

Statebuilding in fragile situations – How can donors ‘do no harm’ and maximise their positive impact?

Country case study – Rwanda (July 2009)

Joint study by the London School of Economics and PricewaterhouseCoopers LLP

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Preface

This country study of Rwanda is one of six case studies carried out in the OECD DAC study, “State-building in Fragile Situations”. The case study was a collaboration between the joint team of the London School of Economics, PricewaterhouseCoopers LLP and the Institute of Policy Analysis and Research-Rwanda (IPAR). Special thanks go to IPAR Director, Antonia Mutoro and IPAR researchers, Faith Malka, Celine Mukasine, and Rwanda-based Crisis States Research Centre researcher Yvonne Habiyanizeye. The report was written by James Putzel of the London School of Economics and Frederick Golooba-Mutebi of Makerere Institute for Social Research.

1 Introduction

1.1 Objectives

Rwanda, one of Africa's poorest and most backward countries in terms of economic development, is in a process of rapid and radical change. The political settlement underpinning the state in Rwanda was forged in the wake of a civil war and one of the 20th Century's most brutal genocides. The government that came to power was born in an armed movement forged among exiles in Rwanda's neighbouring countries whose families had been forced to flee dictatorship and systematic racist persecution. State-building in Rwanda since 1994 has been a matter of national survival and those involved, whether from the state, from a nascent civil society or from the donor community have a strong sense of the urgency to succeed. Accomplishments in just fifteen years have been impressive and there is much that the rest of the world has to learn from Rwanda's experience so far.

This report forms one of six country case studies undertaken to examine the impact donors may be having on state-building processes in fragile states and situations. The study seeks to identify positive and negative practices of the donor community in relation to five central dimensions of state-building: the political processes that underpin state-building; the relations between state and society; the problem of building state legitimacy; social expectations of the state; and the capacities of states to perform their basic functions, considered in our study as providing security, establishing the rule of law and access to justice, taxation, the management of economic development and the delivery of essential services.

The report is based on three weeks of research that involved local researchers teamed up with an international consultant who conducted a field visit for ten days and managed a workshop bringing together key stakeholders from donor, state and civil society organisations.

The objectives of the field visits as defined by our terms of reference were to:

- Collect relevant material (reports, evaluations, data etc.) and case examples to fill existing knowledge gaps and/or provide additional evidence, analysis and contextualisation;
- Consult national actors (state and civil society), development partners and donors to hear their views on the negative or positive impact of development cooperation on state building and to consult on possible elements of OECD DAC guidance on state building;
- To organise a consultation workshop that brings together donor and partner country representatives to analyse problems and challenges and discuss specific recommendations; and
- To prepare a country case study with country-level recommendations on how to 'do no harm' and better support endogenous state building processes.

1.2 Approach / process

Document collection and arrangements for interviews began from Monday 6 October and the local team worked through to 24 October, 2008. The visit of the international expert to Kigali, Rwanda, took place from Monday 13 October to Thursday 24 October. Some additional material was drawn from on-going research by the Crisis States Research Centre, but this information is cited separately and not included in the list of interviewees attached.

In total, 33 people were interviewed. *Annex 1* contains the list of people consulted.

The workshop took place on 24 October. It was attended by 29 people (see *annex 1*).

This report is primarily based on the views and information gathered from donor, state and civil society representatives interviewed and participating in the workshop. These are supplemented by information distilled from key documentary resources gathered during the brief field visit.

1.3 Particular challenges of state-building in the country

It is impossible to understand processes of state-building in Rwanda without considering its history of extreme exclusionary politics based on the dissemination of ethnic hatred. Rwanda was first colonised by the Germans and later, after World War I, became a UN trustee territory under Belgian rule. Although they are credited with introducing coffee as a cash crop, the Germans for the most part left the kingdom largely undisturbed in its socio-economic organisation. The Belgians, on the other hand, instituted far-reaching changes and reforms in the social, economic and political spheres. Some of the changes are responsible for creating divisions within society that eventually led to the explosion of inter-communal violence between the principle social groups, the Hutu and Tutsi. At the time of independence in 1962, the Belgians left behind a country deeply riven by violent conflict that had, in the years leading to self-rule and immediately after, seen the majority Hutu seize power from their former rulers, the Tutsi, amidst widespread killings.

1.3.1 History of ethnic violence and exclusion

The Hutu-led First and Second Republics under Gregoire Kayibanda and Juvenal Habyarimana respectively, went on to build on ancient traditions of Rwandan statecraft and institute a highly centralised state with the capacity to project power and presence across the country's entire territory. Whilst on these counts the two regimes presided over a "strong" state, its strength was undermined by the politics of exclusion they both practiced. The exclusionary character of the state was at the roots of its fragility. Politics driven by ethnic ideology subjected a substantial part of the population, those Tutsi who had not fled into exile following mass killings, to deliberate discrimination and exclusion from participating in most aspects of public life. Compounding state fragility was the exclusion and marginalisation within the Hutu community, of northern Hutu under Kayibanda, and of southern Hutu under Habyarimana. It was primarily these divisions that underlay some of the political crises and upheavals the country experienced prior to the 1994 genocide and the war that brought the RPF government to power.

The birth and ascendance of the RPF itself was the outcome first of all, of the inter-communal violence of the pre-independence and Kayibanda period (1959-1973) that saw thousands of the country's citizens of Tutsi background flee into neighbouring countries in search of refuge. The decision by both the Kayibanda and Habyarimana regimes to bar their return and to continue to exclude those who had not fled, was pivotal in leading to the eventual formation of the RPF and its decision to take up arms and enable the exiles to return. The invasion of Rwanda from Uganda by the RPF in October 1990 sparked off a series of events and crises that culminated in the genocide of 1994 and the eventual collapse of the Habyarimana (MRND) regime and the accession to power of the current RPF government.

1.3.2 State reconstruction after war and genocide

Since the RPF came to power, Rwanda has been transformed in many ways. The politics of exclusion of the Kayibanda and Habyarimana periods has been replaced by what the government argues is a politics of consensus and inclusion based on limited pluralism. Rwanda operates a multi-party system with eight political parties represented in Parliament. Of these, five are in coalition with the ruling Rwanda Patriotic Front, while two are represented individually. Where previously ruling parties enjoyed monopoly over power and positions to the exclusion of rival parties or even banned rivals and operated within single-party systems, the RPF has championed consensual politics whereby each party winning five percent of the vote and above is entitled to representation in cabinet and other public appointments. Legal parties that have no representation in parliament enjoy membership in the Forum of political parties where many issues of national importance are first discussed in a bid to reach consensus before they are taken to parliament. In a bid to foster unity outside of the government, a Unity and Reconciliation Commission was established. Through its education programmes, the Commission has played a pivotal role in rebuilding community cohesion and harmony, both of which were shattered by the genocide in which people killed their neighbours and sometimes friends and relatives from across the ethnic divide.

The Rwanda state is increasingly effective and efficient, with a reputation for 'zero tolerance for corruption' and toughness on issues of law and order. Although the bulk of the population lives in poverty, high levels of poverty are not so much the outcome of marginalisation, as they are of the country's failure to tap its mineral resources until recently and low levels of development.

1.3.3 Economic backwardness and poverty

Rwanda is one of the poorest countries in Africa, with 90% of the population dependent on agriculture for their living. The majority depend on insecure livelihoods from increasingly small, fragmented plots of which 77 percent are less than 1 hectare (Liversage, 2003, p.11). It is one of the most densely populated areas on the continent, while most of the population exists through subsistence production that has led to widespread deforestation. Through the end of the 1990s, no more than 4.5% of arable land has been used for cash crop production and exports comprised mainly coffee and tea. No more than 3% of the population worked in the industrial sector.

Since it came to power in 1994, the Rwandan government has made considerable progress in re-starting growth. Between 1996 and 2000 real GDP grew at more than 10 percent per year starting from a devastatingly low base.¹ Growth slowed down to 6.4% a year during 2001-2006. Trade grew at 12.5% a year led by coffee, tourism and tea, which together account for 60% of exports. The trade deficit has continued to grow with imports to rebuild infrastructure and productive capacity. A structural shift has occurred in the economy in terms of services outstripping agriculture in their contribution to GDP but not in terms of employment. Population density has underpinned environmental stress even as the government has made progress in mobilising rural households to combat soil erosion by building terraces and engaging in reforestation.

Progress in reducing poverty has been slow. Between 2000/01 and 2005/06, extreme poverty (those without even the basic food requirement) has fallen from 41.3% to 36.95%, while those living below the poverty line during the same period fell from 60.4% to 56.9%. For state-building to progress, Rwanda desperately needs to expand its economic base, with a radical increase in agricultural productivity and the development of manufacturing and service sectors to provide employment for the vast numbers of underemployed rural inhabitants who eventually need to find a home in urban and semi-urban areas.

1.3.4 Government-donor relations in Rwanda

There have been four phases or stages of relations with donors since the RPF took over power²:

1994-98: The final years of the Habyarimana regime and the genocide left a country in shambles. The economy had collapsed and the banks had been looted. Traditional donors had left the country and those that remained on the scene were wary of the new government, shying away from development assistance and channelling humanitarian assistance through NGOs. The World Bank could not launch a programme until the new government guaranteed the payment of arrears.

The new government held three roundtables with the donor community between January 1995 and June 1996. The funds raised were not enough to engage in meaningful reconstruction or to establish viable state organisations and systems. Security was re-established with meagre resources. However, as agricultural production had collapsed, the country was faced with widespread hunger exacerbated by the massive influx of returning refugees. Relations with donors remained strained and, despite pledges of about 700 million US dollars to fund a newly-developed Reconstruction and Rehabilitation Programme, funds did not materialise. The NGOs through which humanitarian aid was channelled were hesitant about collaborating with the government. Frustrated and angered by the way they had taken over the country, the government expelled 250 NGOs amidst vocal protest by donors. Eventually a number of donors – Canada, Belgium, Britain, the United States and Germany - decided to pay off the country's arrears with the World Bank. It was then that the new government started negotiating with the Bank.

1998-2002: The beginning of a 'development phase' began in 1998. Rwanda prepared a good macro-economic and sectoral programme and presented it at a Roundtable in Sweden. It was the first concrete programme donors agreed to support. That year the International Monetary Fund (IMF), which had implemented a modest 'shadow programme', was able to launch a full-blown programme and bilateral donors were able to follow.

2002-2005: The elaboration of the first Poverty Reduction Strategy Paper (PRSP1) covering 2002 to 2005, led to the first grants of budget support. The consultative process launched by the government convinced the donors that it had a comprehensive strategy and the donors focused their programmes on

¹ Government of Rwanda, 2007

² Interview, Ministry of Finance. His periodisation follows closely that in *Joint Evaluation of General Budget Support 1994-2004* undertaken by a wide group of donors.

the social sector. Little support was extended to the productive sector. An evaluation of PRSP1 revealed that poverty had decreased only marginally from 64% to 58%. Inequality increased considerably over the period. By all accounts, the government was shocked at the results and on this basis elaborated the second PRSP, the Economic Development and Poverty Reduction Strategy (EDPRS).

2006-present: EDPRS has focused on increasing investment in four areas to promote economic growth: agriculture, human resources, infrastructure to reduce the costs of doing business in production, and the financial sector. A priority in skills development was set as vocational training and the development of science and technology. The most important thrust of the strategy was export promotion followed closely by “Vision 2020 umurenge”, which targets people in extreme poverty. During the first stage of PRSP, only five donors provided budget support, but now most are couring at least some of their assistance through this mechanism. Two types of dialogue are maintained between the state and donors:

- Development Partners Consultative Group: groups all donors in Rwanda, meeting with the government every two months.
- Joint budget support review twice a year (April and September). In April, the review looks back on what has happened, while in September it looks forward and programmes for the next year and the medium term budgets. The meeting is for only donors providing budget support.

According to state officials, all the donors are interested in this dialogue as it discusses concrete policy issues in the context of the “EDPRS policy and result matrix”. The matrix has 80 indicators, of which only 45 will be monitored every year between the government and donors (see the discussion of the Joint Government Assessment below). The disbursement of funds is linked to these indicators. Both state officials and representatives of the donors put great value on the partnership developed and the sound grounds on which it is based.

2 Findings

2.1 Donors' impact on state-building: the macro perspective

2.1.1 Introduction

A major objective of our country study was to understand how donor intervention may be influencing the central aspects of state-building. Here we first look at how stake-holders view the challenge of state-building. We then deal in turn with donor impact on political processes, state-society relations, state legitimacy and social expectations of the state. We finish this chapter with a brief discussion of the dilemma donor countries face when attempting to reconcile strategic objectives in their foreign policy with the imperatives of state-building in Rwanda.

2.1.2 How state building is viewed

We begin this report with a brief look at how state officials, civil society actors and donor representatives operating in Rwanda view the challenge of “state-building”. While few of those we interviewed actually spoke in terms of “state-building” until we used the term ourselves, the different perspectives on the major challenges facing this poverty-stricken country expressed by these three groups of “stakeholders” capture the tensions underpinning donor interventions in all the state-building processes discussed in this report.³

State officials' views

Rwanda is ruled by a government with a mission. It was reported by some respondents that President Paul Kagame has told members of his administration that “where others walk, we must run”. The sub-text seems to be that after 30 years of ethnic politics, the civil war, the genocide and associated destruction, the country must make up for lost time. The Rwanda government is a reformist government with grand ambitions. It is pursuing an activist policy in public investment in infrastructure (energy supply and production, railway construction, road building, a new airport and information technology), revenue raising, radical government reorganisation, administrative decentralisation, health and education service delivery through multiple providers, agricultural modernisation, and the promotion of privatisation coupled with Rwandan private sector expansion in all sectors of the economy.

Among all the state officials interviewed there is a deep recognition (and appreciation) of the crucial role foreign assistance has played in the reconstruction of the country so far, but also a profound desire to graduate from “aid dependence”. There was widespread concern expressed by almost all government officials about the extent of “off budget” aid still characterising the overall inflow of donor assistance, even as there was strong appreciation of those donors who have continuously expanded the proportion of their assistance delivered as budget support. Government officials felt donors' support has contributed positively to “state-building” when it was delivered with flexibility and they believe that the government's own ability to articulate its needs and its own policy priorities was crucial to ensuring positive outcomes from donor interventions. At the same time, there was a widespread sentiment expressed that donors still work too much to templates and are too quick to dismiss government plans that diverge from these templates. Most surprising, as we had not anticipated this in our research framework, state officials expressed a strong sense of being constrained in their state-building endeavours by post-HIPC conditionality limiting new borrowing for public investment and by limitations placed on military assistance,

³ The first reaction of a number of state officials to the terms of our research was to question Rwanda being characterised as a “fragile state”. Indeed, over the past few years Rwanda has been sporadically included in various donor lists of fragile states.

which they saw as reducing the prospects of modernising and down-sizing the national armed forces and consolidating the security functions of the state. Some state officials believe the donors “cannot keep up” with their plans and that donors have low capacity in-country.

Civil Society views

The civil society actors we interviewed, both from non-governmental organisations and the business community, are generally supportive of the government's overall state-building project and donors' support for it, with one saying “if it were not for donors we would not be here”. Some in the NGOs are nevertheless concerned that donors' increasing practice of couring all assistance as budget support or through government channels reduces their own access to funding. They believe they need to compete with International NGOs for funding and while they lack the capacity to do so, they feel the INGOs who are funded do not have the capacity to implement projects. Generally, they feel they do not have enough information on how to gain access to donor funds through government and feel that donors could do more to support capacity building in the non-governmental organisations, if civil society is to play a more dynamic role in state-building processes.

These organisations cannot afford to employ skilled people who tend to work for the government, one representative said. Some believe that donors are aloof from civil society organisations and apply a type of ‘double standard’: “When government does not do all that is promised, donors continue their support. But civil society groups don't get the same allowance...Donors provide no significant funding to civil society. They claim civil society is weak. But government is weak and yet they get funding”. There was a strong sentiment expressed by one organisation that the key to developing civil society lies first in attacking “economic dependence” of the poor, which must be the basis for people to develop the capacity to exercise voice independently of the state.

Donor views

The donor community by and large is greatly impressed by the organisational capacity of the Rwandan government and its achievements in establishing security, noting that progress in state reconstruction after the civil war and the genocide was in no small part due to the fact that one organised force came to power without having to make the kinds of compromises that often follow peace settlements. Recognising the strengths of the Rwandan state-building efforts, donors have increasingly shifted their assistance from project support to budget support taking what they see as considerable risks.⁴ At the same time, there is a near universal concern among the donor community that this is a government “in a hurry” and several donor representatives argued that it needs to “slow down”.⁵ There is a widespread opinion among the donors that given how poor the country is, its leaders want to do more than they can afford. Donors argue that government comes up with ready-made plans to which donors are asked to sign on without further questions and they point to continued weaknesses in the public financial management system (JGA, 2008, 47-51), which need to be addressed. Donors also see the government as “too interventionist” in the economy, through direct government and ruling party participation in business and by promoting some business interests over others, or “picking winners”, in an Asian style of state-business relations.

In addition, donors are worried about the direction the country is taking politically. The government is seen as not sufficiently democratic, and the political space as in need of widening. While donors generally understand the specific legacy of ethnic hatreds, particularly in light of the 1994 genocide, they are uncomfortable with the limits on multi-party politics and on freedom of the press. Further, donors are worried about poverty in Rwanda and suggest the government has been pushing a growth agenda while donors need to push for stronger commitments to pursue poverty reduction. Finally, donors are worried about the Rwandan government's role in regional security, fearing that a strong Rwandan military might invade the Eastern Congo in pursuit of the FDLR insurgents (the remains of the former Rwandan armed forces and *interahamwe*, who were responsible for the genocide in 1994 and later installed themselves across the border).

⁴ One donor representative expressed the view that state-building is not the issue in Rwanda, but rather the biggest challenge is to overcome the extreme distrust among large parts of the population who live in conditions of high population density on the land and extremely low productivity.

⁵ One donor official commented, “It's like nowhere else working here. We are running to catch up with these guys constantly. When they want to do something they go ahead and do it.”

2.1.3 Political Processes

From the time it ascended to power, the RPF government has rejected conventional multi-party politics, primarily because of their past association with the politics of ethnicity and ethnic hatred. The government claimed to base decisions on political competition on the Arusha Accords signed during the height of the war in 1992-93, which called for inclusivity with an elected parliament and president.⁶ Emphasis is placed on consensus and elections are based on proportional representation whereby all legal parties that win more than 5 percent of the vote are entitled to representation in parliament and to ministerial positions. Political parties outside parliament and the cabinet have an opportunity to engage with other parties through the Forum of Political Parties in which all legal political parties in the country are represented. Equally important, the 2003 constitution does not allow any political party, however dominant it may be, to occupy more than 51 percent of the seats in parliament or ministerial posts or public service appointments. Some civil society activists suggested that while building government on consensus was generally healthy, it might not stimulate dialogue and a diversity of views, suggesting that donors' recent support for promoting debates in schools could help deepen democracy.

Donors remain critical and have in the past come close to pushing too hard and risked "doing harm" to state-building efforts by insisting on the 'opening up' of political space. Over time most donors have come to a reluctant conclusion that there is some merit in the government's position, and change will eventually come about through internal dynamics rather than external pressure.⁷ By easing up the pressure for 'opening up' donors have been able to more subtly influence the evolution of political processes.

In the past, political parties were allowed to operate only from the district level and above. Donor action was influential in the government's decision to allow political parties to open offices and engage in recruitment down to the village level. In 2007 restrictions were lifted, thereby extending the frontier of inter-party political competition, albeit still within specific limits. For example, parties are still strictly prohibited from organising recruitment or political campaigns on the basis of ethnicity. Some donors believe that it is time to increase support for organisations within the state, like Parliament and the Ombudsman's Office, that are capable of counterbalancing the power of the executive.⁸

The government's emphasis on promoting "what works", as opposed to a traditional model of liberal democracy, can be seen through aspects of its reforms in local government. Local government does not function on the basis of party competition as under a conventional multi-party system. It is, however, the centre of innovations whose contribution to state building appears significant, and which cannot be understood without reference to the origins of the RPF government and its pre-occupation with legitimacy. The government's adoption of traditional concepts in local government have elicited concerns about authoritarian methods from some donors, but as our discussion of service delivery below suggests, these practices may be integral to state-building in Rwanda.

Donors have positively influenced political processes through their support for a government initiated decentralisation process.⁹ The government has instituted a process of decentralisation in a bid to get people involved in decision-making and to improve the quality of service delivery. The decision to decentralise power and responsibility was not in reaction to donor pressure or prompting, but the outcome of an in-house reflection. Although some details of the policy and approach to decentralisation as well as the assertiveness by the Ministry of Local Government have caused tensions between the government and donors and a fair amount of frustration within the donor community, some of whom have raised concerns about competencies at the local level, donors, on the whole, have been very supportive.¹⁰

A much more thorny area is around media freedom, where donors' critical attitudes towards the government's restrictive policies are more contentious. This is a murky terrain due to the legacy of media abuse as an instrument in promoting the ideologies that led to the genocide in 1994. In the context of

⁶ Some of the provisions of the Arusha Accords (1993) clearly were difficult to apply after the experience of the genocide.

⁷ For a nuanced statement of the problems see the DFID (2004) Country Assistance Plan.

⁸ This is an important thrust in UNDP's (2007) ongoing country programme.

⁹ For background on decentralisation, see Musoni 2004 and 2004a.

¹⁰ On donor support, see Sida's evaluation of the programme (Jones, 2004) and USAID (2005).

state fragility, where civil society is weak and the professional organisations of journalists who might promote media integrity are therefore also weak, there is always a tension between media playing the role of constructive watchdog over the state and the media as an instrument of its owners to manipulate opinion or disseminate sensationalist stories simply to increase subscriptions or advertising revenue. The diplomatic community in Rwanda and reports in the foreign media and by “Rwanda watchers” also pronounce that the RPF government is intolerant of criticism and is therefore not media friendly.

Media practitioners, however, are divided on the matter, with some supporting the “media intolerant” thesis, and others taking a less critical view or dismissing it outright.¹¹ Some diplomats and donor officials believe the standards of journalism in the country could be improved considerably by an injection of professionalism. There is a debate over the extent to which journalists, particularly from the independent newspapers, behave opportunistically and unethically and the extent to which they act as watchdogs subjected to persecution by public authorities. Western governments have intervened directly in the contentious processes over media freedom by granting travel visas to journalists who claim to be fleeing from persecution. Government officials believe this has emboldened some journalists to engage in critical reporting and commentary simply as a means to “flee to greener pastures”.

Less attention has been given by the international community to the government’s positive engagement with the media. The President has affirmed his commitment to respect media freedom in meetings with journalists where he has listened to and answered their grievances. Generally, the government has taken a hard line on the media where it claims issues of national security or ethnicity were involved, but has ceded ground to media over issues of sensationalist reporting and the like. Donor intervention on this issue cuts in two directions, as pressure on the government to engage with media and respect the independence of socially responsible media activity and perhaps to provide some cover and even some incentives for irresponsible media actors. Since the Rwandan state has largely been quite effective in exercising control over the media, some donor pressure in this area may be more positive than negative in terms of its impact on overall political processes in the country.

2.1.4 State-Society Relations

Given the extremely low level of development in Rwanda (primarily a rural population in subsistence production and largely informal economy), it is not surprising that civil society remains weak and embryonic. Relations between the state and society have traditionally been marked by deeply embedded hierarchical structures of authority. Through its education and development policies the RPF government appears committed to breaking with traditional models of deference towards authority with attempts to elicit “voice” from below, aware of the dangers blind obedience to authority can lead to given the legacy of the genocide. At the same time the government is intent on promoting a “non-adversarial” relation between society and the state. The latter view was expressed by the Minister of Local Government, “there are two debates on the role of civil society organisations in developing countries ... On the one side civil society is seen as a counter power to government and on the other civil society is seen as an effective partner in service delivery and the development process. Rwanda favours the latter approach” (Musoni, 2004). Minister Protais Musoni’s views capture a determination by the government of Rwanda to restrict civil society organisations within specific parameters of operation.

Donors have not had a major impact on the relations between the state and social groups (though at particular points in time they have influenced social expectations of the state – see below), partly because they have felt they could more positively strengthen state-society relations by acting quietly behind the scenes to exert an influence over government policy and partly because the government has actively worked to keep donors and international non-governmental organisations (INGOs) at bay. There are clearly different perceptions among different donors about the way the state relates to society, but generally an unease over the extent to which the state pushes consensus politics. One donor expressed in no uncertain terms that the people in the hills, “don’t care what state they are living under” – “they have their language and their identity on that basis and they have seen no change in their miserable living conditions for decades. To them the RPF simply represents power”.

Donors believe they have influenced positively state-society relations by being the prime movers behind the poverty reduction agenda. It is true that the donor community pushed the Poverty Reduction Strategy Papers (PRSP) in Rwanda as elsewhere and government officials also admitted that they were shocked

¹¹ Interviews (carried out by the authors since 2004)with several independent journalists and others working for publications seen as ‘close’ to the government.

that after the first PRSP and five years of 7%+ growth rates, poverty reduction fell by no more than 3%. However, since then the government has made poverty reduction a primary objective, fully promoting the second generation Economic Development and Poverty Reduction Strategy (EDPRS). They reject the idea that donors are the prime movers as they see poverty as deeply related to insecurity. The government's own assessment, according to one official, has shown that when there has been insecurity in the country in past years, those perpetrating it have been from the poorest regions of the country.¹² The government's determination to focus its energies on poverty reduction can be seen through the emphasis it has laid on the re-activation of a traditional, self-help institution, *ubudehe*, as a vehicle to facilitate its efforts at the grassroots. Donors tend to see these traditional institutions as authoritarian. Nonetheless, the government persists in applying them in the modern context because of what officials regard as their effectiveness.

At the same time, Rwandan state officials and the business people they promote appear to be actively attempting to transform the inertia they observe at the base of society, which is acknowledged by some in the donor community. The more reflective comments from civil society representatives echo the government's concern about the slowness of change. For instance, while Rwanda has made enormous progress at the top in incorporating women into positions of authority, this is not linked with what is happening locally.¹³

Generally speaking, representatives of civil society argue that they do not need donors to be mediators between their organisations and the state. One reported that collaboration is institutionalised, through Joint Action Forums at the district level, where all organisations who work in that district can participate. Most civil society members we spoke to said that donors do consult them and they do not have problems speaking with donors, but the same is not true in terms of getting access to aid funds (see discussion of aid mechanisms below). However, one said, the donors do not like to take up controversial issues. One donor representative suggested that perhaps the donor community had been too reticent to voice its criticisms of the government publicly and that this stance needed to be reconsidered in the future.

Overall, donors appear to have adopted a "do no harm" stance with regard to state-society relations in Rwanda.

2.1.5 Legitimacy

The RPF government's proven capacity to maintain security and peace in Rwanda and therefore the ability by Rwandans to lead settled lives appears to be at the heart of the state's legitimacy in the eyes of the general population.¹⁴ This view was expressed in strong terms by all respondents, including members of the donor community. Less understood among donors is the extent to which the state's legitimacy is bolstered by the political reorganisation championed by the government. The reorganisation has included changes in the local government structure and functions within the framework of decentralisation, and limits placed on the agendas political parties can pursue. While the idea that placing limits on political party competition could be a source of legitimacy seems an anathema to many members of the donor community, these steps were very much in keeping with popular views gathered during consultations leading to the framing and enactment of the 2003 Constitution. According to a member of the Commission that conducted the constitutional consultations, Rwandans across the country blamed the genocide on, among others, political parties and their divisive messages, and for the most part wanted political parties to be proscribed. However, in line with the Arusha Accords which envisaged a multi-party system, the RPF government chose limitations on political-party activity over outright proscription, save for two, the former ruling party, the MRND and its former ally, the MDR.¹⁵

Also contributing to the government's legitimacy is its emphasis on rule of law, anti-corruption, and the

¹² Interview with a security official (2006).

¹³ Still donor funded programmes to train women like "We Can Do It" have produced women who went on to run for political office.

¹⁴ The centrality of security as a source of legitimacy can best be illustrated by a World Attitudes Survey which showed that in Rwanda people trust more in the police than in their neighbours. Therefore the government's ability to build a credible police force able to perform its functions to popular expectations is critical to its capacity to maintain its legitimacy.

¹⁵ Respectively, Mouvement Revolutionnaire National pour le Development & Mouvement Democratique Republicain (Interview, May 2007).

perception it has created in the minds of the general public that no one is above the law (see discussion under the rule of law below). This is confirmed by interviews with members of the donor community as well as civil society groups.¹⁶ Generally, the government's strong macroeconomic management has won support from the Rwandan business community and the government seems determined to create the conditions for domestic private investment to expand.

The donor community's continued support for the state building effort over the past eight years has been central to the government's survival and ability to operate and thus has contributed in an important way to consolidating state legitimacy. Long-term commitments made to the government by donors have been crucial to the government's own ability to establish long-term planning so central to its state-building project. The fact that donors provided this support despite reservations concerning the evolution of the political system, may make this a good example of how donors have refrained from "doing harm" in relation to the legitimacy of the state. At the same time, donor focus on poverty reduction and the extent to which they have centred their support on pursuing progress on this front has positively contributed to the state's legitimacy. While there are some differences between state officials and donors over who is driving the anti-poverty agenda, state officials seem convinced that their legitimacy – indeed their survival – depends on delivering progress in developmental terms. Donor contributions to success so far in that regard are beyond doubt.

2.1.6 Social Expectations of State

The generally weak character of civil society in Rwanda not surprisingly translates into a lack of open expression of social expectations of the state. Donors in general have been very circumspect about intervening in ways that might raise social expectations beyond what the state is able to deliver, not least because of the state's own restrictive and regulated approach toward non-governmental organisations.

In the immediate aftermath of the genocide most of donor support was channelled to non-state organisations, much of which passed through INGOs. Given the chaos within society at the time, the state found the activities of INGOs and the manner in which they engaged with social groups counterproductive to efforts to establish social order and to begin the reconstruction process. One state official recalled that, "Swarms of NGOs came to the country in 1994, each with their own agenda". By late 1995, the government ordered the INGOs to leave the country and in subsequent years established a strong and restrictive regulatory framework, for the operation of both INGOs and local NGOs.¹⁷ Even those in civil society somewhat critical of the government look back on that move by the government as a necessary one, arguing that very few resources during that period ever reached local people. Whatever initiatives the INGOs had created simply died after they left.

At the same time, state officials have attempted to develop avenues of "voice", especially in the rural areas, where a deep history of obedience and subservience to the state mean that most people do not express their expectations nor put any demands on the state. For example, in the early days of decentralisation, when the population was being encouraged to speak up and hold their leaders to account in a bid by the government to reverse the culture of obedience, some were resistant to the idea. Evidence of how alien the idea was, comes from an anecdote by a current government minister who in 2004 was a high-ranking official in the Ministry of Local Government. While on a tour in the countryside during that time, as he was telling a crowd of villagers that they had a right to speak up, a man stood up and warned him against inciting people against their leaders and the government. The man argued that encouraging people to question authority was a recipe for anarchy and disorder. Interviews suggest, however, that gradually people are beginning to express demands as a result of top-down efforts geared at encouraging them to do so.

Donors nevertheless believed the government could do more to promote dialogue with the public and within the framework of the PRSP/EDPRS they have pushed for consultations between the government and civil society, as well as with the general public. This appears to have led to greater government efforts to consult the public, as well as its creation of an 'invited space' for engagement between itself and the generally non-assertive civil society groups. One civil society representative argued that donors have

¹⁶ See also Sida (2008).

¹⁷ Representatives of local NGOs interviewed concurred in this assessment saying that donors had never provided significant support to local organisations.

increased social expectations about participation and said the EDPRS was a big improvement. There still is a sentiment among the most independent minded in civil society that donors could do more to “cultivate openness”.

2.1.7 Strategic objectives versus state-building and development objectives

The OECD countries have faced some important dilemmas in their engagement with Rwanda where their strategic objectives in relation to security in the Great Lakes region and their general prescriptions for economic and political reform in the developing world stand in varying degrees of tension with the logic of state-building, at least as it is understood by Rwandan state officials. These tensions are briefly mentioned here and developed further in later sections of the report.

There is considerable tension between a perception that strong Rwandan security forces might pose a threat to regional security, particularly *vis à vis* the Eastern Congo and the need to significantly increase resources to the Rwandan Defence Force (RDF) to finance its professionalization and modernisation, both necessary to further downsize its numbers. For Rwandan state officials the threat posed to the consolidation of the country’s security by the continued existence of the FDLR across the border is palpable and the action of the international community to eliminate that threat has been entirely inadequate. Donors appear to recognise the need for increased resources for the RDF but they have limited their recommendations concerning the security sector to the elaboration of greater democratic surveillance while donor governments have provided support only for Rwanda’s role in peace keeping operations in Darfur.¹⁸

There is some tension as well between the standard templates for economic and political reform to which the donor governments are committed and the requirements for state consolidation understood within Rwanda. While the Rwanda government is clearly dedicated to the development of a market economy, it sees the need for interventionist action by the state to promote and to guide private sector investment. Although donors recognise the legacy of politics based on exclusion and ethnic hatred practiced by a majority against a minority within Rwanda, the Rwandan state’s restriction of political competition and media freedom to address this problem sits uneasily with the donors’ general strategic objective to promote democratic reforms throughout the developing world.

2.2 Managing trade-offs in aid delivery mechanisms

2.2.1 Introduction

One of the propositions on which this study is based is that donors must confront important trade-offs in the delivery of aid between assuring the most effective use of resources and contributing to long-term strengthening of state organisations. We deal with this by looking at the mix of aid delivery mechanisms and the growing importance of budget support in Rwanda. We then consider to what extent “off-budget” aid is having a negative impact on state consolidation. Rwanda has been extremely dependent on technical assistance and we suggest there are positive lessons to learn from its experience.

2.2.2 Budget support and other aid delivery mechanisms

In Rwanda, some donors have shifted their aid from various forms of project and programme support (channelled both through the government budget and outside of it) to general budget support and sector budget support, making an important contribution to state-building.¹⁹ State officials, of course, have welcomed this trend as it allows them to increasingly put foreign assistance to use according to their own programmes for development.²⁰ The trend to move to “sector wide approaches” (SWAP), where donors pool resources to work with government on sector approaches in health, for instance, has also been welcomed by the state. In Rwanda this has been introduced in the energy sector – the first in Africa

¹⁸ The tension is evident in the Joint Governance Assessment (JGA 2008) where the text acknowledges a resourcing problem of the security forces but recommendations are limited to elaborating democratic oversight.

¹⁹ DFID (2004) reports that two-thirds of its aid programme is distributed as budget support.

²⁰ This interpretation differs from Hayman (2007) who argues, unconvincingly, that increased aid through budget support increases dependence on the donors.

according to one state official. As state-building is an internally driven process, the more that resources are coursed through government systems, the more likely those resources can contribute positively to state-building processes. Among all the bilateral donors, only the Norwegians channel virtually all of their, relatively small, assistance programme through non-state actors.

Some donors, like the United States, are prohibited by their own foreign assistance laws from providing budget support, but for others the move is an expression of confidence in the state and its ability to manage public finances. While, as we discuss further below, it is still impossible to gather entirely accurate information on aid in-flows to the country, the best data available suggests that budget support accounted for almost 28% of all ODA delivered to the country in 2007 and the percentage was expected to be similar in 2008.²¹ The more that aid is delivered as budget support, the more that it is treated as one source of revenue to be allocated through the decision making processes within the state.

Beyond this, however, 72% of ODA is still delivered through other modalities in the form of projects and programmes including investment funding and technical assistance, delivered both through the government budget and entirely off-budget, to a dizzying array of state and non-state actors.²² The most radical example of aid delivered off budget and through non-state actors is the US President's Emergency Plan for AIDS Relief (PEPFAR) money dedicated to fighting HIV/AIDS. In 2007 this amounted to approximately \$70 million, or almost 10% of all aid delivered to the country.²³

Given the weaknesses of both government tracking systems and donor reporting to the government on aid disbursements, it is impossible to know with any accuracy how much "non-budget support" aid is delivered through different modalities (projects, programmes, technical assistance, etc).²⁴ What is clear is that Rwanda remains heavily aid-dependent with foreign assistance accounting for almost 48% of the government's budget in 2007.²⁵

Donors disagree on the relative merits and demerits of channelling increasing amounts of aid as budget support, but all are agreed, at least in principle, on the need, as dictated by the Paris Declaration of 2005, to increasingly align their assistance to government strategies and systems. While this is a problem of "aid effectiveness" that underpins all donors' ODA to the developing world, it takes on particular dimensions in the context of state-building in a country like Rwanda. The evolution of "partnership" arrangements through donor and state collaboration first on the PRSP and then in the EDPRS, culminating in the Joint Government Assessment (see below), has generally been positive, but at our workshop there were still many problems raised related to aid modalities including continued practice of tied aid, mainly in the purchase of goods and of services, and especially technical assistance. The trade-offs donors face in relation to aid delivery mechanisms is discussed in relation to three issues: the problem of the "dual public sector", or, as it is discussed in Rwanda (in line with the Paris Declaration) getting more aid "on budget"; the problem of Technical Assistance and the impact of donor hiring practices.

2.2.3 Dual public sector: on and off budget support

The challenge of "getting aid on budget" was a major concern mentioned by almost all respondents in the state, while dilemmas over the relative merits of doing this were very much a preoccupation of donor representatives. With the move to course an increasing proportion of aid through the government, non-

²¹ Personal communication with UNDP financed aid effectiveness specialist in the Ministry of Finance. The reported figure of total ODA in 2007 was \$ 773,541,682, while Direct Budget Support amounted to \$213,388,023. This we take as more accurate than the 'guesstimates' made by Amis et al (2005), which saw budget support reaching 36% of total ODA, though the percentage of budget support has clearly fluctuated (See Ministry of Finance and Economic Planning, 2006).

²² Amis et al (2005) found project implementation units (PIUs) still proliferated though donors were aware of their negative effects. Donor representatives told us they were systematically phasing these out in Rwanda, though the extent to which this is true varies.

²³ PEPFAR funds reported in the government's DAD tracking system totalled \$70,256,012 as reported in Mokoro, 2008, p.77

²⁴ Amis et al (2005) provide background evidence on this.

²⁵ Interview RRA.

governmental organizations were almost unanimously worried about being able to access aid resources, pointing to the merits of continuing to have a certain percentage of aid delivered off-budget and outside of state control. There is considerable confusion over what it means to have aid “on budget”. A major study of the problem in Rwanda differentiated between the different degrees to which donor assistance is reported in the budgetary processes. For aid to be “on budget” it means “external financing, including programme and project financing, and its intended use are reported in the budget documents”.²⁶ In relation to state building, the more that aid is reported in the budget and even disbursed through the treasury and the government’s own accounting systems, the more possible is the creation of a robust public financial management system – a core issue in building a competent state that can endure over time.

There are several sites within the Ministry of Economy and Finance (MINECOFIN) where an effort is made to manage foreign assistance coming into the country. First, is the External Finance Unit (EFU), set up in 2005 to monitor progress in implementing the government’s Aid Policy and Paris Declaration objectives. Second, the EFU is supported by an Aid Coordination Unit funded by six donors and has established the Development Assistance Database (DAD) to collect data from donors about aid disbursements. Third, the Central Public Investment and External Finance Bureau (CEPEX), formed in the late 1990s, is an autonomous body under the authority of MINECOFIN, which offers technical support across the government to manage aid projects (preparation, appraisal, negotiation, implementation and monitoring and evaluation). It has its own database that is designed to track project implementation. This is where government gets data to monitor implementation of the development budget. Since 2007 CEPEX also reports on NGO project implementation.

According to MINECOFIN officials, so far the CEPEX is not able to produce a viable report that allows an accounting of foreign assistance in the national budget.

There are a variety of reasons why it has been difficult to get more of the projects and programmes financed by aid “on budget” in Rwanda. The definitions used for reporting aid as project or programme aid have not been clear, neither across Rwandan government ministries, nor among donor agencies.²⁷ Ministries do not provide information on aid projects as they fear the impact on their budget allocation and the Ministry of Finance sometimes “cuts” amounts of aid through projects and programmes in the budget document to fit pre-conceived budget targets, even if funds are flowing in beyond the reported amounts.²⁸ Donors are supposed to report their aid to the DAD (Development Aid Database, housed in the Ministry of Finance), but do not always do so or do not do so in a timely or complete fashion.²⁹ What is more categories deployed by the IMF in efforts to monitor macroeconomic performance also provide incentives to report some funds under capital expenditure, which are really recurrent expenditure (therefore weakening efforts to bring aid “on budget”) as this affects the overall picture of government deficit spending – a key target monitored. A significant amount of aid going to districts or to semi-autonomous public entities also is not reported in the budget mainly because there are no clear rules about doing this. Generally speaking the programmes and projects of multilateral donors have been reported on budget more consistently than those of bilateral donors.

Many state officials mentioned the US PEPFAR as the biggest problem in off-budget support.³⁰ While they welcome the additional support in fighting HIV/AIDS, they believe such a huge injection of funds, which must be spent on the epidemic, distorts overall spending on health given the relative needs for different types of expenditure. This can potentially affect state-society relations, as the many health challenges beyond the epidemic that people face in their daily lives are not attended to, while those

²⁶ Mokoro, 2008. A superior level of integrating aid into public financial management is getting it “on parliament” (ie, including it in the revenues and appropriations approved by parliament; getting it “on treasury” (ie, disbursing external aid into the main revenue funds of government and managing it through government systems) and further still is ensuring external financing is recorded according to government’s own accounting system and own classificatory system and audited by government’s auditing system.

²⁷ Mokoro (2008).

²⁸ Rwanda Government (2006) recognised this problem.

²⁹ The DAD publishes regular reports on donor compliance in an effort to “name and shame” the laggards and commend the best performers.

³⁰ USAID, 2008, affirmed its commitment to partnership with the Government of Rwanda in the delivery of PEPFAR.

suffering from the epidemic have an inordinate amount of resources spent on their wellbeing. Funds from the Global Fund to Fight AIDS, Tuberculosis and Malaria are at least channelled through the state and while the compulsion to spend them on earmarked purposes may not be in line with best judgments about overall health spending, they can nevertheless be accounted for and government can plan its health expenditures accordingly. But US money through PEPFAR has been almost impossible to keep track of.

Generally, donors in Rwanda have been increasingly supportive of the government's own management of its development agenda. Donor intervention in Rwanda offers a number of examples of how aid delivery can be organized in ways that ensure against the creation of a "dual public sector". Most donors have agreed to align themselves to government priorities, and have even participated in the elaboration of some like the EDPRS and Vision 2020. Resources once disbursed directly to NGOs for instance, are now increasingly coursed through government. State officials realise that donors may well come with their own agendas and are conscious that, if they do not have their own clear priorities, these will quickly be determined by donors. They know donors will often have earmarked funds and while they would like an increased amount of funds to be coursed through budget support, they at least want to know exactly where funds do go and for what purposes. Some of the civil society organizations interviewed worried about the trend to course all resources through government and called on donors to build up the capacity of civil society organizations to access these funds. A few civil society representatives felt that maintaining a certain proportion of development assistance channelled outside of the state would be important to reinforcing civil society.

For the most part the way that sector wide approaches (SWAs) have been initiated by the donor community, with full involvement of state departments and systems, has also contributed to reinforcing rather than weakening state-building efforts.³¹ Aside from enhancing skills within the state, SWAs have also allowed increased societal participation, with community involvement in the education and especially the health sector-wide approaches and the pioneering SWAp in the energy sector through the promotion of private sector consultation.

The most important advance made in donor state cooperation has been in the elaboration of the "Joint Governance Assessment" instrument (JGA, 2008). This is a framework agreed upon by the Government and development partners to evaluate governance progress in the country. The assessment covers three broad areas: ruling justly, government effectiveness and the investment climate and corporate governance.³² Out of 80 indicators, 45 indicators were agreed upon, though some donors employ only a subset of these in the judgements they make about progress in the country. For the donors the JGA is a must and when it was not completed on time one donor withheld part of that portion of their assistance programme made up of discretionary funds.³³ While the initiative to develop such a "jointly owned" process seems to have emerged from the President's office, the donors' enthusiastic involvement in collaborating among themselves and working with government to develop the framework represents a singular positive contribution to state-building. This view seems to be widely shared among donor and state officials.

While there appears to be enormous room for improvement in both Rwandan state systems charged with monitoring aid flows (and the incentives for state officials to do so) and in donor reporting practices to the Rwandan government, increased budget support and the trend to channel an increasing proportion of assistance through the government has acted to curtail the development of the "dual public sector" seen

³¹ See Ministry of Finance and Economic Planning (2007).

³² "Ruling Justly (covering the issues of establishing and maintaining security; national reconciliation and transitional justice; rule of law; human rights and civil liberties; political rights; and voice and accountability); Government Effectiveness (public financial management; corruption; decentralisation; public service delivery; and public service reform); and the Investment Climate and Corporate Governance (ease of doing business; corporate law and governance; private sector advocacy; ease of doing business; corporate law and governance; private sector advocacy; and state-business relations)" (JGA, 2008, 2)

³³ Donors quite rightly have moved towards long term commitments most of which are protected despite ups and downs in government performance. Those doing so, however, maintain some funds, which are only delivered upon successful completion of commitments by the government, thus maintaining some leverage. Of course, from one state official the comment came that, when donors fail to deliver what they have committed to, the state has no recourse for any action vis a vis the donor.

in many other heavily aid-dependent countries.

2.2.4 Impact of hiring practices

Rwanda's big constraint is the extreme shortage of skilled personnel. Donors have appeared to earmark salaries they pay to locally recruited staff with those in the public sector, but one donor official suggested that donors manage to get the best people when they need them. At our workshop it was suggested that sometimes highly skilled people are recruited by donors to do work far below their capability. However, there is not a very big donor community in the country so the impact of hiring is relatively innocuous. Civil society actors said that pay for local people working for international NGOs is no better than in local NGOs, but generally speaking they have difficulty in recruiting skilled people who are attracted both to the government and private sectors. Overall, donors do not appear to have affected the local market in skilled labour in any significant way.

2.2.5 Technical Assistance

Rwanda has had mixed experience with technical assistance (TA) provided by the donors, but generally speaking the government has developed skills in managing TA and ensuring its contribution to state-building is more positive than negative. Most donors do not report specifically or in a consolidated way on the amount of aid being channelled through technical assistance. The category employed is "technical cooperation", but the lion's share of this is in funding consultants to carry out short-term and long-term work. Some 30% of all official development assistance to Rwanda reported through the OECD is labelled as "technical cooperation". In the latest "Aid Effectiveness" report issued by the OECD, over 80% of funds devoted to technical cooperation are said to be "coordinated with the government".³⁴

After the RPF came to power in the wake of the genocide in 1994, the government relied heavily on technical assistance to rebuild important state functions. The most striking and positive experience was in the Rwandan Revenue Authority (RRA). The RRA was established with a donor programme in 1998 that provided funds to send consultants from two companies to serve as long-term technical assistants who held all major positions of responsibility in the authority. During the initial period, little progress was made in training and building up local capacity. Upon request from state authorities an evaluation was carried out, which demonstrated that the two consultancy firms hardly consulted with one another, let alone with state officials and some consultants sent had no tax experience. After that, technical assistance was recast and incrementally state officials took over the identification of needs and management of the technical assistance. Eventually long-term technical assistance was phased out until today where all technical assistance is identified by Rwanda directors of the RRA and deployed only short-term where specific requirements are needed. According to state officials, the key to the successful experience with technical assistance was donor flexibility and responsiveness. State officials learned they had to carry out their own assessment of the individual capacity of consultants and to develop their own plans for how to use foreign technical experts.

The government made an attempt to centralise the recruitment and management of technical assistance through the establishment of the Human Resources and Institutional Capacity Development Agency (HIDA) in 2004, tasked to deal with the overwhelming shortages in human capacity across government agencies. Officials said there is still a lack of capacity within the government to supervise and evaluate TA. Sometimes foreign consultants have arrived after writing their own terms of reference and government officials are often not involved in their selection. Donors often deal directly with Ministries in identifying and providing TA. Officials at HIDA suggested they had no overview of skills gaps. Recently, HIDA has been reorganised and its leadership reinforced in an attempt to begin coordination across ministries.

At our workshop some expressed a concern that much of the money spent on TA is money that actually is paid out in the developed countries where consultants are sourced. There was a general sentiment expressed that the key to successful deployment of TA was the government's own definition of its needs and that "supply driven" TA often contributes very little. Nevertheless, government officials recognise that TA has been indispensable in efforts to reconstruct the country and they play an on-going pivotal role in such agencies as the Ministry of Finance.

2.3 Functions of the state

³⁴ OECD, 2008, Indicator 4.

2.3.1 Introduction

Our comparative study of donor impact on state-building in fragile states has identified five key functions any state needs to perform: security, establishment of the rule of law and access to justice, taxation, management of economic development and essential service delivery. We look at donor impact in each of these areas and underline both positive and negative experience in Rwanda.

2.3.2 Security

The RPF government was born out of warfare – the effects of which, among them the flight of refugees into the Democratic Republic of Congo, including armed elements of the defeated army involved in the 1994 genocide - continue to pose a challenge for Rwanda's capacity to maintain security and stability within its own borders. After it came to power, the government fought an insurgency in the north of the country, as well as two wars in the Democratic Republic of Congo, all the outcome according to state officials of the desire by exiled elements of the former Rwandan Army to destabilise the country and overthrow the RPF government. For Rwandan state officials the threat to the country's security coming from across the border in the DRC is palpable. The government is determined to arm itself against the threat and to professionalise its military and security agencies.

Donors interviewed recognised the centrality of security to Rwanda's ability to promote development and maintain peace and stability. Yet, at the same time, the actions of donor countries fall short of what state officials feel is necessary to create the capacity of Rwanda's armed forces to perform adequately. While a number of donor countries provide training and logistical support to the armed forces, particularly in the area of peace-keeping, none is willing to sell weapons to the country. Here donors appear to be motivated by fears that if they provide weapons, they might be used to fight the former genocidaires based in the DRC and thereby destabilise the region. This is perhaps the key strategic dilemma facing donor countries in Rwanda, where effectively the needs of state-building stand in contradiction with donors' perceptions of the basis for regional security. In this donors are potentially doing harm, for any perceived weakness on the part of Rwanda could be taken advantage of by insurgents in the DRC to launch attacks into the country's territory and still spark off a conflict with regional dimensions.

Of equally serious implications is the effect successful raids into Rwanda by the insurgents would have on the government's legitimacy and, consequently, its chances of carrying out a successful state-building project to ensure not only security, but development and the well-being of its population over the long term. As pointed out above, the legitimacy of the RPF government is centred primarily on security and stability. By acting in ways that undermine its capacity to maintain security, donor countries effectively run the risk of undermining state legitimacy.

Due to the decisive victory of the Rwanda Patriotic Front in the wake of the genocide, despite the lack of significant external military assistance, the state has presided over the creation of a well-disciplined armed force with a unified chain of command. The RDF early on devised a payments system within its organisation that ensures soldiers' salaries are deposited in accounts, rather than delivered in cash. This contributed to the promotion of discipline and loyalty in the forces and allowed the evolution of further programmes (compulsory contributions to collective funds) that bolstered the livelihoods of soldiers and their families. Military attaches and diplomatic personnel of donor country embassies testified to the proficiency of Rwanda's security forces.

The state appears to have undertaken an extremely successful disarmament, demilitarisation and reintegration (DDR) programme. This was carried out by the Rwanda Defence Forces (RDF) themselves, whose own businesses provide opportunities for employment for ex-combatants. What is more, the RDF maintains a larger armed forces than they ideally would like to have, or than could be supported by other sources of revenue, so its involvement in establishing companies that can build and repair roads, for instance, is strategic to maintaining the livelihoods (and thus the loyalty and discipline) of its soldiers.

Rwandan state officials interviewed found the process of security sector review, championed by the OECD and the UK's Security Sector Development Advisory Team (SSDAT), overly intrusive. This may be an indication of how difficult it is for donors to intervene in a security sector where a country may be facing what it perceives as an immediate threat to its national security, as Rwanda assesses the situation in Eastern DRC. The lack of trust in the security sector review process expressed among state officials may also be related to a perception that the international community has not done all that is possible to remove the threat of the FDLR still operating in Eastern Congo.

There is much in the experience of building the security capacity of the state in Rwanda that donor

countries could promote elsewhere, but the limitation of their engagement with security to supporting Rwanda's role in international peacekeeping may prevent them from fully learning from Rwanda in this regard.

2.3.3 Rule of law and access to justice

The RPF government inherited a country with a collapsed justice system, with most lawyers and judges either killed or in exile. It therefore had to rebuild from scratch, amidst a lack of human and financial resources. Over the years the judicial system has been strengthened through recruitment of more judges as well as increased professionalization of its personnel. Archaic laws have been brought up to date, and in 1997 the Rwanda Bar Association bringing together members of the legal fraternity was formed. Donors have played a key role in these achievements, as well as in strengthening and improving the quality of other law and order institutions such as the police and the Office of the Government Ombudsman via direct funding, facilitation of training, and provision of equipment. There was clear acknowledgment of their role by both state officials and civil society actors. However, among the latter there were some criticisms that too much of the aid resources has gone to pay for technical assistance rather than directly into programmes like the provision of legal aid.³⁵

The Government of Rwanda has taken advantage of donor support to build up its law enforcement capacity and ensure respect for law and order through awareness creation and enforcement. Rwanda is known in the region for having a robust regime of anti-corruption legislation under which severe penalties are imposed on abusers of power and position. In Rwanda the notion of 'zero tolerance' for corruption appears to be rigorously practiced.

Of course the biggest legal and justice challenge facing the government after 1994 was in the prosecution of the perpetrators of the genocide. Donor officials have at times felt uncomfortable with aspects of the government's gacaca system involving local communities in long processes of hearing the cases of those accused. However, there is general recognition in the donor community that the government has managed what is nothing less than a major social dilemma as well as possible.

While donors appreciate the government's commitment to enforce property rights and its achievements in fighting corruption, there are aspects of what might be seen as rough justice that worry donor representatives. The Rwanda government has a non-legalistic approach to measures to combat corruption. Irrespective of position and status, public officials, civilian and military, who are implicated in corruption, are shamed and locked up swiftly. In Rwanda legal procedures and rules of evidence do not appear to stand in the way of taking action against people accused of corruption and misuse of power and position. These measures, state officials asserted, are necessary to combat a vice that, if left to grow out of control, would undermine the government's legitimacy.

Despite the major achievements it has made, the law and order sector continues to face enormous challenges, not least of which include a huge backlog of cases (from ten to twelve years in the Supreme Court); limited access to legal representation particularly by the rural poor, absence of legal aid, as well as continued shortage of human and financial resources. Donors, though, remain engaged and supportive of the efforts the country is making towards building a strong and credible judicial system.

2.3.4 Taxation

In Rwanda, through its successful establishment of security, the state has established a virtual monopoly over all taxation functions and appears to be presiding over an efficient implementation of tax policy. The Rwanda Revenue Authority (RRA) has achieved a high level of compliance and tax evasion among officials and private sector actors is not tolerated. As one civil society activists noted, the fact that one percent of all revenue goes directly to genocide survivors gives taxation a high moral status.

However, as noted above, Rwanda still remains extremely dependent on foreign assistance with net ODA disbursements totalling at least 25% of gross national income. According to the IMF (2008a and 2008b) Rwanda was still only able to raise revenues equal to about 13% of GDP by 2006. While Rwanda aims to reduce its dependence on foreign assistance and expand its revenue collection, its efficient tax effort can really only be increased by the expansion of production and trade of goods and services. Rwanda has high rates of taxation (corporate tax rate of 30%), an impressive record of implementation (97% implementation) and is most concerned to ensure that its tax policies promote economic growth, which will provide the basis to expand both revenue collection and the tax base. However, its tax base by 2008

³⁵ On tensions between donors and the government in the justice sector see Hayman, 2007.

was still not more than 12,000 taxpayers.

IMF assistance was very important in designing and reforming tax administration. The introduction of targeting and integrated tax collection through the model of the Large Taxpayers Office (LTO) contributed to improvements in revenue collection, with some 47% of all revenues collected through the LTO in 2007. While Rwandan officials appreciated the models of the IMF, they argued the organisation arrived with one new suggestion after another calling for constant reorganisation of the tax administration. Their big success came, they said, when they devised their own revenue strategy.

There were four important elements to the RRA strategy, which has underpinned its relative success to date. First, they suggested that the principle objective of revenue policy is to promote economic growth, rather than simply maximise revenue collection. Secondly, they have followed the general trend advocated by the IMF of moving from models of collection based on tax-type to models based on types of taxpayers. After studying tax collection in Tanzania, they organised tax collection in the cities on a geographical basis. Third, they sought to widen the ownership of the tax effort beyond the revenue authority, establishing Tax Advisory Councils at the provincial and district levels involving parliamentarians and chaired by a governor, mayor or security institution. In the same vein, they organised a national Tax Appreciation Day where the RRA accounts publicly for what it has done and listens to what communities and businesspeople would like to see done. The 'best taxpayers' are given an award by the Head of State. Fourth, they gradually phased out technical assistance from line positions within the authority and took control of contracting and managing technical assistance, moving from long-term technical assistance to short-term contracts around very specific needs (see discussion of TA above).

In assessing donor intervention, tax officials said central to the positive role played by the major bilateral donor was its flexibility and willingness to support the RRA's own plans, once clearly spelled out. The biggest worry expressed by donors was that the tax administration had become too efficient and that the high rates of taxation (especially the corporate rate) could dampen investment. This worry was also expressed by at least one civil society actor who said that small start-up enterprises found the taxation burden onerous. The Rwandan authorities are conscious of this danger and plan to lower the corporate rate to 25% as they expand the tax base. They hold regular consultations with the Private Sector Federation and these have led to reforms in the administration making it easier for businesses to comply. Reforms have all gone in the direction of simplifying and streamlining taxation.

In his studies of the role of international financial institutions in post-war reconstruction processes, Amherst economist James Boyce (2007) has suggested that the foreign aid community could play a more effective role in contributing to the establishment of sound fiscal systems if they endorsed proposals for the expatriate community working in the aid establishment to pay local taxes. In Rwanda, RRA officials have had a long-running debate with the international organisations present in the country over taxation. Donors claim exemption from taxation for their expatriate employees on the grounds of the Vienna Convention (1963). The RRA claims that only diplomatic personnel should be covered by the Vienna Convention. The argument centres on the extent to which contracted employees and (long and short-term) consultants should be covered by the Vienna Convention and on the likelihood that, if they were to implement taxation on consultants, there would be a commensurate deduction from overall aid resources flowing into the country. Rwandan authorities appear to be inclined to proceed in this direction. RRA officials said that earlier on it took a long time to get foreign embassies to ensure their local employees were all paying PAYE contributions, but now most are cooperating.

Both bilateral and multilateral donors have played a critical role in building up and strengthening Rwanda's capacity for revenue mobilisation, a critical ingredient of state-building. The long-term support that donors provided was instrumental in building the RRA into an effective taxation organisation.

2.3.5 Assistance to economic development and environmental sustainability

Agricultural development

One of the shared characteristics of fragile states is their low levels of economic production, usually marked by particularly low levels of agricultural productivity and little investment in manufacturing. This is nowhere more true than in Rwanda where 88.9 per cent of the population remain dependent on agriculture for their livelihood (FAO, 2007) and there has been little improvement in agricultural

productivity since independence.³⁶ As elsewhere in the developing world, donor assistance to the agricultural sector has declined markedly over time. While some donors have put a priority on providing aid to rural development in policy documents (see for instance, CIDA 2005), bilateral aid to the sector accounted for an average of 25.8% of all ODA in 1973-1977, but by 2003-2006 it made up an average of no more than 3.7% of all bilateral ODA.³⁷

Some donors have argued that the Rwanda government itself has not put enough emphasis on agriculture, concentrating instead on attempting to develop information technology and other high value urban economic activities. Rwanda government officials acknowledge that they were somewhat late in directing their attention to the agricultural sector, but now see it as strategic both to economic development and to maintain legitimacy in the largely rural population. They have adopted a strong commitment to development of the sector through the promotion of private investment, the adoption of a new land law and the promotion of a villagisation scheme. Land reform aims to give titles to rural producers over the land they occupy and use (the first effort at land reform in the country), while the villagisation scheme aims to convince peasants to pool land and farm it more productively, often linked to a private investor. Activists in one civil society organisation stressed that the focus on land is crucial, arguing that past regimes had used land to manipulate people and stir ethnic hatreds. With one of the highest population densities on land in the world and one of the lowest levels of productivity in agriculture, unequal access to land in the past has been used as a basis to mobilise people in violence conflict. The organisation was working with the Ministry of Local Government to develop ways to decentralise decisions over land and to give more momentum to the land reform programme.

At least one bilateral donor was heavily critical of the government suggesting that rural development remains the concern of only a few donor agencies. An official from another donor agency argued that the government became “seduced” by the idea of export cash crops, promoting vanilla, and coffee and attempting to “pick winners”. However, with the shock of poor progress in reducing poverty in the wake of the first PRSP, the government has placed much more accent on improving food crop production and on other poverty reduction programmes. While the donors have generally been supportive of the government’s turn to agricultural development they worry that the state may be too interventionist in its villagisation programme as in other economic activities.

State intervention to promote private investment

A general refrain of the donor community about the government’s economic objectives is that “the government is moving too fast”. One donor said that donors attempt to moderate the “wilder ideas” of state officials and have argued that government attempts to promote commodity change cooperatives and to tell farmers what to plant is too interventionist. However, one member of one of the country’s leading agribusiness firms appreciated government support to their own efforts to convince farmers to engage in higher value-added agricultural activities.

The basis of donor concerns is the involvement not only by the government and the armed forces, but also the ruling party (the Rwanda Patriotic Front), in the economy. They each own holding companies playing significant roles in the formal economy through joint ventures, public-private partnerships, or ordinary shareholdings. Donors argue that such involvement has distorting effects and places purely private entities at a disadvantage vis-à-vis what they see as privileged companies enjoying state patronage. Interviews show, however, that state intervention in the economy in Rwanda is of the developmental sort, reminiscent of the East Asian experience that the Kagame government seeks to emulate. An important consideration to be borne in mind while examining the role of the state in the economy in Rwanda is that post-genocide Rwanda has been only modestly successful at attracting foreign direct investment, not least because its domestic market is comparatively tiny. State intervention is therefore intended to fill an investment gap. The growth-focused intention of the Rwanda government can be discerned from the specificity of its involvement in business, of which two examples will suffice.

In the first example, alongside Diaspora and returnee private investors, the RPF’s holding company, Tri-star Holdings, has organised investment groups, to undertake major infrastructure projects, at national

³⁶ Rwanda’s primary food crop is sorghum, accounting for 55% of all cereal production, the productivity of which fell radically in 1992 and 1994 and otherwise has remained stagnant since 1990, at about 1.1 MT per hectare and the same holds true for maize which accounts for about 26% of cereal production (FAO Production Stats).

³⁷ Some key donor agencies make no mention at all of agricultural development in their country assistance plans (see for instance, UNDP 2007).

and provincial levels. In the second, the government finances the secretariat of the Private Sector Federation, the umbrella organization for private sector interests, as well as a vehicle for promotion of public-private partnerships in the country. Contrary to claims of crowding out purely private entities and unfair competition, interviews with private sector players point to the emergence of synergies and a certain dynamism in the economy that might not be there in the absence of these interventions. For example, it is said that Tri-star invests in areas where the private sector lacks the confidence or incentive to invest. They argued that the government has ensured open bidding processes for its contracts and Tri-Star does not hold an unfair advantage. One businessman pointed to the government's construction of a cold chamber at the airport to support export activities and subsidies provided for transportation to infant industries attempting to export processed agricultural goods.

Some donors fear that only businesses close to the government, who were part of the previous exile community, receive favoured treatment. However, one state official argued that 99% of the businesses in downtown Kigali are those owned by businesspeople who were in the country prior to 1994. While there is no certainty about the government's capacity to deliver on its ambitions, evidence so far suggests that state intervention is fostering a nascent private sector and is contributing to economic growth and wealth and employment creation.

Still donors remain sceptical about the government's investment plans. They opposed the government's plan to build a new international airport and have been divided over hydroelectric, irrigation, fibre optics and other infrastructure projects.

Meanwhile state officials are critical of what they see as constraints placed on the Rwanda government by the donor community. As a HIPC country, for example, Rwanda faces stiff conditionalities with regard to debt sustainability, which constrain its ability to borrow money for development purposes. They argue that conditionalities of this kind should be imposed on countries on a case by case basis, given that some countries are in a more manageable position of indebtedness than others.³⁸ In addition, while many donors have moved on from providing assistance targeted at particular projects to budget support, others still channel their aid off-budget, thereby limiting the government's capacity to strengthen its public financial management (see the discussion above). Further, government officials express frustration at donors working with and sticking to ready-made templates rather than considering government plans on their merits and point to how this imposes limits on the government's growth objectives, particularly in the area of infrastructure creation.

Environmental programmes

The Rwandan government has engaged with donors over issues of environmental sustainability. Sometimes this has become a matter of "accommodating" donors. For instance, in the energy sector, some donors have offered targeted support for small scale solar energy projects. The government's objective is to increase energy supply from the current 6% coverage of the country to 30% coverage (in its Vision 2020 strategy). To do so it has placed priority on the petroleum energy sector, hydroelectric power and methane gas development from Lake Kivu. The government of course accommodates all targeted small scale projects, but has attempted to maintain the thrust in its electrification programme and to keep donors on board. This has been effectively advanced under the first SWAp programme to be developed for an energy sector anywhere in Africa. For Rwanda, the capacity to better manage its scarce natural resource base is strategic and there is a strong view shared among state officials that this can only be achieved through the promotion of high value added productive activities throughout the economy.

2.3.6 Assistance to service delivery

Donors have played a pivotal role in supporting and influencing the delivery of essential services, particularly health and education. In doing so, some key debates have emerged over the organisation and structure of service delivery. In health, some donors have pushed the government to remove user fees, confronting a strong ideological commitment of the state that opposes what it considers "a mentality of handouts", which it finds undermines the developmental ethos it is attempting to spread within the population. In education, while donors and the state agree on the importance of supporting vocational skills, state officials have argued for more resources to be devoted as well to the tertiary sector, seen as

³⁸ There was early recognition of this problem by some donors (see Sida, 2004) but it was found difficult to make Rwanda a special case.

key to fast-tracking Rwanda's ability to operate at higher levels of technology. Generally, there is a tension as well over the state's revival of traditional concepts of community responsibility at the local level, which some donors believe have an authoritarian character.

Funding of services is highly dependent on aid. One donor official said that 50% of funding to the health sector is provided through the aid budget with 80% percent of this going to fight the HIV/AIDS epidemic – an inordinate proportion determined by the large and controversial US PEPFAR programme discussed above and the large amount of resources delivered by the Global Fund, whose programmes also tackle malaria and tuberculosis. The distortionary impact of these funds is a source of frustration for those attempting to build sustainable delivery of health care, so crucial to the state's legitimacy.

The most successful support from donors according to officials in the Ministry of Health has been through sector budget support and the health SWAp, the latter involving most of the donor community in funding the health sector. The strategy has focused on preventative care responding to primary health needs. Donors have been supportive of the decentralisation of health delivery and the government's commitment for the centre to set policy. The debate over user fees centres on the government's assertion that all will be covered by health insurance. Some donor officials argue that the health insurance scheme actually cuts out the poorest. State officials counter that the contribution people must make is very small and the small payments per visit are designed only to avoid abusive use of the system. From 7% participation in 2002, officials now claim that 85% of the population is enrolled and that the system has been welcomed in the rural areas. They argue that if they were to simply provide free health care they would need to spend \$34 to \$35 per inhabitant against the \$12 they currently spend. Donors have supported on-going studies to examine the impact user fees have on access.

Most controversial in donor intervention in the health sector remains the vertical funds delivered through PEPFAR. Not only are these largely "off budget" making it difficult for central state officials to even know what is dispersed and where, but also since they are earmarked exclusively for HIV/AIDS they create an imbalance in health service delivery that has a danger of negatively affecting the state's legitimacy. Some 80% of diseases that affect Rwandans are waterborne, so enormous resources are required for investment into securing safe water. The government reported that in its Ubedehu Survey, the population ranked access to safe water above all other concerns.

In education, the government reported important progress in primary enrolment, achieving 86% percent by 2006 (GoR, 2007, p.21). The government has emphasised the expansion of secondary enrolment and extended free enrolment in state schools to the first three years of secondary school in an attempt to make progress in creating a "knowledge-based" economy. One of the biggest constraints in achieving this goal is the paucity of teachers, made even more difficult by the government's transition from French to English language instruction. By the end of 2006, enrolment level in secondary, mostly private schools, was just 10%. Most controversial is the government's desire to expand tertiary education, which by 2003 amounted to only 0.4% of the school age population against a 4% rate for Africa as a whole. They are seeking to do this by investing in university facilities, encouraging private sector support and involvement and building the capacity to offer student loans. Some donors express worries about the government's efforts to expand tertiary enrolment and the budgetary resources invested in improving laboratories and information and communications technology in the universities. However, the government has succeeded in eliciting support from some bilateral donor agencies. At the crux of debates over the tertiary sector is the attitude toward what role the state should be playing in pushing faster development in relation to efforts to reduce poverty.

Important problems remain in service delivery. One NGO working with the victims of genocide argued that while the government's dedication of one per cent of all taxation revenue to the victims of genocide is impressive, it is far from enough. Many people who need treatment have been without it for years.

The most controversial issue in service delivery is the manner in which the state has mobilised traditional concepts of civic responsibility at the level of local government. In local government, the traditional concept of *imihigo* (pledging) has been revived to infuse moral content into an idea promoted by New Public Management - performance-based contracts. Historically *imihigo* referred to the pledges or oaths which warriors swore in front of the king and his court before going off into battle. Government officials claim that these pledges were responsible for the valour and bravery shown by Rwandan warriors in conflicts with its enemies. While evidence elsewhere that obliging top public servants to sign performance contracts makes little difference to the delivery of services, Rwandan officials suggest that it has, and attribute this to the indigenisation of a foreign concept. Starting with local government, *imihigo* has now been taken to the civil service generally, and plans are underway to apply it at community level whereby

members will pledge what poverty-reducing measures they intend to undertake within their households. The idea is that the rest of the community then hold particular households accountable for the specific pledges they make, with, as in the case of public officials, pledging and reporting back being public affairs. Outside observers, among them donors, see the *imihigo* as top-down and authoritarian. However, careful scrutiny suggests it is a plausible source of enhanced effectiveness in measures to overcome poor service delivery and poverty generally. Nonetheless, *imihigo* is only one of several “traditional” institutions that the government has resuscitated in efforts geared at state-building. Others include the *gacaca trial* proceedings for genocide crimes; *ubudehe*³⁹; *umuganda*⁴⁰; *itorero*⁴¹; and *inama y’umushyikirano*⁴².

Overall, donor assistance has been pivotal to the state’s progress in providing services, which ultimately is crucial to both its legitimacy and its overall efforts to advance economic development. Workshop participants all agreed that the watchdog role of donors on education and health has been very positive. Some conditionalities led to a government that is more responsive and responsible. This could be seen in the role played by discussion of the auditor’s office reports and in tenders that promoted accountability and transparency. Government officials remarked that in the 1980s conditionalities were punitive, now they are constructive.

³⁹ Traditional (communal) reciprocal mutual assistance, such as in clearing fields for planting.

⁴⁰ Traditional, unpaid activities, including keeping neighbourhoods clean, for the good of the general public.

⁴¹ Traditional institution through which administrative elites (national cadres) were trained

⁴² Translates as ‘national dialogue’. The dialogue is held annually, bringing together local and Diaspora Rwandans, including civil society, business, civilian, military and security officials, to talk about issues of collective (national) interest and to evaluate the performance of public bodies and officials.

3 Conclusions and recommendations

3.1 Conclusions

Since coming to power in 1994, the Rwandan government has made enormous progress in reconstructing the state and laying the foundations for economic development. Donor assistance has been pivotal to this process. Overall, donors have had a positive impact on state-building in the country, not purely due to the critical importance of development assistance to meeting the financing gap of the state, but also because donors have taken risks in backing a government whose policies often diverged from their own.⁴³

Despite departures of the state from the standard models of good governance and democracy that inform official development assistance, both in the organisation of politics and in economic policies that have involved the state in promoting private investment, donors continued to provide high levels of aid to reconstruction and development programmes. Most important, they have taken the risk of increasing the proportion of their aid coursed through budget support and have, on the whole, elaborated long-term commitments and stuck to them.⁴⁴

The successes achieved in state-building in Rwanda seem overwhelmingly due to the pattern of political organisation in the country, where government has elaborated a vision for development and implemented the vision with a sense of purpose and discipline. At times, the directive character of political organisation and the concentration of power at the centre of the state have elicited criticisms from both donors and external experts. If there is a tension between state officials and donors it centres on the way politics is organised. However, overall, the tension has been a constructive one, where the government has stuck to its own plans and vision, but been moved by donor criticisms and incentives when convinced that they made positive sense for domestic development.

The legacy of the genocide in Rwanda has played a crucial role in both shaping political processes within the country and in influencing donors' decisions about how much room to give the government to develop its own approaches to governance. The fact that the government came to power on the heels of a civil war and genocide and through an armed force mobilised largely by excluded citizens forced to become refugees in neighbouring countries led to a situation where the new government had an overwhelming determination to succeed. The Rwanda Patriotic Front has a very real sense that if it does not rebuild and consolidate a functioning state that can provide not only security but also development, the country could well slip back into internecine violence and economic collapse. Donors have probably given the government more room to manoeuvre due to this legacy and have been careful not to overly interfere with domestic political processes that they only partially understand. The "goodwill" factor in donors' relations with Rwanda has been central to the special relationships that have emerged between most donor agencies and the Rwandan government and society.

By accepting, though sometimes and perhaps increasingly reluctantly, the particular character of political processes in the country, and not pressing standard models of governance too forcefully, donors have managed to position themselves to influence gradual processes of political change, for instance in the

⁴³ Our general conclusion in this regard concurs with Hayman (2007).

⁴⁴ See Joint Donors Statement (2006).

incremental opening of political space.⁴⁵ Donor determination to do more in this regard by supporting the role of independent media, decentralisation processes and providing support to parliamentary organisations and the ombudsman's office are likely to enhance rather than detract from state-building efforts. This will remain possible for as long as donors manage the tensions they have with the state within a general context of mutual respect and recognise the particular challenges faced by political actors in the country. Ultimately, political processes will be determined by internal dynamics.⁴⁶ Donor stance on issues such as democratisation has proven to be a good example of how "doing no harm" can actually lead to positive contributions to state-building.

The Rwandan state's legitimacy within the population has been overwhelmingly achieved through its enforcement of security on the one hand, and the performance of the state's bureaucracy across the whole array of state functions on the other. Donors have contributed little to the former, but extensively to the latter. Donor assistance has been pivotal to the building of effective bureaucratic organisations, like in the tax administration, but also across the economic ministries and in state organisations responsible for the delivery of essential services. A condition for the effectiveness of programmes to strengthen the organisations of the state, which involved considerable technical assistance, once again was the presence of a strong political organisation within the state. This could be seen, for instance, in the fact that everyone interviewed had a clear knowledge of the government's Vision 2020 and where their own work fits into the grander plan for development in the country. While this could be understood as no more than mere rhetoric, the effectiveness of state organisations and the determination to fight corruption and incompetence within them, seems to bear witness to the positive impact of political organisation within the state. This has been crucial to state legitimacy.

There is a tension in Rwanda between building effective state organisation and strengthening organisations in what is only a nascent civil society. The early scepticism of donors towards the RPF in government and their impulse to direct most assistance through non-governmental organisations, led to a strong reaction from state officials. As economic development advances, there is an increasing presence of associations linked to new business sectors, professionals, as well as cooperatives and producers and donor engagement with these can be beneficial. At times, some of these associations may appear overly close to the state, but it was clear from our own interviews and the workshop we conducted that the associational sector, or civil society, is gaining more self assurance and its own voice. This is not usually an adversarial voice when it comes to government, but it is a distinct and increasingly independent voice, with which the donors could do more to engage. So far, donors have, whether by design or not, generally practiced a "do no harm" policy in state-society relations, which has been important in winning the confidence of state officials. It seems perfectly possible for donors to continue to build on positive relations with state organisations while making new efforts to work with emergent civil society groups.

In Rwanda, the legacy of an exclusionary and authoritarian government after independence created a deep passivity in the population towards the state. State officials and RPF activists seem genuine when they argue that they have to work to raise expectations within society of the state. There appears to be a growing understanding among state officials that development requires societal voice and an increasingly more inquisitive and pro-active attitude among ordinary citizens in both work and community life. This is being developed in ways that do not always fit donors ideas about participation, as in the long consultative meetings that characterise the states interaction with society. Donors need to recognise the value of these but also continue to press their own ideas about developing media and other mechanisms that will allow social expectations of the state to be articulated and expressed more openly. To date, donors have rightly been careful about not inflating expectations, but increasingly, the government's own commitment to performance-based evaluations should provide more space for societal voice.

Rwanda's experience with aid delivery in many ways can serve as a model for donors as they attempt to design programmes elsewhere with state-building in mind. Donors took a risk in channelling budget support to the state in Rwanda and to good effect. Of course, this still represents a small proportion of total aid and there is deep concern among state officials with both the continued delivery of aid through mechanisms beyond the purview of the central state officials charged with monitoring aid inflows and

⁴⁵ The evaluation of DFID's programmes 2000-2005 attests to the importance of the beneficial impact of strong political support for the Rwandan government (DFID, 2006).

⁴⁶ One of the more thoughtful reflections on how the international community could do more to encourage moves towards greater democratisation in Rwanda is offered by Uvin (2003) who believes support for the rule of law must be a top priority.

weaknesses in donor reporting of aid disbursements. Nevertheless, there was little evidence that donor programmes are contributing to the rise of a “dual public sector” in the country (see Summary Report). Rather, donor support channelled through SWAPs in health, education and now energy, have provided a model for how SWAPs can be used not only to pool donor resources but to constructively engage with government organisations and systems in aid delivery. The Joint Governance Assessment has also provided the means to ensure the full involvement of state officials in the dispensation and evaluation of how aid monies are deployed, as well as providing donors with an objective tool to assess progress being made by the state in various domains.

Rwanda also offers positive examples for the management and deployment of technical assistance in ways that contribute to, rather than detract from, state-building. Early negative experience at the Revenue Authority, led to a turn around in the mobilisation of technical assistance for genuine capacity creation. The key to this equation, again, appears to be the political organisation within the state itself. But donor flexibility and openness to evaluation and redeployment of TA was also crucial. The skills deficit faced by Rwanda is profound and the necessity for both long-term and short-term technical assistance will remain for some time to come. This is an area where effective *partnership* between the state and donors is crucial to success.

Overall, the sheer size of foreign assistance in relationship to both GDP and government revenue, means that it has played a huge role in creating capacities within the state to carry out its basic functions. As related throughout this report the contribution of donors in particular areas has been mixed. A strategic dilemma faces donor countries in relation to supporting the further development of the state’s capacity to guarantee national security. Donor countries need to reconsider their stance towards the Rwanda Defence Forces, particularly in light of the threat that is posed by forces in the Eastern Congo. Consideration should be given to increasing support for the modernisation of the armed forces on terms that are amenable to the state. This means re-evaluating visions of regional security and the role of Rwanda within it.

Overall, donors have made positive contributions to the state’s effort to create the laws and organisations that can deliver both the rule of law and access to justice. As the state brings the gaccaca process to a close, it will still face an extremely heavy burden in the justice sector in relation to the legacy of the genocide. Donor long-term commitments to support the sector will remain crucial and can have influence in shaping justice systems over time.

The donor engagement with the state in terms of building fiscal capacity is a model that can be learned from elsewhere. Forming the kind of bureaucracy that can articulate and implement effectively a policy of revenue and tax collection is a pivotal contribution to state-building. It is an outstanding example of how donors can make a positive contribution and should be studied as such.

Donor trepidations about the state’s approach to economic development seem overly determined by models of economic governance that do not fully take into account the lessons of successful late development. The Rwandan state is committed to developing a flourishing private sector, but firmly of the conviction that this requires an activist role for state organisations in creating the conditions for investment. Donors need to be prepared to learn from the positive experiences they encounter in Rwanda, rather than express a continued scepticism toward state intervention. The point of industrial policy is for the state to back new initiatives with the full knowledge that some may fail. Donors need to form their judgements based not on isolated cases of positive and negative state intervention in the economy, but on overall achievements and failures in promoting new activities in agricultural processes, infrastructure investment and export promotion. Here donors risk doing harm to state-building by seeing their role uniquely as putting a check on what is sometimes characterised as an “over ambitious” government.

Donor support has been crucial to the development of the state’s capacity to deliver essential services. Debates over user fees, health insurance and the mobilisation of traditional responsibility mechanisms in local government are healthy. What is crucial here is that donors maintain long-term commitments and again base actions on the basis of performance evidence over time. The Rwanda case illustrates that the most important debates over service delivery are not really about whether public or private sector delivery mechanisms are deployed, but rather over a mix of delivery that leads to the effective use of scarce resources.

3.2 Country specific and general Recommendations

A workshop was held where preliminary findings of the report were presented and debated among 29 representatives of donor, state and civil society organisations. There was only a small overlap of participants with those interviewed in the preceding ten days, so many of the views expressed in the workshop have rounded out information gathered in interviews and have been incorporated into the report.

While the workshop was too brief to reach consensus around a clear set of recommendations, debate was vibrant and a number of pointed views emerged around many of the topics discussed in the report. We summarise these briefly below.

General on donor impact on state building

- Donors tend to take up all the policy space and there is little room for domestic stakeholders to shape policy;
- Supply driven aid is problematic;
- Donors should have an open approach rather than work on already pre-determined templates;
- Donors need to take greater account of context.

Political processes

- Donors' democratic template is too narrow, which prevented them from fully supporting elections in 2003;

State-society relations

- More active participation should be encouraged from the citizens in policy development rather than policy articulation being dominated by the donor community;
- Donors need to listen more to government and not form biased criticisms based on views emanating from NGOs as they seem to have done in relation to the Gacaca process and security issues;
- Donor support needs to be neutral, that is it should not be partisan and in effect become a source of conflict or tension between the state and various social groups.

Social expectations of the state

- Donors should make long-term commitments so that governments can meet social expectations;

State legitimacy

- In terms of having an impact on state legitimacy, emphasis should not be put on what the government is doing wrong, but this is not to say that criticism is unwelcome;

Mechanisms of aid delivery

- While getting aid "on-budget" is important, the positive role of off-budget support should not be

ignored, particularly in channelling resources to civil society;

- Government and donors should collaborate in developing guidelines for the management of donor projects;
- Aid needs to be delivered in a fashion that is predictable to reinforce government's planning capacity;
- Technical assistants need to be coordinated to play a role in developing capacity, particularly at the local level;
- Donors need to do more to ensure that skills transfer takes place through the provision of technical assistance and this should be closely monitored;

Security

- In Rwanda security comes before human rights;
- The failure of the international community to remove the FDLR threat to Rwanda risks doing harm to building the core state function of security;

Rule of Law

- The Donor community could play a more active role in raising awareness of individual rights, laws and access to justice, for instance, while emphasising the government's responsibility to conduct education about, protect and promote laws and individual rights.

Taxation

- International agencies should subject their staff to the payment of local taxation.
- In particular, consultants' income should be subject to local taxation.

Economic Development

- If donors are to avoid stifling innovation they need to look at what is most positive in the government's position before dismissing proposals out of hand as appeared to be the case over the Bugusera Airport and the Serena Hotel, which despite donor opposition has proven to be a successful project. Donors tend to stifle innovation.
- In light of the financial crisis, the international community should reconsider the role of government regulation of the banking sector in developing countries like Rwanda;
- Before endorsing privatisation, plans should be subjected to a more rigorous review of positive and negative impact on state-building;.
- Where state building is on the agenda, donors need to break from scepticism towards state support for private enterprise and instead evaluate strategies on their own merits

Service delivery

- There sometimes is no clear understanding of donor priorities, for instance between providing support for health versus education.

Annex 1 - List of people consulted

Name	Position	Affiliation
Interviews		
Ahrens	Good Governance project coordinator	Germany GTZ
Armon, Jeremy	Senior governance Adviser	UK DFID
Bade, Jan	First Secretary for Economic Development	Netherlands, Embassy of the Kingdom of the
Baine, Mary	Head	Rwanda Revenue Authority
Butare, Albert	Min. of State for Energy, Water and Sanitation	M of Infrastructure
Deboer, Vincent	Economic Section	European Commission - Delegation -
Dyer, Rodney	Team Leader Pro-Poor Growth Adviser	DFID
Ericsson, Malin	Second Secretary for Development Cooperation, Democratic Governance	Swedish Embassy (Nairobi), Development Cooperation Section (Sida)
Farrel, Tye	Democracy and Governance Team Leader	USAID
Hendricsson, Gerard	Senior Advisor	Min. of Infrastructure
Hunter, Laurie	Political Officer	FCO UK Embassy
Kairaba, Annie	Director	Rwanda Initiative for Sustainable Development,
Karake, Charles	Director	Human Resources and Institutional Capacity Development Agency,
Karenzi, Dr. Ben	ex-SG, Minecofin, Minisante & parliamentarian	Independent
Kayonga Rwivanga, Caroline	Permanent Secretary	Min. of Health
Karega, Vincent	Minister of State for Industry and Investment Promotion	Ministry of Trade and Industry
Mudakikwa, John	Secrétaire Exécutif w/ Kevin Gatete	Association de la Jeunesse pour la Promotion des Droits de l'Homme et le Développement AJPRODHO-JIJKIRWA,
Muganza, Angelina	Chairperson	Public Service Commission
Mugenyi Torero,	Deputy Commissioner General &	Rwanda Revenue Authority

Name	Position	Affiliation
Eugene	Commissioner for Customs & Excise	
Mukama, Frank	Member	Yes Rwanda
Musafiri, Prosper	Director General Economic Planning	M of Finance and Economic Planning
Mushinzimana, Apollinaire	ex-Chef de Cabinet to the Minister of Local Government. Now a researcher	Institute for Research in Development & Peace
Ndahiro, Dr. Emmanuel	Secretary General	National Security Service,
Nkundayezu, Alexis	Executive Manager (Sina Gerard brother)	Etablissement Urwibutso
Obidegwu, Chukwuma	Consultant/Economic Adviser	African Development Bank
Osodo, Patrick	Program Manager Civil Soc & Justice	Norwegian People's Aid
Parsa, Ahmad	BTC-CTB	Rwanda Program Officer
Pepera, Sandra	Head	DFID
Pothoven, Martin	Adjutant Deputy Defence Attaché Rwanda	Netherlands
Rusagara, Derek	UNDP ICT Associate Aid Coordination Unit	M of Finance and Economic Planning
Rusagara, Frank	Brig. General	Rwanda Defence Forces
Rwangombwa, John	Permanent Secretary and Sec to the Treasury	Ministry of Finance and Eco Planning
Executive Secretary	Executive Secretary	Avega

Workshop

Abebe Shimeles		World Bank
Alex Mugabo		National Unity and Reconciliation Commission
Antonia Mutoro		IPAR
Ariane Inkesha		Institute for Research and Dialogue for Peace
Ben Kagarama		Rwanda Revenue Authority
Berry Odhiambo		Yes Rwanda
Caritas Mukankusi		Sida
Celine Mukasine		IPAR
Christiane Rulinda		European Commission
Chukwuma Obidegwu		African Development Bank
Edouard Munyamaliza		CIDA
Emmanuel Rutsimba		HIDA
Faith Malka		IPAR
Jay Mclean-Riggs		Seattle University
Jolke Oppewal		Netherlands Embassy

Name	Position	Affiliation
Joseph Kabakeza		Ministry of Foreign Affairs (MINAFFET)
Josiane Barebereho		Office of the President
Leonard M. Rugwabiza		African Development Bank
Paul Skidmore		IPAR
Robert Uwiringiyimana		Entreprise Urwibutso
Sandra Pepera		DFID
Shelly Roser		Intore expeditions
Thierry Kevin Gatete		Ajprodho
Tony Barigye		The New Times
Yue Man Lee		Office of the President
Yvonne Habiyonizeye		Makerere Institute of Social Research
Annie Kairaba		RISD
Christine Bayingana		Tulane University
James Putzel		LSE
Abebe Shimeles		World Bank
Alex Mugabo		National Unity and Reconciliation Commission
Antonia Mutoro		IPAR
Ariane Inkesha		Institute for Research and Dialogue for Peace
Ben Kagarama		Rwanda Revenue Authority
Berry Odhiambo		Yes Rwanda
Caritas Mukankusi		Sida
Celine Mukasine		IPAR
Christiane Rulinda		European Commission
Chukwuma Obidegwu		African Development Bank

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