated Budget (US \$)	Time Frame	Implementing Institution	Stakeholders	Monitoring and Evaluation Agency
Social protection policy frame work for vulnerable groups	A national social Protection policy	Policy framework to protect the rights of all vulnerable groups	100,000	2005-2006	MINALOC, MIGEPROFE MINECOFIN	Civil society organisations	APRM focal point

## 2. ECONOMIC GOVERNANCE AND MANAGEMENT

### Standards and codes

Expected Output	Indicator	Activity	Estimated budget (US \$) Indicative	Timeframe	Implementing Institution/s	Stakeholders	Monitoring and Evaluation Agency
Compliance with financial decrees.	Report on measures adopted	Formulate measures to enforce compliance with financial decrees.	5000	2005	MINECOFIN BNR Parliament	<ul style="list-style-type: none"> <li>All higher institutions of learning</li> <li>Audit firms</li> <li>General public</li> </ul>	APRM Focal Point
Compliance with financial accountability review and action plan as per the recommendation of WB and EU in the FRARAP report	Report on progress of implementation of FARAP report	Implement the FARAP report recommendations	1,000,000	2005-2008	MINECOFIN BNR	All public institutions	
Rationalise Codes	Eliminate the existing signed codes but not ratified.	Ratify all signed protocols/Codes		2006-2007	MINUJUST MINAFFET	Other Ministries	APR Focal Point
Clear outstanding arrears	Nil arrears due	Payment of all outstanding identified arrears	2,000,000	2007	MINECOFIN MINAFFET	Concerned Ministries	

**Objective 1: To promote macroeconomic policies that support sustainable development:**

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
A central Bank act that responds to the current challenges of the banking environment.	Revised Central Bank Act	Review the Central Bank's Act	60000	2005-2006	MINECOFIN MINIJUST BNR	Financial institutions. Private Sector Federation	APRM Focal Point
Cards Management Centre	Operational credit card management centre	Establish a cards management centre	1000,000	2005	BNR MINECOFIN SIMTEL	Financial institutions	APRM Focal Point
Efficient and effective clearing system	Automated clearing house	Set up an Automated Clearinghouse.	5,000,000	2005-2007	MINECOFIN BNR	Financial institutions General public, Private Sector Federation	APRM Focal Point
Efficient and effective work force	Policy document on employment	Formulate national policy on employment	65000	2005-2006	MIFOTRA MINECOFIN	General public CESTRAR	APRM Focal Point
Policy impact	Impact assessment report	Carry out policy impact assessment	900,000	2005-2007	All ministries	General public	APRM Focal Point

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Increased volume of savings	A national policy on savings	Formulate a national Savings policy	6000	2005	MINICOM MINECOFIN, BNR	Insurance Firms, Pension Funds, Local NGOs and Religious Organisations World Bank	APRM Focal Point
Operational National Statistics Institute	National Statistics Institute action plan	Formulate an action plan for the National Statistics Institute	132.000	2005-2006	MINECOFIN and MINEDUC	General public	
A micro finance policy	Policy document	Formulate a micro finance policy.	60000	2005-2006	MINECOFIN MINICOM BNR Micro finance institutions	Beneficiary Associations	APRM Focal Point
Efficient and effective employees at local level	District capacity building action plan	Draw up an action plan for capacity building at district level.	20,000	2005	MINALOC MIFOTRA	Local Government Employees	APRM Focal Point

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
A harmonised regional investment road map.	A common regional investment roadmap	A conference to formulate a common regional investment road map	150,000	2005	MINICOM, RIEPA	COMESA Rwanda Federation of the Private Sector, Federation of Cooperatives	APRM Focal Point
Reduction in costs of doing business in Rwanda	Report on strategic resolutions to reduce the costs of doing business in Rwanda	Formulate strategies to reduce the costs of doing business in Rwanda	6,000	2005-2007	MINICOM RIEPA	MINECOFIN MININFRA, MINITERRE Private Sector Federation	APRM Focal Point
Rwanda' s export potential in the region established	A report elaborating Rwanda' s regional export potential	A study to establish Rwanda' s regional export potential/opportunities	50,000	2006	MINICOM MINECOFIN	RIEPA, Private sector federation, MINAGRI	APRM Focal point.
SME business policy framework	SME business policy	Designing a national SME business policy	100,000	2006	MINICOM	RIEPA, MINAGRI and Private sector federation	APRM Focal point.
Infrastructure development plans aligned/linked with sector priorities	Infrastructure Development Strategic Plan	A study to identify key linkage points of infrastructure plans to sector priorities.	1,000,000	2006-2007	MININFRA	MINECOFIN MINAGRI MINEDUC MINISANTE MINICOM	APRM Focal point

**Objective 2: To ensure implementation of sound, transparent and predictable economic policies:**

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing Institution/s	Stakeholders	Monitoring and Evaluation Agency
Automated financial reporting government spending	Regular reports on government spending	Install financial information system in all spending ministries	5,000,000	2006-2008	MINECOFIN	All Line ministries, All local Governments,	APRM Focal Point
Regular situational reports on progress of implementation of economic policies	Awareness campaign programme	Increase national awareness of economic policies and implementation progress	100,000	2005-2007	MINECOFIN	BNR, Private Sector Federation, RRA, Public	APRM Focal Point
Reports on budget execution	Regular reports on Comprehensive budget execution report	Produce comprehensive budget execution report		2006	MINECOFIN	Parliament Auditor General' s Office Donor Community	APRM Focal Point
Harmonised customs declaration system	Single customs goods declaration document	Development of a single goods customs declaration document	200,000	2005-2006	MINECOFIN RRA	Private Sector Federation COMESA, East Africa Customs Union	APRM Focal Point
Harmonise d transit goods system.	Report on adopted harmonised transit goods system.	Formulate, adopt and implement a harmonised transit goods system.	100,000	2005-2006	MINECOFIN RRA	Customs Clearing Agencies, Private Sector Federation	APRM Focal Point

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing Institution/s	Stakeholders	Monitoring and Evaluation Agency
Operational Customs bonds guarantee	Customs bonds guarantee document	Formulation, adoption and implementation of customs bonds guarantee	200,000	2005-2006	MINECOFIN RRA	Customs Clearing Agencies, Private Sector Federation	APRM Focal Point
Enhanced performance of the government accounting and audit personnel	Human capacity building action plan	Capacity building in all ministries in areas of accounting and audit	200,000	2005-2007	MINECOFIN	All Line Ministries Local Governments	APR Focal Point Auditor General

### Objective 3: To promote sound public finance management

Expected Output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing Institution' s	Stakeholders	Monitoring and Evaluation Agency
Timely disbursement of funds	Report Implementation progress	Establish donor/ government working partnership	2,000,000	2005	MINECOFIN	Donors Line Ministries	APRM Focal Point



**Objective 4: To fight corruption and money laundering**

Expected output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
1. Anti-money laundering law in place.	Draft law document	Formulate an anti-money laundering law	60000	2005-2006	BNR MINIJUST MINITER	Non-Bank Financial Institutions	APRM Focal Point
2. Effective measures to combat money laundering	Report on the modalities adopted	Implement the anti-money laundering and detective system	1,000,000	2005-2007	MINECOFIN BNR Rwanda National Police (RNP)	Private Sector Federation Financial Institutions	APRM Focal Point

**Objective 5: To promote regional integration**

Expected output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing Institutions	Stake holders	Monitoring and Evaluation Agency
1. Establish the costs vs benefits of reintegration	Report on the impact of economic	1. Carry out a Surveys to Review impact of economic integration 2. Implement the study recommendations	70000	2005-2007	MINICOM	RIEPA, MINECOFIN, Private Sector Federation	APRM Focal Point

### 3. CORPORATE GOVERNANCE

#### Standards and codes

Expected output	Indicator	Activity	Estimated budget (US \$)	Timeframe	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Insurance Supervision	Action plan to implement core principles of insurance supervision	Implementation of core principles of insurance supervision	300,000	2005	National Insurance Commission MINECOFIN	Private Sector Federation (RPSF)	APRM Focal Point
Adoption of core principle of securities	Action plan to implement core principles of insurance supervision	Implementation of Core principles of Securities	500,000	2005	MINICOM MINECOFIN BNR	RPSF	APRM Focal Point
Nation w	Compliance with International accounting standards by all firms	Adoption of International Accounting Standards	300,000	2010	MINECOFIN BNR	RPSF RICA SFB	APRM Focal Point
Regulatory authority for capital markets	Capital market authority in place	Establish a Capital Markets Authority	400,000	2005	MINICOM Task Force MINECOFIN	Private Sector Federation	APRM Focal Point

**Objective 1: To promote an enabling environment and effective regulatory framework for economic activities**

Expected Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
A statute establishing the Insurance commission	Statute document for establishment of an Insurance commission	Formulate a Statute establishing Insurance Commission	300,000	2005	MINECOFIN National Insurance Commission	Private Sector Federation Insurance companies	APRM Focal Point
Insurance supervision	Action plan to implement core principles of insurance supervision	Implementation of Core Principles of Insurance Supervision	150,000	2005	Insurance Commission MINECOFIN Insurance Commission	General public BNR Insurance companies	APRM Focal Point
New accounting Law	Revised accounting Law	Accounting law Review	200,000	2005	Ministry of Justice	RICA SFB	APRM Focal Point
Updated company law	Revised company law	Review company law	500,000	2005-2006	MINICOM, MINIJUST Parliament	Private Sector Federation (RPSF)	APRM Focal Point
Previously State-owned enterprises Privatised	Government a Minority Shareholder in previously state-owned enterprises	Privatisation of government Parastatals	450,000	2007	Privatisation Secretariat	RPSF	APRM Focal Point
Operational Stock Exchange	Document on core principles of a stock exchange	Develop core principles of stock exchange	500,000	2005	MINICOM MINECOFIN BNR Task Force	Private Sector Federation School of Finance and Banking (SFB), KIST, UNR	APRM Focal Point

Expected Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Operational Stock Exchange	Report on progress	Establish a Stock Exchange	200,000	2005	MINICOM MINECOFIN Task Force	RPSF, SFB, KIST, UNR	APRM Focal Point
National Accounting Plan in harmony with IAS and IAS	National Accounting Plan in harmony with IAS	Harmonise National Accounting Plan with IAS and IAS	200,000	2005	MINECOFIN	BNR RICA	APRM Focal Point
Database of financial information of Banks' customers	Credible Datable of Banks customers	Establishment of a comprehensive credit registry Incorporating Micro Finance Institutions	400,000	2006	BNR	Commercial Banks RPSF RRA	APRM Focal Point
Status of Corporate Governance in Rwanda	Evaluation Report on Corporate Governance	Carry out a national evaluation of Corporate Governance	500,000	2006	MINICOM	RPSF Higher Institute of Learning	APRM Focal Point
Update Labour Law	Revised labour Law	Labour Law Amendment	250,000	2006	MIFOTRA	Trade Unions RPSF	APRM Focal Point
Land Registration Decentralised to the District Level	Land Registration at the district Level	Decentralisation of Land Registry to the district Level	300,000	2006	Ministry Of Lands, Resettlement and Environment	Kigali City Council, District councils	APRM Focal Point

**Objective 3: To promote an adoption of codes of good business ethics in achieving the objectives of the corporation**

Expected output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing institution/s	Stakeholders	M& E Agency
Status of corruption in the country	Survey Report	Carry out a national survey on the status of corruption	500,000	2005	Ombudsman	MINALOC RNP MINIJUST	APRM Focal Point
Increased number of qualified accountants in the country	Rwanda Institute of Certified Accountants (RICA)	Establish RICA	1,500,000	2005	Steering Committee MINECOFIN	Association of Accountants School of Finance and Banking (SFB)	APRM Focal Point
Capacity building programme for government institutions	A capacity building Action Plan for government institutions	Formulate an Action Plan and prioritise capacity building needs for government institutions	100,000,000	2005	MIFOTRA	Government Institutions RIAM	APRM Focal Point

**Objective 4: To ensure that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner**

Expected output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institution/s	Stakeholders	M& E Agency
Legislative and Regulatory framework for setting up a business	Action plan to streamline Legislative and Regulatory framework for	Streamlining Legislative and Regulatory framework for setting up a	300,000	2005	MINICOM RIEPA	RPSF	APRM Focal Point

Streamlined	setting up a business	business					
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## 4. SOCIO-ECONOMIC DEVELOPMENT

The Programme of Action provided by Rwanda attempts to address the problem raised in the self-assessment report in the short and medium term. In general, the activities listed concern improvements in health and HIV/Aids, education, access to basic necessities such as water, housing and energy, access to markets and finance; MDGs, development of ICT, gender equality and resource mobilisation. Some important cross-cutting issues such as capacity-building and policy formulation/legal reforms are also addressed in the programme of action. The CRT concurs that these issues are the critical issues in this thematic area and most relevant for an action plan to improve socio-economic development in Rwanda.

On **Standards and Codes**, Rwanda has signed and ratified almost all the legal instruments stipulated in the APRM for Socio-economic development. In Rwanda's own assessment, challenges in the implementation of the international legal instruments include: lack of resources to package and disseminate information thus lack of awareness by the public; low literacy among a substantial proportion of the population; and social and cultural traditions that hinder or slow down the process of change. Additionally, the CRT, during the review found implementation challenges in lieu of the fact there are simply too many laws that need updating and that some (i.e. pertaining to justice) have had to assume priority. The legislative process was also confirmed by stakeholders in Rwanda to very slow. MPs in Rwanda (unlike in several countries) do not have personal assistants and thus carry a heavy workload.

**Recommendation:** Information dissemination and sensitising the public regarding codes and standards and the national laws are vital in order to facilitate the implementation processes towards the desired goal. Thus radio, TV, publications, school and college curriculum, community meetings that are means of reaching the public should be further enhanced. As has been identified by CSAR translation of these important documents in to the local languages is important. Time and resource constraints are causing delays. Thus in order to implement the above stated actions resources have to be allocated and the concerned institution to be supported by technical staff. Capacity building is essential. This has been recognised by the Government.

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**Objective 1: To promote self-reliance in development and build capacity for self-sustaining development**

<b>Output</b>	<b>Indicator</b>	<b>Activity</b>	<b>Estimated budget (US \$)</b>	<b>Time Frame</b>	<b>Implementing Institutions</b>	<b>Stakeholders</b>	<b>Monitoring and Evaluation Agency</b>
Skilled district officials in projects design and management	Increased number of district employees with relevant skill in project management	Short courses in project design and management	3000.000	2005-2008	MINALOC Local Governments	Civil society Common development fund organisation	APR Focal Point



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**Objective 2: To accelerate socio-economic development and achieve sustainable development and poverty reduction**

Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Progress report on policy implementation	Survey report	Carry out survey to review policy to action in relation to MDGs	200,000	2005	Relevant Ministries	Civil society Organisations	APRM Focal Point
National Poverty Status	Survey Report	Carry out a survey on current poverty status	150,000	2005	MINECOFIN	General public	APRM Focal Point
Improved food security in the country	106 communal Granaries in place	Construct communal Granaries in all Districts	4,000,000	2005-2008	MINAGRI	Civil society	APRM Focal Point
Trained environmental lists	Train at least 20 personnel in environmental management by 2008	Train personnel in environmental management	500,000	2005-2008	MINITERRE	Rwanda Environment Management Authority, Associations of environment conservation	APRM Focal Point REMA

**Objective 3: To strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating HIV/Aids and other communicable diseases**

Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Operational national planning body for science and technological research.	A national body for planning and promoting scientific and technological research in place.	Establish a legal frame work for the National planning body for science and technological research Needs assessment	100,000	2005-2006	MINEDUC Higher institutions of Learning	Civil society in the area of education	APRM Focal Point
Up to date curricula and Teaching methodology for science and Technology	Revised Science and Mathematics curricula and teaching methodology relevant to the current needs of the country.	Review of Science and Mathematics curricula and teaching methodology.	80,000	2005-2007	MINEDUC	Teaching staff Students association Academia	APRM Focal Point
Teaching of science and ICT in schools	Increase of teachers and students in science and IT Studies	Establish a training programme to increase science and ICT teachers furnish secondary schools with relevant laboratories and	3,000,000	2005-2008	MINEDUC	Civil society in the area of education Teachers and parents association	APRM Focal Point

		demonstration equipment					
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Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Tangible incentives to teachers and pupils/students in Science, Mathematics and Technology disciplines	Advocacy programme and progress reports	Advocate tangible incentives to teachers and pupils/students in Science, Mathematics and Technology disciplines, with emphasis on females	200,000	2005-ongoing	MINEDUC	Civil society in the area of education	APRM Focal Point
Teacher' s accommodation at both primary and secondary schools premises	Progress reports	Advocate for construct ion of teachers' houses at primary and secondary school premises	5,000	2005-2008	MINEDUC MINECOFIN	General public	APRM Focal Point
Women advancement in science, technology and ICT.	Increased number of girls and women studying science, technology and ICT related subjects	Take affirmative action for girls and women to study science, technology and ICT-related subjects	2,000,000	2005-2008	MINEDUC	Civil society in the area of education Women Association	APRM Focal Point
Increased in take in girls model schools	4 FAWE schools in place	Establish 4 more FAWE centres of excellence for promoting girls' quality education and Science and	5000,000	2005-2007	MINEDUC MINECOFIN	Civil society in the area of education Women Association	APRM Focal Point

		Technology.					
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Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Technical schools for rural development	6 new technical schools in place	Establish 6 more technical schools in the remaining 6 Provinces for vocational training (the first 6 are already in place)	5000,000	2005-2008	MINEDUC	General public	APRM Focal Point
Enhanced girls' education and vulnerable groups.	Increased numbers of girls and vulnerable groups in schools	Closely monitor girls' and vulnerable groups' performance, mobilise community support and identify pupils from the very poor families	200,000	2005-2008	MINEDUC, MINALOC	FAWE, PACFA,	APRM Focal Point

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A holistic school education	Health, hygiene, HIV/ AIDS and life skills integrated into the National education curriculum	Integrate health education, hygiene education, HIV/AIDS and life skills into the national curriculum at all levels of education and into the teacher-training curriculum	10,000	2005-2007	MINEDUC, MINISANTE	Higher institutions of learning Teacher Training Colleges (TTCs) Civil Society	APRM Focal Point
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Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
National status on disability in Rwanda	Survey report on nature and severity of disabilities in Rwanda	Carry out a national survey to establish the nature, types, and severity of disabilities, children inclusive	300,000	2005	MINALOC MINEDUC MIGEPROFE MINISANTE	National association of disabled and handicapped persons	APRM Focal Point
Enhanced special needs education	Action plan for the provision of appropriate Special Needs Education and facilities to disabled persons	Action plan for the provision of appropriate Special Needs Education and facilities to disabled persons Update current curriculum Identification of disabled persons	200,000	2005-2008	MINEDUC and MINISANTE	National association of disabled and handicapped persons	APRM Focal Point
Teachers trained in special needs education	Increased number of teachers graduating in special needs education	Train teachers in Special Needs Education Secure relevant facilities	1,000,000	2005-2008	MINEDUC	National association of disabled and handicapped persons	APRM Focal Point
A non-discriminatory school curriculum	A school curriculum free of discrimination and gender stereotypes	Review the school curriculum to make it free from any kind of discrimination and gender	10,000	2005-2006	MINEDUC	UNICEF, UNIFEM, Save the children UK & USA	APRM Focal Point

<b>Output</b>	<b>Indicator</b>	<b>Activity</b>	<b>Estimated budget (US \$)</b>	<b>Time Frame</b>	<b>Implementing Institutions</b>	<b>Stakeholders</b>	<b>Monitoring and Evaluation Agency</b>
Enhanced performance of National Curriculum Development centre	Capacity building plan for national curriculum development centre	Reinforce the capacity of the National Curriculum Development Centre	2,000,000	2005	MINEDUC	Teachers and Student Associations Parents and Teachers Associations (PTA)	APRM Focal Point
Enhanced performance of National Examination Council	Capacity building plan	Reinforce the Capacities through: short courses, workshops, study tours and indoor courses	500,000	2005	MINEDUC	Parents and Teachers Associations (PTA)	APRM Focal Point
Enhanced performance of General Inspectorate of schools.	Capacity building plan	Reinforce the Capacity of the General Inspectorate of schools.	200,000	2005	MINEDUC	Parents and Teachers Associations (PTA)	APRM Focal Point
Operational commission for higher education	Commission for higher education in place	Put in place a Commission for higher education	50,000	June 2005	MINEDUC Higher institutions of learning	Students Associations, Parents and Teachers Associations (PTA)	APRM Focal Point



Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing Institutions	Stakeholders	Monitoring and Evaluation Agency
Policy impact	Survey report	Carry out a survey on the impact of Higher Education Sub-Sector Policy on equal access and performance of women in Higher Education	10,000	2005	MINEDUC	Women associations	APRM Focal Point
Affordable child day care centres	Policy document in place	Put in place a policy to facilitate the establishment of more affordable child day-care centres/crèches	15000	2005-2006	MINEDUC MIGEPROFE MIFOTRA	Civil society organisations	APRM Focal Point
Improved nutritional status of the Children under five.	Survey report on the nutritional status of the under five  Sensitisation programme	National Survey on nutritional status of the under five. Increase sensitisation of mothers on child nutrition	200,000  300,000	December 2005	MINISANTE	Medical associations, Civil society, Health centres	APRM Focal Point
Increased coverage of Mutuelles de Santé	Mutuelles de Santé Coverage increases from 37% to 80%	Increase the Mobilisation and Sensitisation Campaigns on Mutuelles de Santé to achieve 43% coverage	300,000	2005-2008	MINISANTE MINALOC	Medical associations, Civil society, Health centres	APRM Focal Point

		countrywide					
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**Objective 4: To ensure affordable access to water, sanitation, energy, finance (including microfinance), markets, ICT, shelter, and land to all citizens, especially the rural poor**

Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Increased Supply of Affordable Energy	Investment Policy in the energy Sector	Promote investments in the infrastructure Sector, more especially energy	100,000	2005 - 2007	MININFRA, MINECOFIN	Civil society Organisations KIST	APRM Focal Point
Law on energy use	A revised law on Energy – Advocacy plan	Review law on Energy (1928) Advocate for use of energy-saving stoves and use of solar energy	40,000	2005	MININFRA Parliament ELECTROGAZ	KIST RPSF	APRM Focal Point
Efficient water utilisation	National Policy on water utilisation	Formulate policy on water utilisation	6,000	2005	MINITERE ELECTROGAZ		APRM Focal Point
A law on medical care, public hygiene and sanitation	A revised law on medical care, public hygiene and sanitation	Review law on: Medical care (19/03/1952) Public hygiene (19/07/1926) Sanitation (1926)	10,000	2005	MINISANTE	MINITERRE, Kigali Health Institute (KHI), MINEDUC Civil society Organisations and NGOs	APRM Focal Point

Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Policy on environmental health	Policy document – PHAST document	Formulate policy on Environmental Health Develop PHAST (Participatory Hygiene and Sanitation Transformation) training module and sensitisation tools for schools	10,000	2005	MINISANTE MINEDUC	Kigali Health Institute, National University of Rwanda	APRM Focal Point
Proper hygiene and sanitation	-Improved coordination mechanism for hygiene and sanitation – Survey report	Improve coordination of hygiene and sanitation (Environmental Health) activities Carry out country situational analysis of hygiene and sanitation	50,000 400,000	2005	MINISANTE KHI, UNR		APRM Focal Point

Output	Indicator	Activity	Estimated budget (US \$)	Time Frame	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Improved hygiene and sanitation practices	Sensitisation and training programme	Improving hygiene behaviour of the community through sensitisation, awareness creation and training of trainers using PHAST methodology, the media, journals and brochures	300,000	2005-onwards	MINISANTE Rwanda Red Cross		APRM Focal Point
Law on commercial markets	Revised commercial market law	Review law on commercial markets (1952)	10,000	2005	MINICOM	General public Private Sector Federation	APRM Focal Point
Increased access to micro finance services	Advocacy plan	Reinforce microfinance service initiatives	50,000	2005-2007	MINECOFIN, MIGEPROFE, MINALOC, BNR	General public Rural and urban poor	APRM Focal Point
Affordable shelter	Revised policy on settlement	Review policy on <i>Imidugudu</i> to incorporate new shelter designs to cater for basic shelter needs of the population and their socio-economic activities with specific emphasis on assisting	10,000	2005	MININFRA MINITERRE MINALOC MIGEPROFE	Low and medium income groups	APRM Focal Point

<b>Output</b>	<b>Indicator</b>	<b>Activity</b>	<b>Estimated budget (US \$)</b>	<b>Time Frame</b>	<b>Implementing institution/s</b>	<b>Stakeholders</b>	<b>Monitoring and Evaluation Agency</b>
Transparent public service management	Public service commission in place	Establish a public service commission	5,000	2005	MIFOTRA	General public	APRM Focal point
Improved social Protection	Policy document on social protection in place	Complete the formulation of the policy on social protection	10,000	2005	MIGEPROFE MINALOC	Disadvantaged groups ( the aged, refugees etc)	APRM Focal Point
Impact of privatisation	Survey report	Carry out a survey on the impact of privatisation on the affected communities	35,000	2005	MINECOFIN,	MINICOM Privatisation Secretariat, Civil society	APRM Focal Point
Increased exports earnings	Export promotion programme	Reinforce RIEPA to promote exports	400,000	2005	MINICOM, MINECOFIN RIEPA MINAGRI		APRM focal point

**Objective 5: To progress towards gender equality in all critical areas of concern, including equal access to education for girls at all levels**

Output	Indicator	Activity	Estimated budget (US \$)	Time frame	Implementing institution/s	Stakeholders	Monitoring and Evaluation Agency
Increased family planning practices	Family planning campaign programme	Increase family Planning Campaigns specifically	300,000	2005-2007	MINISANTE MINECOFIN	Women of Reproductive age Children under Five General public	APRM Focal Point
Increased access to Obstetric services	Affordable obstetric services – Incentives for health workers put in place	Subsidise essential Obstetric services at District and National hospitals  Increase the number of midwives in rural districts through incentive mechanisms	3,000,000	2005-2007	MINISANTE	MINALOC, MIFOTRA, MINECOFIN, Medical Associations, Civil society	APRM Focal Point
Gender equality in tertiary institutions.	Percentage of girls enrolment increase from 24% to 50% by 2008	Take affirmative action to Increase female enrolment at tertiary level of education	1000,000	2005-2008	MINEDUC MIGEPROFE	Women Associations, FAWE Rwanda	APRM Focal Point

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**REPORT OF THE 5<sup>th</sup> SUMMIT OF THE COMMITTEE OF  
PARTICIPATING HEADS OF STATE AND GOVERNMENT OF  
THE AFRICAN PEER REVIEW MECHANISM (APR FORUM)**

*Banjul, The Gambia*

*30 June 2006*

**I. INTRODUCTION**

The 5<sup>th</sup> Summit of the Committee of Heads of State and Government participating in the APRM [APR Forum] was officially opened by His Excellency, President Olusegun Obasanjo, Chairperson of the APR Forum.

**II. THE PEER REVIEW OF RWANDA**

**a) Presentation on Rwanda by Prof. Dorothy Njeuma, Team Leader of the Rwanda Country Review Mission**

1. Prof. Njeuma informed that the Rwanda report was presented in Abuja. She highlighted the key issues in the report. The evaluation was based on a broad-based self-assessment and a review mission. The strengths of Rwanda include: achievement of Government of National Unity; women occupying positions in public service, relative absence of corruption, well developed ICT policies etc. She also outlined some of the challenges: Managing diversity, land ownership and reform and the reliance on external assistance.

**b) Response of H.E. Mr. Paul Kagame, President of Rwanda**

2. President Kagame reiterated some of the areas of concurrence: the promotion of gender equality (i.e. women councils, which also exist at the village level); and decentralized health services. He

also concurred with a number of gaps, which are being addressed in the Rwandan POA.

3. On the other challenges mentioned in the Report, President Kagame took the opportunity to elaborate further. Beginning with the Gacaca courts, he noted that the Panel is concerned with its legitimacy and standards and norms. He emphasized that the Gacaca courts is based on an age-old Rwandan traditional justice system. In post-genocide Rwanda, the conventional justice system was not a viable solution in light of the vast numbers that needed to be tried. Gacaca is not a replacement of conventional legal system, but it provides justice through direct community involvement. He again emphasized that Gacaca has cultural roots and engages in broad consultations. For Rwandans, the legitimacy is unquestionable and the only option available.
4. On the matter of political parties, President Kagame affirmed that the Forum of Political Parties was created for internal peer review and for sharing good practices. Rwanda has chosen inclusion and consensus-building all of which are articulated in constitution. The Forum of Political Parties is consistent with the constitutional provision of power sharing. The Ruling party may not exceed more that 50 percent in terms of participation in the government. According to President Kagame, these innovations are based on the recognition that a winner-takes-all approach is a recipe for conflict. He also stressed that “ home grown solutions” in facing challenges should be part of the APRM reporting.
5. He summarized by recalling that Rwanda has been a pioneer in this process. Subregional integration should be emphasised in the APRM process. Rwanda’ s experiences can be useful in



improving the APRM. Concerning the PoA, an implementation report is available for the Forum.

**c) FORUM DISCUSSION**

6. President Obasanjo observed that the areas of divergence do not seem very serious. He explained that Rwanda was confronted with a situation and chose to adopt a traditional remedy and this may be not be easily understood by external parties. The Chairperson noted that nonetheless, the Gacaca system was trying to bring justice expeditiously and cost-effectively through reconciliation. The Chairperson of the Forum further suggested that when the meeting on diversity is scheduled, President Kagame should speak on Genocide and Diversity.
7. The President of Mozambique congratulated Rwanda and noted that it is impressive to see that corruption is not a big issue in Rwanda. Concerning the national reconciliation, he agreed that Rwanda should speak on Genocide and aftermath in the conference on Diversity.

**d) CLOSURE**

8. The Chairperson of the APR Panel thanked the APR Forum for its goodwill, support and guidance. President Obasanjo announced that Prof. Dorothy Njeuma has now been appointed Chairperson of the APR Panel. The Sixth APRM Forum was subsequently adjourned.