



## Rwanda

Between 2000 and 2014, the Rwandan government has been increasingly active in cooperating with the EU on governance reforms. Why has the government reluctantly started to engage and why has it then become more active and at times proactive?

This chapter argues that Rwanda is an example of a country where the EU's good governance strategies largely converge with the preferences of the target government, particularly in the second half of the 2000s. Due to the conjuncture of specific structural conditions, the Rwandan government has a strong interest in building an effective state to improve public goods provision in order to enhance its position in power. It faced some opposition in the early 2000s, but has seen very limited open challenges to regime survival after 2005. The government faced limited difficulties in winning elections and it used mostly low-intensity coercion to *prevent* opposition from emerging.

In this context, EU support for governance reforms that focused on building effective state institutions and strengthening formally democratic ones (instead of empowering civil society actors) generated few costs but largely converged with the preferences of the Rwandan government, particularly after 2006. Moreover, by providing significant amounts of development aid (a large proportion of it as direct budget support between 2006 and 2012), the EU was an attractive partner for the government, outweighing

those (albeit limited) costs of cooperating on governance reforms. In contrast, Rwanda had little access to economic cooperation from alternative cooperation partners, such as China. China has not (yet) emerged as an alternative cooperation partner in terms of size of economic cooperation and support for the Rwandan government's survival strategies.

This period of relative convergence between the EU and the Rwandan government's preferences has probably come to an end as of 2012. The EU and other donors' decision to use budget support funds to exert pressure on Rwanda to cease backing rebels in the Democratic Republic of the Congo (DRC) in 2012 and Kagame's decision to change the constitution and run for a third term during the 2017 elections seems to herald a new era in Rwanda's relations with the EU and other donors.

### 3.1 STRUCTURAL FACTORS SHAPING RWANDA'S SURVIVAL STRATEGIES

The Rwandan leadership faces three interrelated structural challenges. First, the core elite on which the leadership relies to remain in power is relatively small. The most influential parts of Rwanda's political and economic elites are former Tutsi refugees from Uganda who fought the war against Hutu extremists in 1994.<sup>1</sup> Returnees settled mainly in urban areas, most of them in Kigali (Ansoms 2009, 293ff). Even today returnees from Uganda still hold key positions in the government (Ansoms 2009; Reyntjens 2010), the military and the security apparatus (Waugh 2004) as well as in the business sector which is dominated by companies owned by the Rwandan Patriotic Front (RPF) (Booth and Golooba-Mutebi 2012). However, while still in exile, the RPF leadership made efforts to expand its support base and to include Hutu in prominent positions. When it took power in 1994, the RPF sought to integrate other (mostly Tutsi) returnees from Burundi, Tanzania and European countries as well as genocide survivors and moderate Hutu who had opposed the radicalisation of the former regime in the early 1990s.<sup>2</sup>

Second, given the circumstances of how it came to power and its narrow, (still) ethnicity-based support group, the Rwandan leadership is confronted with a considerable security dilemma. A regime change could still constitute a substantial security threat to the elite. This security dilemma has several implications. The leadership has reason to expect that mass movements and mass opposition could quickly become uncontrollable. Thus it has a strong interest in not only maintaining support from the elite that sustains it in power, but to make sure that

popular dissatisfaction does not grow. Moreover, the Rwandan leadership probably does not expect support from the EU or other international actors to guarantee its security, not least in light of the inactivity of the international community during the genocide in 1994. Thus, the ruling elite supposedly has a strong interest in preserving its independence from international actors despite its strong aid dependence.

The third structural dilemma relates to Rwanda's scarce domestic revenues and weak economic development. As we will see below, Rwanda has benefited from substantial aid inflows, notably from the EU. Yet, while the Rwandan government needs to maintain support from the broader populace as well as the core elite, it has few domestic economic resources that are easy to access and that require little manpower, such as oil or other natural resources. The leadership thus has only a small margin of manoeuvre in maintaining support from the elite by granting spoils and perks. These three challenges—a small core elite, the resulting security dilemma and scarce resources—considerably impact on the leadership's basic choice of strategy to tighten its grip on power.

### 3.2 RWANDA RELUCTANTLY ENGAGED WITH THE EU IN THE EARLY 2000s

The EU has had limited relations with Rwanda until the genocide in 1994. The genocide left the country with multiple crises: about one-tenth of a population of eight million was killed; two million people fled the country, mostly to the neighbouring DRC; and one-fifth of the population was suspected of having been involved in the genocide. Important parts of basic infrastructure were destroyed and the economy was depressed. In the first few years after the genocide, the EU and other donors provided humanitarian aid to support the rehabilitation and reconciliation process. Towards the end of the 1990s, the EU's relations with Rwanda normalised and the EU (and other donors) shifted its support from humanitarian to long-term development aid.

#### *The EU's Good Governance Strategies Between 2000 and 2005*

##### *The EU's Approach: Promoting Democratic Government*

As part of the EU's shift from humanitarian aid to long-term development assistance, support for governance reforms became a stronger priority of

the EU's policies towards Rwanda. Between 2000 and 2005, the EU put the emphasis on promoting not only the effectiveness of government institutions but also the democratic quality of decision-making processes. The first country strategy paper, signed by the European Commission (EC) and Rwanda in 2002, indicates the importance the EU attaches to supporting democratic institutions, human rights, the holding of elections and the judicial system (Government of the Republic of Rwanda and European Commission 2002). The paper mentions the need to strengthen the involvement of civil society actors in the decision-making process, but the focus clearly lies on enhancing state institutions (*ibid.*).

In the early 2000s, the EU spent the bulk of its aid on rural development and macro-economic support (European Commission and Rwanda 2003, 26ff). It also allotted parts of its aid funds to promoting the effectiveness of government institutions and the democratic quality of decision-making processes. OECD aid data show that the EU allocated similar volumes of aid in support of input and output legitimacy (Table 3.1).

Between 2000 and 2005, the EU focused mainly on the intergovernmental channel to support governance reforms and used the transnational channel to a much lesser extent. It channelled only small volumes of aid to non-state actors through the European Development Fund (EDF). The country strategy paper for the ninth EDF did not identify assistance to non-state actors as a priority for the EU's support to Rwanda (Government of the Republic of Rwanda and European Commission 2002). Only €2 million

**Table 3.1** EU governance aid to Rwanda 2000–2014 (in USD million and in per cent)

<i>Rwanda</i>	2000–2005	2006–2010	2011–2014
Total governance aid	49.22	48.56	5.23
Total aid (all sectors)	495.69	646.12	160.66
Governance aid/share in total EU aid	9.9%	7.5%	3.3%
Output legitimacy	22.19	3.54	5.23
Input legitimacy	27.03	45.02	0.00
Output legitimacy/share in total governance aid	45.1%	7.3%	100%
Input legitimacy/share in total governance aid	54.9%	92.7%	0.00

Source: Author's compilation, based on data from OECD DAC Aid statistics (2016) (Query for EU institutions; 'total governance aid' includes all aid reported for the EU institutions under the category '151:I5a: Government & Civil Society-general, Total' to the OECD DAC Creditor Reporting System. 'Output legitimacy' includes public sector and administrative management, public finance management, decentralisation and support to subnational government, anti-corruption organisations and institutions; 'input legitimacy' includes legal and judicial development, democratic participation and civil society, elections, legislature and political parties, media and freedom of information, human rights, women's equality. Data accessible at <http://stats.oecd.org>; last accessed: 5 October 2016)

was to be allocated to support civil society organisations (out of €12 million reserved to support governance reforms) (European Commission and Rwanda 2003, 30f). The EU proposed to launch a fund for civil society organisations, jointly managed with the government (*ibid*). It allocated only small aid volumes to Rwanda through the European Instrument for Democracy and Human Rights (EIDHR). Most of these funds were provided to international rather than Rwandan civil society actors (Table 3.4).

*The EU's Instruments: Cooperative-Critical*

In the early 2000s, the EU promoted governance reforms through dialogue and governance aid combined with some negative conditionality. The EU launched political dialogue under Article 8 of the Cotonou Agreement in 2004. During political dialogue meetings, the EU asked the government to establish benchmarks against which to measure progress on governance reforms (European Commission and Rwanda 2005). Together with other donors, the EU made efforts to establish and institutionalise different forms of aid policy dialogues that developed along with reforms to the international aid architecture in the early 2000s. As part of these dialogues, the EU together with other donors sought to make governance reforms an important topic (Hayman 2006).<sup>3</sup> Beyond political and aid policy dialogue, the EU began to support governance reforms with EDF and EIDHR aid funds (see above).

Furthermore, the EU pressured Rwanda to promote political reforms. Similar to other international actors, the EU criticised the limiting of political space for civil society and the opposition ahead of the 2003 elections, and decided to withhold aid funds dedicated to supporting the elections (Kimonyo et al. 2004; Hayman 2008, 172). During the EDF mid-term review in 2004, the EU argued that it would not increase aid funds due to Rwanda's limited progress on governance reforms (European Union 2004b, 16). The mid-term review rated Rwanda's performance on governance reforms as 'insufficient' (European Union 2004b, 15).<sup>4</sup>

Beyond these material incentives, the EU criticised the governance situation in several public statements and non-public *démarches* (Table 3.2). The EU had issued a common position in 1998, which it renewed several times. The common position identified support for democratic reforms and human rights as a key objective of the EU's policies in Rwanda (European Union 2002). It used declarations and presidency statements to raise concerns regarding the human rights situation. In a strong public statement published in the autumn of 2004, for instance,

**Table 3.2** EU statements and *démarches* related to governance reforms 2000–2011

	2000–2005		2006–2011		Total
	Positive	Critical	Positive	Critical	
EU public statements on governance reforms	4	6	3	1	14
<i>Démarches</i>	–	3	–	1	4

Source: Author's compilation, based on EU annual human rights reports and documents published by the Council of the EU

the EU criticised deteriorations in the governance situation (European Union 2004a).

### *The Rwandan Government's Responsiveness: Reluctant Engagement*

In response to the EU's demands to cooperate on governance reforms, the Rwandan government reluctantly started to engage with the EU in the implementation of governance instruments. Already in the early 2000s, the Rwandan government was slightly more forthcoming in engaging with the EU than Ethiopia and Angola, as we will see in the next chapters.

#### *Rwanda's Responsiveness: Political Dialogue and Aid Policy Dialogues*

Political dialogue with the EU remained ad hoc and informal until 2004. High-level government officials participated in the dialogue. The government agreed to discuss a broad range of issues related to democratic and effective governance reforms as well as regional peace and security. In contrast to Ethiopia and Angola, the Rwandan government agreed to establish benchmarks to measure progress on governance reforms as part of a formal political dialogue (European Commission and Rwanda 2005; European Union 2004b, 17). The government agreed to hold two Article 8 dialogue meetings in 2005, during which it discussed with the EU the abolition of the death penalty in the context of the Gacaca trials, the transfer of the *génocidaire* from the international criminal tribunal in Arusha to Rwanda and problems related to Interahamwe rebels in Eastern Congo who fled to the DRC after the genocide (Euréal and PRODEV 2006).

Beyond the Article 8 political dialogue, the Rwandan government reluctantly started to engage with donors in governance reforms during aid policy dialogues. Parallel to the international effectiveness agenda, which had emerged from the early 2000s with the Millennium Development Goals and the high-level fora on aid effectiveness, donors started to improve their aid coordination structures at country level and intensified aid policy dialogues with developing-country governments (Whitfield and Fraser 2009). Rwanda was one of the few African countries that agreed early on to institutionalise aid policy dialogues with the EU and other donors (Hayman 2006).<sup>5</sup> As part of these aid policy dialogue meetings, the government reluctantly agreed to address governance reforms.<sup>6</sup> It was slightly more willing to address governance issues as part of its aid policy dialogues with the EU and other donors than Ethiopia and particularly Angola. For instance, in contrast to Ethiopia, the Rwandan government was willing to set up specific aid policy dialogues with an explicit focus on governance reforms, for instance, to discuss the elections, support for the Supreme Court or Gacaca jurisdiction (Euréal and PRODEV 2006).

*Rwanda's Responsiveness: Positive Conditionality and Governance Aid*

The Rwandan government reluctantly agreed to implement governance aid and to include positive conditionality in its engagement with the EU. Together with the UK, the EU was the driving force in negotiating a new budget support agreement with Rwanda in 2003 (Hayman 2006, 79f). The government accepted benchmarks to assess progress on public financial management and transparency of government finance in the agreement. Yet, despite pressure from the EU and the UK, Rwanda did not agree to include objectives related to democratic reforms, such as free and fair elections (Hayman 2006).

Rwanda reluctantly accepted financial and technical aid from the EU and other donors targeted to promote governance reforms. The government agreed to allocate a portion of funds from the eighth EDF to support governance reforms. An analysis of joint annual reports on the implementation of EU aid to Rwanda (2001, 2002 and 2004) as well as the EDF mid-term review (European Union 2004b, 8) and an independent evaluation of the EU's aid to Rwanda (Euréal and PRODEV 2006) suggests that governance aid projects were implemented relatively smoothly and with few delays. Until the end of 2005, the bulk of EU aid allocated to governance reforms was disbursed (Euréal and PRODEV 2006, 57; European Union 2004b, 8).

Moreover, compared to Ethiopia and Angola, Rwanda was more open to assistance that aimed at supporting the effectiveness and democratic quality of decision-making processes. For instance, the government engaged with the EU in public financial management reform. It agreed to use the bulk of EU aid earmarked for supporting governance reforms for the rehabilitation of the judiciary, prisons, the parliament and other government buildings (European Commission and Rwanda 2003, 51f; 2005, 14).

In addition, the government accepted support from the EU and other donors to assist the constitutional referendum and the parliamentary and presidential elections, for instance, by fostering the human and administrative capacities of the national electoral commission (European Commission 2009). It also welcomed the EU election observer mission to monitor the 2003 elections, and accepted support from the EU and other donors for democratic institutions such as the Human Rights Commission (CNDH) that had been established in 1999, even though the CNDH's budget remained largely financed by the government itself (Kimonyo et al. 2004, 44f, 51f). Government institutions such as the National Commission for Unity and Reconciliation (NURC) also benefited from the EU and other donors' support (Kimonyo et al. 2004). Rwanda accepted support from the EU and other donors for drafting the legal framework for these and other institutions such as the Ombudsman or the Office of the Auditor-General of Public Finance.

To summarise, the EU adopted a relatively broad approach and sought to promote *democratic government* in the early 2000s. The EU not only attempted to support the effectiveness of government institutions, but also the democratic quality of decision-making processes. Moreover, the EU used a *cooperative-critical* strategy and put pressure on the Rwandan government to open political spaces. The Rwandan government, in turn, started to *reluctantly* engage. One would assume that since the EU sought to promote a broad understanding of good governance and used a cooperative-critical approach, cooperation on governance reforms would become quite costly for Rwanda. It is thus surprising that Rwanda reluctantly started to engage with the EU in the early 2000s.

### *The Rwandan Government's Survival Strategies*

#### *Strong Domestic Opposition and Threats to Regime Survival*

The EU's demands to cooperate on governance reforms coincided with the end of the transition phase after the genocide. By the early 2000s, the



Rwandan government had re-established basic domestic security and its monopoly on power (Waugh 2004; Reyntjens 2009; Prunier 2009). Basic economic development had resumed; by the early 2000s, economic development in terms of gross domestic product (GDP) had returned to pre-genocide levels (Marysse et al. 2006). Moreover, a referendum on the new constitution and the first presidential and parliamentary elections were finally scheduled for 2003 after having been postponed several times.

At the same time, the Rwandan government faced mounting domestic opposition during the early 2000s. Rwandan (and international) civil society organisations and the media increasingly voiced concern that the peace-building process was not accompanied by higher levels of political liberalisation and political competition. Moreover, several members of the ‘government of national unity’<sup>7</sup> defected, suggesting that the Rwandan leadership’s attempts to broaden its support base were failing (Waugh 2004; Reyntjens 2013). Some former members of the government—moderate Hutu and Tutsi survivors—went into exile. Others joined the domestic opposition, for instance, the Republican Democratic Movement (MDR), the largest opposition party (Waugh 2004). The former president Bizimungu, a Hutu member of the RPF who became president of the ‘government of national unity’ in 1994, also openly challenged Kagame. Bizimungu resigned in 2000 to establish his own party, the Parti Democratique pour le Renouveau (PDR), to create a political alternative to the RPF (Reyntjens 2004). In addition, the Rwandan government faced some—albeit limited—external security threats. In 2001, the Forces démocratiques de libération du Rwanda (FDLR), a rebel movement active in the eastern part of the DRC and composed of former Interahamwe and *génocidaire* who fled to the DRC after the genocide, attacked Rwanda (Longman 2004, 75; International Crisis Group 2009).

*Survival Strategies: Building the Foundation for State Reform, Managing Arenas of Contestation and Using Low-intensity Coercion*

With the end of the transition phase after the genocide, strengthening the effectiveness of government institutions to improve public goods provision became a high priority for the Rwandan government, and it launched a civil service reform (Hausman 2011). The effectiveness of the government slightly improved in the early 2000s and the level of corruption remained low (see Fig. 3.3 later). In addition, the government established several democratic oversight institutions such as the national electoral commission, the Ombudsman’s office and the Commission on Human Rights.<sup>8</sup>

Some observers question their impartiality and claim that these democratic oversight institutions remained relatively weak. The first Ombudsman, for instance, was one of President Kagame's closest allies, one of the RPF founding members and later the RPF secretary-general.<sup>9</sup>

The Rwandan leadership responded to the growing domestic opposition by substantially limiting political spaces. Low-intensity coercion was used to secure the RPF's and President Kagame's victory in the elections. The MDR, the most important opposition party, was banned ahead of the 2003 referendum and elections (Reyntjens 2004). The former president Bizimungu could not run in the elections; he was arrested in 2003 and later sentenced to 15 years' imprisonment (Beswick 2010, 235). Finally, press freedom was further restricted (Reyntjens 2004).

The referendum on the new constitution and presidential and parliamentary elections in 2003 constituted an important arena for members of the opposition, civil society and the media to challenge the RPF. While there was little doubt that the RPF and President Kagame would be victorious in the elections, winning with a considerable majority was considered to be important to signal that the RPF and President Kagame had a firm grip on power (Reyntjens 2004). The parliamentary and presidential elections finally resulted in a landslide victory for the incumbent regime. The RPF gained about 73 per cent of the votes and President Kagame was elected with more than 90 per cent.

After the elections, spaces for the media and civil society organisations were further reduced. A new and quite restrictive law that required civil society organisations to register with the government had already been passed in 2001. In June 2004, a parliamentary commission on 'genocide ideology' accused some of the most prominent domestic and international non-governmental organisations (NGOs) of promoting ethnic division. Leading figures of LIPRODHOR (Ligue Rwandaise pour la Promotion et la Defense des Droits de l'Homme), the most important independent human rights organisation, left the country (Longman 2011).

When the EU approached Rwanda to engage in governance reforms in the early 2000s, the government was preoccupied with reinforcing formal political institutions and putting more emphasis on economic growth and public goods provision. EU assistance to support the effectiveness of government institutions thus aligned with the government's preferences. At the same time, ahead of the 2003 elections, the Rwandan government faced growing opposition and political competition from former members of government. The government used low-intensity coercion to respond

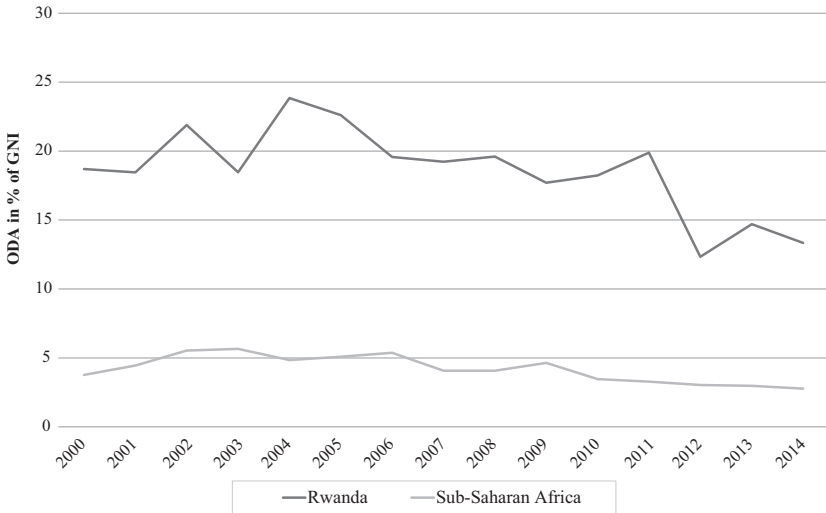
to the growing opposition. In this context, the EU's attempts to promote input legitimacy have generated substantial costs and only very limited benefits.

*Rwanda: Strongly Aid Dependent on the EU in the Early 2000s*

The EU started asking the Rwandan government to cooperate on governance reforms during a period when Rwanda was also highly dependent on EU aid. Engaging with the EU in governance reforms thereby yielded important direct economic benefits for Rwanda. The EU is also an important trading partner and source of direct investments. Yet, trade and investments still make up a small share of Rwanda's GDP.

During the past decade, real GDP growth averaged about 8 per cent per annum and Rwanda has been one of the fastest growing economies not only in Africa but also beyond. Yet, GDP growth was, to an important extent, driven by aid inflows (Marysse et al. 2007). Rwanda's aid dependence has been very high if measured by the share of aid to gross national income (GNI). Between 2000 and 2005, development aid accounted for 18–24 per cent of GNI (Fig. 3.1), making Rwanda one of the most aid-dependent countries in Africa. Rwanda is also strongly aid dependent if measured by the share of government revenues. Between 2000 and 2005, development aid accounted for about one-third of government revenues; Rwanda's domestic tax base has been very low in comparison to other African countries.

After the genocide, and particularly since 2000, Rwanda saw a shift in its international relations. Traditional partners such as France or Belgium that had supported the old regime even during the genocide, considerably reduced their engagement. Other donors such as the EU and the UK, in turn, scaled up their support. Between 2000 and 2012, the EU institutions, together with the World Bank, the USA and the UK, have been the largest donors to Rwanda (Fig. 3.2). In terms of financial volume, the EU as a whole (EU institutions and member states) was the largest donor between 2000 and 2005. Aid provided by the EU institutions to Rwanda in that time accounted for about 26 per cent of total OECD DAC donors' aid. The EU institutions started to channel aid through direct budget support in 2003 and directed significant shares of their aid to infrastructure and social services, such as healthcare and education.

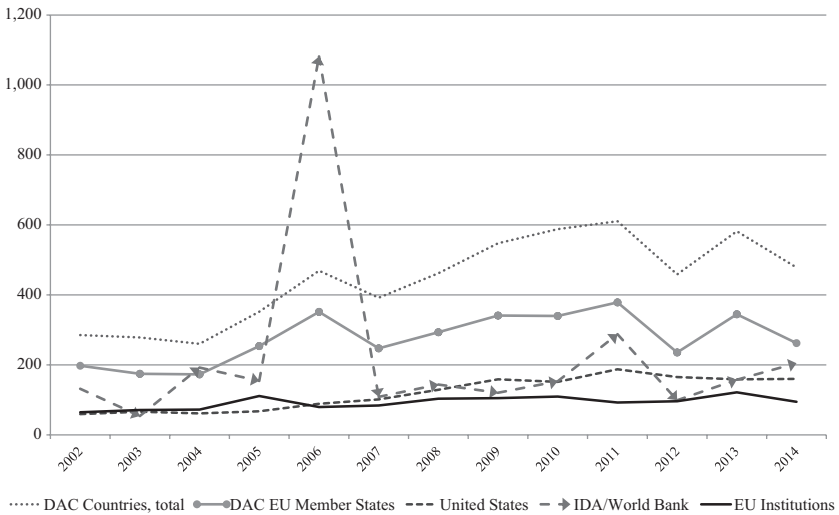


**Fig. 3.1** Net ODA as a share of GNI in Rwanda

Source: World Bank (2016a), World Development Indicators; author's compilation

The EU and other Western donors' willingness to substantially increase aid to Rwanda can at least partly be explained by Western feelings of guilt for not intervening in Rwanda during the genocide of 1994. Moreover, the Rwandan government has very actively embraced the international aid effectiveness agenda as it emerged in the early 2000s (Hayman 2009).

The EU was the most important destination for Rwandan exports until the mid-2000s. Yet, the overall volume of exports and its share of GDP has been quite small. Rwanda has a large trade deficit that has grown considerably over time. Some argue that Rwanda was able to finance its imports mainly due to substantial access to development aid (Marysse et al. 2006; IMF 2013); much of it from the EU. By the early 2000s, production of coffee and tea—Rwanda's two major export commodities—was at pre-genocide levels, and exports had resumed (Oomen 2005, 900). Tea and coffee account for more than 50 per cent of Rwanda's exports. Furthermore, the EU has been one of the largest investors in Rwanda. Yet, the overall level of direct investments in Rwanda had been very low in the early 2000s; and substantially below the sub-Saharan African average.



**Fig. 3.2** ODA flows to Rwanda (disbursements in USD million)

Source: OECD Development Assistance Committee Aid statistics (2016); author's compilation

In the early 2000s, the EU thus became one of the most important donors to Rwanda. It channelled aid through modalities and to sectors that largely matched the preferences of the Rwandan government. Rwanda therefore had a strong interest in closely cooperating with the EU. These benefits that cooperation with the EU ‘beyond’ governance reforms entailed compensated for the costs that cooperation on governance reforms produced. Its dependence on EU aid can thus explain why Rwanda reluctantly started to engage in the early 2000s, even though cooperation was risky for regime survival. Yet, this argument would be even stronger if one could control for alternative explanations, such as access to cooperation with China.

### *China: No Alternative Cooperation Partner in the Early 2000s*

In contrast to the EU, China has played a limited role as an economic cooperation partner or as a partner to support the Rwandan government's survival strategies. Between 2000 and 2005, China's cooperation with Rwanda was very limited.

When the EU started to foster cooperation on governance reforms in the early 2000s, bilateral trade between Rwanda and China as well as Chinese foreign direct investments in Rwanda were close to zero (Fig. 3.4). Moreover, Rwanda's access to Chinese grants and loans has been very restricted. China supported a few infrastructure projects, such as road construction, the renovation of the stadium in Kigali and the extension of a nursing school (Table 3.3). The financial volume of Chinese projects is difficult to estimate and directly compare with the EU's aid, as official data cannot be accessed. For the period between 2000 and 2004, interviews with Rwandan and Chinese government officials<sup>10</sup> and a press analysis give no insights into the financial volume of China's aid projects. However, the list of projects (Table 3.3) strongly suggests that the volume of Chinese aid between 2000 and 2005 has been negligible compared to the EU's aid.

Beyond economic cooperation, engagement with China has not provided the Rwandan government with an alternative to the EU with regard to cooperating on the government's survival strategies. Exchanges between the RPF and the CCP have remained relatively limited (Fig. 3.5

**Table 3.3** Chinese aid projects 2000–2005

<i>Year</i>	<i>Type of project</i>	<i>Financial volume</i>
<b>2002</b>	Construction of Kibungo hospital and nursing school (Ngoma District); extension of the school (in 2004/2005)	USD 7 million grant
<b>2003</b>	Joint China–Rwanda agriculture cooperation project: Umutara Rice Field Management Project	–
<b>1986</b>	Construction of CIMERWA Cement factory, operated by a Chinese company on behalf of the Rwandan government;	–
<b>2006</b>	privatisation; assistance for expansion of the factory	–
<b>1998</b>	Construction of a national stadium	–
<b>2004</b>	Renovation and repair	–
<b>2001</b>	Construction of Kinyinya-Nyarutarama and Kinyinya-Utexrwa roads in Kigali	–
<b>Various years</b>	Commodities aid (food aid; office equipment and relief)	–
<b>2004</b>	Construction of conference hall 'Prime Holdings'	–
<b>2005</b>	Construction of Ministry of Foreign Affairs	USD 8.9 million grant

Source: Author's compilation, based on data from MOFCOM, aid transparency initiative, *The New Times* and BBC monitoring international reports

below), and China has not assisted Rwanda in strengthening the effectiveness of government institutions, managing arenas of contestation or using coercion.

### 3.3 RWANDA PROACTIVELY ENGAGING WITH THE EU IN THE LATE 2000s DESPITE CHINA LOOMING

Between 2006 and 2011, the EU continued to promote *democratic government*. At the same time it shifted its instruments from a cooperative-critical to a *cooperative-rewarding* strategy. The Rwandan government, in turn, has become very active, and at times proactive about engaging with the EU in governance reforms.

#### *The EU's Good Governance Strategies Between 2006 and 2011*

##### *The EU's Approach: Promoting Democratic Government*

In the years between 2006 and 2011, the EU continued to promote *democratic government*. The EU highlighted the importance of improving the electoral process, strengthening the separation of powers and enhancing access to justice (Government of the Republic of Rwanda and European Commission 2007). The EU used several channels of communication with the government to address issues of democratic and, to a lesser extent, effective governance reforms. During Article 8 political dialogue meetings, the EU raised concerns regarding limitations of freedom of speech, press freedom and the revision of the media law, shortcomings in the electoral process, judicial reform and the Gacaca or the abolition of the death penalty (European Commission and Rwanda 2008).

OECD aid statistics illustrate that the EU's governance aid remained stable in the second half of the 2000s (Table 3.1). OECD aid statistics also suggest that the EU put a strong emphasis on supporting input legitimacy. Between 2006 and 2010, the EU directed almost all governance aid to support democratic reforms, a large part of which was allocated to support justice sector reform, as will be documented below.

The EU continued to put little emphasis on the transnational channel. In the country strategy paper for the 10th EDF, support to non-state actors was not identified as an explicit objective of the EU's policies, and the amount of assistance allotted to supporting civil society actors through the EDF has been small. Engagement with non-state actors was conceived of as a cross-cutting issue in the strategy paper rather than a direct objec-

tive of the EU's aid to Rwanda (Government of the Republic of Rwanda and European Commission 2007, 47). Only around 2010 did the EU start to design a programme to support non-state actors through the EDF.

The EU gave some aid to non-state actors through the EIDHR (Table 3.4). Yet, a significant share of EU aid targeted international NGOs based in France, Germany or Belgium rather than Rwandan NGOs. Furthermore, the EIDHR project descriptions<sup>11</sup> suggest that most EIDHR funds channelled to Rwandan NGOs were used to support justice reform and the reconciliation process. EU support for civil society organisations engaged in the justice sector aimed at supporting the effectiveness and efficiency of the justice system, rather than the independence of the judiciary or other elements of horizontal accountability. In contrast, the EU only provided a limited amount of aid through the EIDHR that focused on promoting freedom of the press or of association.<sup>12</sup>

#### *The EU's Instruments: Cooperative-Rewarding*

Around 2005 the EU modified its strategy from *cooperative-critical* to *cooperative-rewarding*. The EU increasingly refrained from putting pressure on Rwanda, but instead rewarded the government through additional development aid, via aid modalities such as budget support and public rhetorical support. By increasing development aid and through its choice of aid modalities, the EU signalled to Rwanda that it viewed the political situation as generally positive.

In 2006, the EU rewarded Rwanda for its compliance with the requirements of the governance incentive tranche with a 30 per cent aid increase. This is the highest possible tranche, received by only five African countries (European Commission and Rwanda 2008, 1). In 2009, Rwanda was the first African country to which the EU offered an 'MDG contract'—a special form of direct budget aid with higher aid levels and long-term predictability.<sup>13</sup> During the 2009 EDF mid-term review, the EU increased aid levels by 30 per cent (€89 million). Rwanda is again one among only eight African countries where the EU raised aid funds during

**Table 3.4** EU aid to non-state actors through the EIDHR 2000–2011

	2000–2005	2006–2011	Total
Volume in USD	6,307,588	8,390,594	14,698,182
Share to local NGOs	27%	55%	43%
Number of projects	16	41	57

Source: Author's compilation, based on EIDHR compendia various years (European Commission 1995–2012)



the mid-term review.<sup>14</sup> About 80 per cent of EU aid to Rwanda was spent through direct budget aid. The head of the EU delegation in Kigali, Michel Arrion, explains the decision by the ‘[...] exemplary progress Rwanda made in recent years in good governance, sustainable development and the fight against poverty and hunger’.<sup>15</sup> In 2009, the EU also decided to channel most of its governance aid through government budgets (as sector budget support), thereby signalling that it appreciates progress on reforms.

In contrast, deficiencies regarding democratic governance did not prompt the EU to exert pressure. The EU never reduced aid or shifted budget support to other aid modalities, unlike some EU member states.<sup>16</sup> In contrast to the early 2000s, it has not used public statements to openly criticise the government (Table 3.2). Around the parliamentary and presidential elections in 2008 and 2010, the EU did not publicly express concern. Instead, it mostly relied on cooperative instruments such as political dialogue and non-public *démarches*.<sup>17</sup>

### *The Rwandan Government’s Responsiveness: (Pro)Active Engagement*

Between 2006 and 2011, good governance has been a prominent issue in the Rwandan government’s policy documents and its public discourse *vis-à-vis* donors. In public speeches, for instance, during meetings with OECD DAC donors, President Kagame highlighted on a regular basis that governance reforms constitute a key element of the government’s development strategy.<sup>18</sup> Compared to the period between 2000 and 2005, the Rwandan government engaged more actively with the EU in the implementation of governance instruments. In contrast to Ethiopia, and particularly Angola, Rwanda has at times even taken proactive initiatives to intensify cooperation on governance reforms with the EU and other donors.<sup>19</sup>

#### *Rwanda’s Responsiveness: Political and Aid Policy Dialogues*

The Rwandan government continued to engage in a regular and comprehensive formal political dialogue with the EU between 2006 and 2012. It has conducted political dialogue with the EU at the minister of foreign affairs level and invited relevant representatives from other line ministries or government institutions, depending on the issue under discussion. Dialogue took place on a regular basis up to four times a year, a frequency which has reportedly been in the interest of both sides.<sup>20</sup>

During political dialogue meetings, the government has been willing to address a broad range of issues related to regional peace and security, effective government as well as democratic governance reforms. Participants report that the dialogue has been open and frank and has sometimes influenced the government's position, for instance, in the case of the abolition of the death penalty in 2007 (European Commission and Rwanda 2008). The government was also willing to discuss sensitive issues such as reform of the justice sector. It discussed legislative reforms such as the laws on 'genocide ideology', 'divisionism' and the media that have been strongly criticised by human rights organisations and other international observers (European Commission and Rwanda 2008). Even though it is difficult to assess the influence of these dialogue meetings on the government's position, it should be noted that the government has been willing to discuss these issues with the EU.<sup>21</sup> Beyond such formal dialogue mechanisms (and unlike Angola and Ethiopia), the government has allowed the EU (and other donors) very good informal access to decision-makers.

Compared to the early 2000s, Rwanda has also more prominently engaged with the EU in governance reforms as part of its aid policy dialogues. It continued to discuss governance reforms with the EU and other donors during the annual donor–government meetings.<sup>22</sup> During these meetings, Rwanda presented reform progress, for instance, regarding justice sector reform, the fight against corruption, public financial management or decentralisation and agreed with the EU and other donors on reform objectives for the following year. In contrast to Ethiopia and particularly Angola, Rwanda has also maintained regular policy dialogues with the EU and other donors regarding specific policy and institutional reforms, such as justice sector or public financial management reforms as part of the budget support intervention.<sup>23</sup>

#### *Rwanda's Responsiveness: Positive Conditionality*

Rwanda defined concrete benchmarks to measure progress on governance reforms together with the EU and other donors. Compared to Ethiopia and particularly Angola, Rwanda has been much more ambitious in defining reform objectives and more actively engaged with the EU.

To comply with the EU's requirements for receiving a 'governance incentive tranche', the government developed a comprehensive 'governance action plan'. This plan was relatively detailed and contained targets related to political rights and civil liberties, the rule of law, the

effectiveness of government institutions and the fight against corruption (European Commission and Rwanda 2007). The government updated the plan for the 2008 joint annual report on EU aid to Rwanda (European Commission and Rwanda 2008). According to the EU's assessment, Rwanda made substantial progress in complying with its reform commitments.<sup>24</sup>

Some interviewees suggest that debates on the governance action plan influenced the government's decision to ask the EU and other donors to conduct a 'joint governance assessment'.<sup>25</sup> During a meeting with donors in 2006, President Kagame was critical that Rwanda's rank in international governance indices was outdated and often did not adequately reflect Rwanda's situation. Kagame then asked the EU and other donors to jointly assess the governance situation to develop a shared understanding and more adequate analysis on the state of reforms. The first joint governance assessment was published in 2008 (Government of the Republic of Rwanda and World Bank 2008). The revision was not published until 2011, after lengthy and very controversial discussions between the government and donors (JGA Steering Committee 2011). Yet, despite these difficulties, the government arguably signalled its willingness to engage with the donors (Klingebiel 2011); a very different situation to that of other African authoritarian governments.

#### *Rwanda's Responsiveness: Governance Aid*

Between 2006 and 2011, Rwanda also actively engaged with the EU in the implementation of governance aid. The analysis of joint annual reports on the implementation of EU aid to Rwanda for 2006, 2007 and 2008, and interviews with European and Rwandan officials suggest that the government actively cooperated with the EU on the implementation of governance aid. Compared to the period between 2000 and 2005, aid allocated to governance reforms has been disbursed without complications. In contrast to Ethiopia and particularly Angola, Rwanda has engaged with the EU not only on effective but also democratic reforms.

The government agreed to allocate part of the EU's governance aid funds to a programme that supports the Ministry of Finance and Economic Development in strengthening public financial management, the National Authorising Officer<sup>26</sup> and the Rwandan Institute for Statistics (European Commission 2009, 34ff). It agreed to increase the funding for this project

from €6.8 million to €10 million in 2010, indicating its support for the project.

Rwanda agreed that a significant share of EU governance aid should support the justice sector. Rwanda had launched the Gacaca system in the early 2000s—an attempt to use traditional community-based instruments of justice for the reconciliation process. Even though different perceptions exist as to whether the initial idea for the Gacaca system came from the government or international actors, Rwanda took an active stance in implementing the Gacaca trials (Oomen 2005). Rwanda's aid policy strategy, published in 2006, requested that the EU remains one of the key donors for the justice sector (together with the Netherlands, Belgium and Germany), indicating a strong preference for EU aid to the justice sector.<sup>27</sup> Moreover, Rwanda developed a comprehensive reform strategy for the justice sector and asked the EU and other donors to channel such support through sector budget support. Even though Rwanda has not always fully complied with all reform objectives agreed upon with the EU and other donors, interviewees and minutes of the aid policy dialogues indicate a general consensus between the government and donors on reform progress.<sup>28</sup>

The government was open to allocating a small share of governance aid to support elections, the media and parliament. Together with other donors, the EU supported the 2008 parliamentary elections. Rwanda agreed that the EU would support the national electoral commission ahead of the 2010 presidential and 2011 local elections (European Commission 2009). It agreed to allocate a small share of EU governance aid to support the capacities of parliamentary committees in fulfilling their function of oversight over the executive. A small share of aid was allocated to support the Great Lakes Media Centre and a vocational training centre for journalists (European Commission 2009).

In contrast to Ethiopia, Rwanda did not openly object to the EU's (arguably very limited) demands to allocate aid to non-state actors through the EDF or the EIDHR. A project to support non-state actors that is managed jointly with the National Authorising Officer was formally launched in 2010 (European Commission 2009). Yet, the calls for proposals to fund civil society organisations were delayed, indicating a rather weak interest in the project on the Rwandan government's side.<sup>29</sup> The government seems to have a clear preference for NGOs

involved in the delivery of basic services, rather than advocacy activities that empower NGOs in holding the government accountable.<sup>30</sup>

To summarise, the EU has continued to promote *democratic government* since 2006. However, in contrast to the early 2000s, it has been quite reluctant to put pressure on the Rwandan government. Instead, it has adopted a *cooperative-rewarding* strategy. Whereas in the early 2000s, Rwanda only reluctantly started to engage with the EU, it has been increasingly active in cooperating on the implementation of governance instruments since the mid-2000s. At times, the government has even taken a proactive approach and launched its own initiatives to cooperate with the EU and other donors on governance issues (i.e. the joint governance assessment).

It is surprising that the Rwandan government has even started to proactively cooperate, in spite of the fact that the EU has not narrowed its approach to support merely effective government. The EU's strategies alone can therefore not fully explain the changes in the responsiveness of the Rwandan government. The following sections will show that the Rwandan government's willingness to proactively engage with the EU is influenced by its survival strategies, its dependence on the EU as well as the continuously limited access to cooperation with China.

### *The Rwandan Government's Survival Strategies*

#### *A Period of Regime Stability with Few Threats to Regime Survival*

In contrast to the early 2000s, between 2006 and 2011, the Rwandan leadership experienced a period of relative stability with few challenges from domestic political opponents. Even though the leadership's support coalition has further eroded, defecting members of the elite did not substantially challenge the leadership. Particularly ahead of the 2010 presidential elections, several high-level members of the RPF went into exile, suggesting an erosion of the core support base of the regime. Defectors included close allies of President Kagame, senior officers of the armed forces and the intelligence services who played an important role during the RPF's invasion of Rwanda in the early 1990s (Cooke 2011; EIU 2011). Rumours about a *coup d'état* spread in Kigali in 2010, spurred on by a string of grenade attacks. However, former members of the RPF's inner circle made limited attempts to organise a political opposition to Kagame (Cooke 2011; EIU 2011).

Moreover, domestic opposition from outside the ruling elite was limited between 2006 and 2011. No major opposition party was formed and the Rwandan government faced little criticism from domestic NGOs.<sup>31</sup> No major public demonstrations were held, where people expressed their dissatisfaction and openly challenged government policies. Instead, public opinion polls seem to suggest that Rwandans were quite happy with their government.<sup>32</sup> According to Gallup polls (2013), 95 per cent of Rwandans had confidence in their government in 2009 and 94 per cent approved of their government in 2012.

External opposition, such as rebel groups in the DRC, also did not pose a major threat to regime stability. The military strength of the FDLR was considerably reduced.<sup>33</sup> However, the FDLR has remained a political challenge. While the RPF government made substantial efforts to overcome ethnic polarisation, a rebel movement close to the Rwandan border that aims to fuel ethnic tensions, directly challenges this policy.<sup>34</sup> The leadership in Kigali thus has a strong interest in minimising security risks (Silva-Leander 2008; Prunier 2009, 322).

Between 2006 and 2011, the strongest opposition probably came from international NGOs, such as Amnesty International, Human Rights Watch and the International Crisis Group. These NGOs published several very critical and influential reports that accused the Rwandan government of not respecting basic political and civil rights.<sup>35</sup> Yet, most international NGOs have left the country and thus direct their reports at an international rather than domestic audience within Rwanda.

*Survival Strategies I: Strengthening the Effectiveness of Government Institutions to Improve Public Goods Provision*

Since 2006, the Rwandan government has substantially invested in developing a rational-legal and meritocratic bureaucracy. Reforms of government institutions were geared towards raising more domestic revenues and improving public goods provision.

Rwanda launched a second major civil service and administration reform in the mid-2000s (Hausman 2011). Between 1998 and 2009, the number of central government staff was cut by 90 per cent and salaries for those who remained tripled.<sup>36</sup> A public service commission was created in 2007 to standardise civil service recruitment and to establish safeguards against patronage. To improve service delivery and define policy priorities, the government also introduced annual leadership retreats in the mid-

2000s that bring together high-level officials from various branches of the government (Iyer 2012).

Rwanda initiated reforms to improve the management of domestic revenues. It introduced an ambitious public financial management reform in the mid-2000s to improve all stages of the budget cycle, and it gave the Rwanda Revenue Authority and the Auditor-General more powers (Klingebiel and Mahn 2011). These reforms quickly yielded results. Rwanda considerably improved its performance on the Public Expenditures and Financial Accountability (PEFA) indicators between 2008 and 2010.<sup>37</sup> Observers argue that (in contrast to many other African countries) these reforms were mostly put forward by the government and not enforced by donors (ibid).

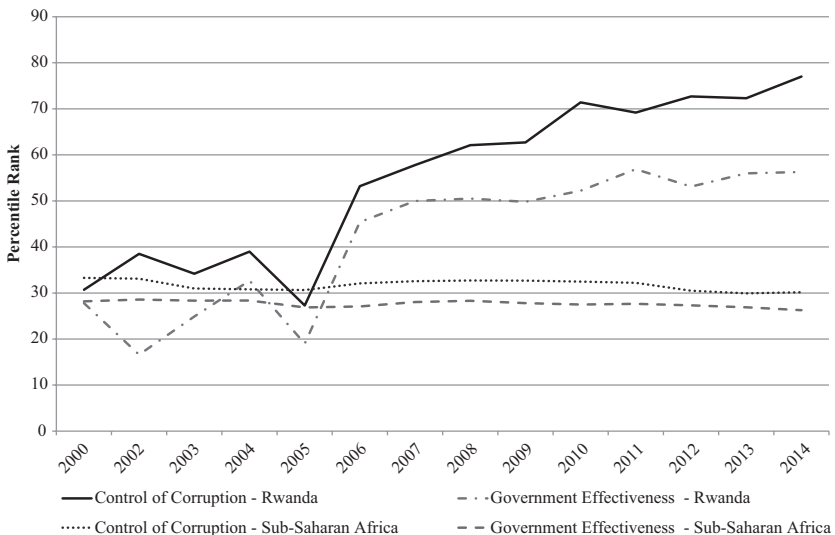
Rwanda kicked off a major administrative and fiscal decentralisation programme (Ansoms and Rostagno 2012, 433). Responsibility for the delivery of public services, such as education, healthcare or road construction was partly transferred to the local level (Hausman 2011). Along with the decentralisation efforts, the central government introduced measures to hold local officials accountable for their actions. The so-called *imihigo* performance contracts allow the leadership to condition rewards and resources on local authorities' success in promoting economic growth, and strengthening the efficiency and effectiveness of the bureaucracy. Yet, they also allow the leadership in Kigali to better control local authorities and to expand political influence. For instance, *imihigo* contracts include goals related to voter mobilisation. Critics therefore argue that rather than increasing accountability of local officials towards the population, these performance contracts bolster accountability chains between Kigali and local authorities (Ingelaere 2010, 433; 2011, 67f; Ansoms 2009; Ansoms and Rostagno 2012).

These various efforts to advance the effectiveness of Rwandan government institutions are reflected in considerable improvements in international governance indices. According to the Worldwide Governance Indicators, government effectiveness and control of corruption have significantly ameliorated since 2005. Rwanda is among the best-performing countries across Africa in these areas (Fig. 3.3) and performs better than Ethiopia and particularly Angola.

The government's efforts to enhance the effectiveness of government institutions were geared towards both increasing and improving the delivery of services and the provision of public goods. Since the mid-2000s,

the government has considerably increased its spending on social services such as healthcare, education and social protection in line with the priorities defined in its national development strategies. For instance, public spending on healthcare as a share of total government expenditure has been high (more than 10 per cent per annum), according to the World Development Indicators. Rwanda's spending on social services ranks considerably above the average in sub-Saharan Africa, and above Ethiopia and Angola.

The government's efforts to boost public goods provision have shown rapid results. Household surveys conducted between 2000 and 2012 suggest that poverty in urban as well as rural areas has been considerably reduced since the mid-2000s (Ansoms and Rostagno 2012).<sup>38</sup> With a Gini coefficient of 0.49 in 2011, Rwanda is still one of the most unequal countries in the world. Yet, over time inequality has at least slightly decreased, from 0.51 in 2000 and 0.52 in 2006 (Ansoms and Rostagno 2012). Rwanda has been one of the few African countries that achieved most of the MDGs by 2015.<sup>39</sup>



**Fig. 3.3** Government effectiveness and control of corruption in Rwanda  
 Source: Author's compilation, based on World Bank (2016b) Worldwide Governance Indicators



Rwandan citizens also *perceive* the government's policies to be quite successful. According to Gallup polls (2013), 78 per cent of Rwandans had confidence in their healthcare system in 2007; in 2012, 76 per cent of Rwandans were satisfied with their education system. Moreover, 86 per cent of Rwandans felt that the national economy was improving.

*Survival Strategies II: Using Arenas of Contestation and Low-intensity Coercion to Prevent Challenges from the Opposition*

In the years between 2005 and 2011, arenas of contestation, such as elections or reforms in the justice sector, allowed the government to signal its firm grip on power. Moreover, the government used low-intensity coercion and a gradual closing of political spaces to *prevent* challenges to regime survival.

Parliamentary elections in 2008 and presidential elections in 2010 did not confront the government with a major opposition challenge, but instead allowed the incumbent regime to tighten its grip on power. After banning the Republican Democratic Movement MDR ahead of the 2003 elections, challenges from opposition parties during the 2008 parliamentary elections were very limited (Reyntjens 2010, 11f). Winning the elections with a substantial majority was thus no major difficulty, and international observers found that the election process itself had been relatively free (European Union 2008). Some observers suggest that the government was even *too* successful at the ballot box. They suspect that the RPF actually received almost 98 per cent of the votes, but decided to downplay the official results to 76 per cent to appear less autocratic (Stroh 2008; Hayman 2011; Reyntjens 2010; Longman 2011). The strong results for the RPF signal to regime opponents that organising a political alternative would have limited chances of success. The overwhelming majority in the 2010 presidential elections was also not questioned (Reyntjens 2010). With 93.8 per cent of the votes, Kagame gained a landslide victory.

The Rwandan government made justice sector reforms, and particularly the Gacaca process, a priority (see, e.g. Brown 2010; Samset 2011 for the following). The RPF had arrested about 120,000 people on suspicion of being involved in the genocide. The civil war and the genocide had largely destroyed the judicial system. To cope with the large number of culprits and to establish a system of justice rooted in Rwanda's traditional society, the government initiated the Gacaca processes in 1998; first trial courts were established in 2002. The Gacaca system effectively started in 2005, and by 2010 most detainees had stood trial. The justice system

undoubtedly faced tremendous challenges in coping with the consequences of genocide. However, several experts stated that the Gacaca process had been instrumentalised by the ruling party and ultimately reinforced the RPF's grip on power.<sup>40</sup>

The Rwandan government applied various measures of low-intensity coercion to *prevent* potential opposition. It relied on the laws on 'divisionism' (2001), 'genocide ideology' (2008) and a new media law (2009), to limit political opposition, challenges from civil society organisations or the media (Beswick 2010; Samset 2011). In addition to these legal measures, the government also used more informal tactics such as harassment, arrests or 'disappearances' of opposition candidates to further limit political spaces (Beswick 2010; Samset 2011). Ahead of the 2010 presidential elections, for instance, Victoire Ingabire, the most prominent opposition candidate who sought to challenge Kagame at the ballot box was arrested on charges of 'divisionism'. After an internationally contested trial, a Rwandan tribunal sentenced her to eight years in prison in 2012. In January 2014, the court extended her sentence to 15 years' imprisonment.

Between 2006 and 2011, Rwanda has thus experienced a period of limited challenges from the opposition. The government used low-intensity coercion to *prevent* such challenges; it heavily invested in the effectiveness of government institutions and faced limited challenges when managing arenas of contestation such as elections or the judiciary. EU demands to cooperate on strengthening the effectiveness of government institutions and the democratic quality of decision-making processes matched the government's preferences. EU demands to address measures of low-intensity coercion entailed few costs. Analysing Rwanda's interest in engaging with the EU in governance reforms by focusing on EU good governance strategies and the Rwandan government's domestic survival strategies cannot fully explain why Rwanda became not only increasingly active, but at times even proactive, in engaging on governance reforms between 2006 and 2011. One therefore also needs to consider Rwanda's broader interests in cooperating with the EU and opportunities to engage with alternative partners such as China.

### *Rwanda's Economic Dependence on the EU*

Between 2006 and 2011, Rwanda remained strongly dependent on the EU and was as dependent on the EU as it was between 2000 and 2005. It was (again) clearly more dependent on the EU than Angola and Ethiopia.

Aid as a share of Rwanda's GNI slightly reduced compared to the early 2000s. Yet, it still accounted for 18–20 per cent of GNI (Fig. 3.1), making Rwanda one of the most aid-dependent countries in Africa. The share of aid increased to about 50 per cent of government revenues and to 40–50 percent of the government's budget (IMF 2013, 22).

On the other hand, Rwanda's domestic tax base (direct and indirect taxes) stayed quite small. The government's efforts to improve domestic tax systems did, however, bear some fruit. Since 2005, revenues from direct and indirect taxes grew considerably. Yet, they still account for a relatively small share of overall revenue. Rwanda's overall tax revenue also remained below both the regional and sub-Saharan African average (IMF 2013, 21). Rwanda has very little access to non-tax revenues, since it has very few natural resource deposits that can be exploited.

Since the mid-2000s, the Rwandan government has continued to actively embrace the international aid effectiveness agenda. President Kagame has been very vocal in advocating the agenda, for instance, during the high-level meetings in Paris (2005), Accra (2008) and Busan (2011). Rwanda has been among those countries that had made most progress in implementing their international commitments to strengthen aid effectiveness.<sup>41</sup> Rwanda actively used the international aid effectiveness agenda to hold the EU and other donors accountable for the commitments they had made in reforming their aid systems (Hayman 2009). Rwanda was the only African country that published an 'aid policy strategy', identifying direct budget support as Rwanda's preferred aid modality. Donor officials therefore often portray and praise Rwanda as a country with an exceptionally strong 'ownership' of its national development strategy and clear willingness to articulate its policy preferences *vis-à-vis* donors; in contrast to other aid-dependent countries in Africa. Some have argued that Rwanda has considerably more control over its relations with traditional donors than other African countries (Hayman 2009; Whitfield 2009).<sup>42</sup>

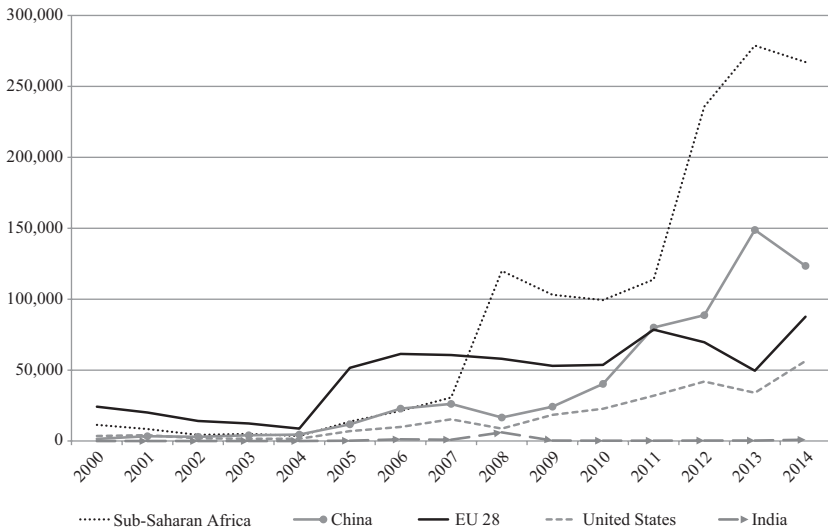
Between 2006 and 2011, the EU institutions remained the largest donor to Rwanda, together with the USA, the World Bank and the UK. The EU institutions provided about one-quarter of Rwanda's total aid (Fig. 3.2) and the EU as a whole (EU institutions and member states) was the largest donor to Rwanda. Cooperation with the EU has been attractive to Rwanda not only because of the amount of EU aid, but also because its aid instruments and the sectors it supports match the Rwandan government's preferences. The EU institutions (and the UK) have successively raised the share of direct budget aid, giving the Rwandan govern-

ment more flexibility on how to spend its aid. Together with the UK, the EU institutions have been at the forefront in negotiating a new budget support framework with the government and establishing direct budget support as an important aid modality in Rwanda (Hayman 2006). By 2010, about half of all aid channelled through government budgets was provided as budget support. Between 2000 and 2010, the EU was the second-largest budget support donor after the UK. In the same period, 35 per cent of all budget support to Rwanda was provided by the EU, most of it after 2005. In contrast, other large donors, such as the USA, gave most of their aid off the budget; humanitarian and food aid still account for most US aid.

The EU and other budget support donors conditioned their budget aid to expenditures on public goods, particularly healthcare and education. The previous section has illustrated that the Rwandan leadership has a clear interest in strengthening public goods provision to enhance support from the broader populace. The EU's priorities thus strongly converge with the preferences of the Rwandan government.

Between 2006 and 2011, the EU was the second most important destination for Rwanda's exports after neighbouring countries in sub-Saharan Africa (Fig. 3.4). Yet, trade still has a low share of Rwanda's GDP. Moreover, exports to the EU have given Rwanda limited opportunities to diversify its export sectors, as exports to the EU mostly consist of coffee and tea. Rwanda's exports—particularly towards East African countries—have increased considerably since 2006, mainly due to stronger economic integration within the East African Community.

Rwanda made considerable progress in improving its regulatory framework and making its business environment more attractive to foreign direct investments. Rwanda's performance in the 'Doing Business' report has improved considerably; it jumped from position 158 in 2005 to position 59 in 2012. However, these efforts have had little effect on the volume of direct investments. According to the World Development Indicators, FDI inflows as a share of GDP have been close to zero (and substantially below the average for sub-Saharan Africa) between 2000 and 2012, with slight increases after 2008. Anecdotal evidence from interviews with Chinese, European and Indian entrepreneurs in Rwanda suggests that several factors influence low levels of investment.<sup>43</sup> As a landlocked country with weak infrastructure links towards neighbouring



**Fig. 3.4** Rwanda's exports to selected countries (in USD thousands)  
 Source: Author's compilation, based on UNCTAD statistics (2016)

countries, investments in Rwanda are quite expensive compared to other countries in the region. Moreover, even though it has become much easier to start a business in a relatively short time, domestic regulations often change (also retrospectively), making long-term planning difficult for investors.

Rwanda's dependence on development aid as the main source of revenue and the relative importance of EU aid, the EU's choice of aid modalities and the convergence of the EU and the Rwandan government's preferences as to how to spend aid made the EU an attractive partner. Low costs that cooperation on governance reforms involved, in combination with the substantial benefits from overall aid that Rwanda received in return, explain why Rwanda not only reluctantly but even proactively cooperated with the EU on governance reforms between 2006 and 2011. However, this argument would—again—be even stronger if one could control for alternative explanations such as access to cooperation with China.

*China: Becoming More Important, But No Alternative  
Cooperation Partner (Yet)*

China's economic cooperation with Rwanda has rapidly intensified since 2006, when the third Forum on China–Africa Cooperation (FOCAC) meeting was held in Beijing. Since then, aid, trade and investments have grown considerably. Yet, as of 2014, China had not (yet) emerged as an economic partner as important as the EU, and has hardly reduced Rwanda's dependence on the EU and other traditional donors. Moreover, China provides little support to the Rwandan government's survival strategies that would compete with EU good governance policies.

*China: More Important, But No Alternative Economic Cooperation  
Partner*

After 2006, when the EU and other donors started to substantially raise aid flows to Rwanda and shifted much of their aid to direct budget support, China has also increased its grants and interest-free and concessional loans (Table 3.5). Rwanda has mostly benefited from projects announced under the FOCAC action plans. The two rural schools, the hospital, the agriculture demonstration centre or the USD32 million concessional loan for road renovation in Kigali (Table 3.5) are all part of the 2006 FOCAC package. Beyond activities within the FOCAC framework, Chinese projects in Rwanda include two grants to the Rwandan defence forces or for office equipment for the RPF.

According to Chinese and Rwandan officials, during the past few years, China's annual aid budget for Rwanda was about USD30 million.<sup>44</sup> This would make China a medium-sized donor to Rwanda with an aid budget similar to, for instance, that of Germany, but considerably smaller than that of the EU institutions (about €80 million annually during the past few years). Chinese aid is provided off the budget and information on the volume of aid projects is difficult to access—not only for researchers but also for the Rwandan government itself. China gives aid in the form of turnkey projects, implemented by Chinese companies and with some of the material sourced from China. Some Rwandan officials thus argue that immediate multiplier effects for the Rwandan economy through project implementation are limited. Chinese aid is welcomed with open arms by Rwandan government officials because 'this is something that was not there before',<sup>45</sup> as one official put it. Yet, Chinese aid modalities do not align with the Rwandan government's preference to receive aid channelled through government systems.

**Table 3.5** China's aid projects 2006–2012

<i>Year</i>	<i>Type of project</i>	<i>Financial volume</i>
2006	President's office/state house	USD1.5 million grant USD9–10 million grant
2008	Donation for earthquake victims	USD50,000 grant
2008	Two primary rural schools in eastern and northern provinces (Rulindo and Gatsibo)	USD1.6 million grant
2008	Masaka Polytechnic Hospital in Kigali suburbs Supplementary works for the polyclinic hospital	USD4 million–9.9 million grant
2008	Agricultural technical demonstration centre in Rubona, Huye district (rice and mushrooms)	USD4.5–5.3 million grant
2008	CCP donates computer and other office equipment to RPF	USD100,000 grant
2009	Road rehabilitation in Kigali	USD32 million concessional loan
2009	For president Kagame, support for orphans	USD70,000 grant
2009	Confucius Institute in Kigali and grants scholarships	–
2010	Floating dock for Marine regiment; two boats for Rwanda defence forces to protect methane gas plant on Lake Kivu	grants (volume undefined)
2010	Purpose undefined	USD6 million (China Development Bank)
	Technical cooperation for bamboo cultivation and craft processing	–
2011	Technical, vocational and educational training centre	USD11 million
2011	Purpose undefined	Yuan 50 million grant; Yuan 50 million, interest-free loan (equal to USD8 million each)
2012	Multinational roads: Rusizi-Karongi-Rubavu lot 4: Mwituzo-Ruvumbu (25 km); lot 5: Ruvumbu-Kibuye (42 km)	USD113 million
12/09/ 2012	Infrastructure projects (to be defined)	USD25 million grants and concessional loans

*(continued)*

**Table 3.5** (continued)

<i>Year</i>	<i>Type of project</i>	<i>Financial volume</i>
30/12/ 2012	Projects to be defined (information January 2013)	USD16 million (one or two grants)
	Scholarships, various years	USD19 million interest-free loan –
<b>Total committed grants and interest-fee and concessional loans between 2005 and December 2012 (rough estimate) USD245 million</b>		

Source: Author's compilation based on: *The New Times*, BBC monitoring international reports, Chinese embassy website, website of Rwanda's Ministry of Foreign Affairs; interviews with Chinese and Rwandan government officials in Kigali March/April 2010 and July 2013, Beijing July 2010 and January 2013; Grimm et al. (2010). If not stated otherwise, the loans listed here are provided by the China EXIM Bank.

Since 2006, China's share in Rwanda's trade has gone up rapidly. China has surpassed the EU in 2011 to become the second most important export destination after exports towards the East African Community (Fig. 3.4). Taking together imports and exports, China is currently the fifth largest trading partner after Kenya, the EU as a whole, Uganda and the USA.

Rwanda mostly exports minerals (ore), coffee and some tea to China. Trade with China has thus allowed Rwanda to increase export volumes and to diversify export markets. Trade with China has not (yet) opened new export sectors and (so far) made little contribution to diversify export products.<sup>46</sup> Rwanda exports ore, coffee beans and tea leaves mostly as raw materials with little value added. The trade preferences that China has granted to African countries do not cover roasted coffee and packaged tea, and thus have allowed Rwanda to export only unprocessed commodities.<sup>47</sup>

Despite Rwandan government efforts to attract more international investments, particularly from China, Chinese investment flows and stocks have remained small. Investment data reported by Chinese and Rwandan officials vary substantially. According to information from the Rwanda Development Board, Chinese investment stock had only been at around USD10 million by 2011; but according to data from the Chinese Ministry of Commerce (MOFCOM), investment stock had been at about USD20 million by 2010. Investment stock from the largest investors—companies from South Africa and Kenya—each totalled about USD100,000. Chinese investments are concentrated in the hospitality sector (hotels and restau-



rants); some investments also target manufacturing, telecommunications and mining. Very few Chinese investments in Rwanda have seen capital injections from the China Africa Development Fund (CADFund).<sup>48</sup> The CADFund bought shares in a media company that offers digital pay TV.<sup>49</sup> CADFund investments in an assembly plant for mobile phones and in a large hotel in Kigali were under consideration, but have not materialised.<sup>50</sup>

Only since 2011 have private company registrations and investment commitments grown considerably. The volume of investments is thus likely to grow in the medium-term.<sup>51</sup> For instance, a new Chinese textile company has opened in Kigali's special economic zone in 2014. This project has been politically supported by the Chinese government, following a similar precedent in Ethiopia. The project will become another model case for the relocation of Chinese industries towards Africa.<sup>52</sup>

In terms of trade and official flows, China is by far the most important non-traditional partner for Rwanda. According to Rwandan (and Indian) officials, access to financial assistance from India, Brazil or South Africa has remained limited.<sup>53</sup> In 2008, India extended a USD80 million concessional loan for a hydropower plant on the Nyabarongo River. Another USD120 million concessional loan for an irrigation project has been approved. Similar to loans from the Chinese EXIM Bank, concessional loans provided by the Indian EXIM Bank are tied: 75 per cent of the goods and services have to be sourced in India. According to Indian officials, India also gives some technical assistance for capacity building.<sup>54</sup> Rwanda's economic cooperation with South Africa, Brazil or Turkey has remained very limited in terms of financial volume (Grimm et al. 2010).

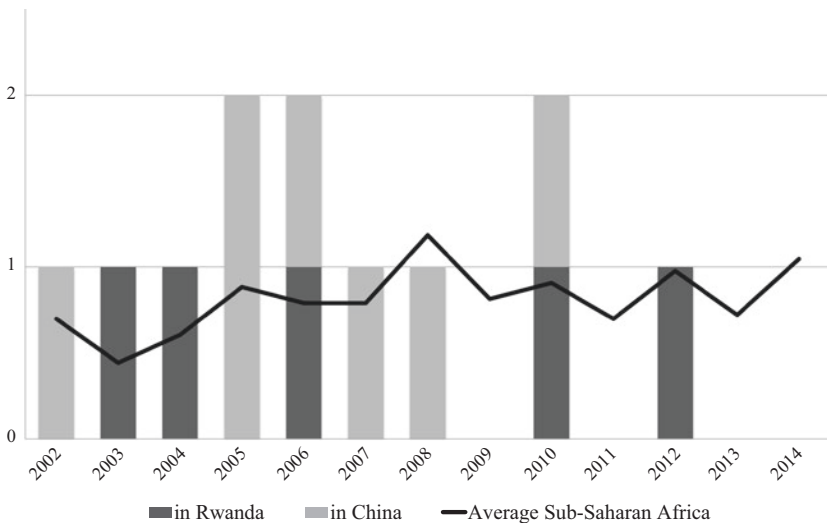
### *Chinese 'Model' Attractive, But Little Chinese Support for Rwanda's Survival Strategies*

Beyond economic cooperation, engagement with China has not provided the Rwandan government with an alternative to the EU with regard to cooperating on the government's survival strategies. President Kagame has frequently made references to the attractiveness of the 'developmental state' model for Rwanda in public speeches, both domestically and abroad. He has mostly referred to Singapore or South Korea, but has increasingly also mentioned China as a potential 'model' for Rwanda.

However, beyond general public statements, the attractiveness of China's authoritarian capitalism has not yet resulted in a closer engagement between the Rwandan and Chinese elites in how to reform domestic political institutions. China offers little technical assistance for

government institutions, for example, to improve the efficiency of government bureaucracy, the regulatory environment or Rwanda's capacity to generate domestic tax revenue. In contrast to countries like Ethiopia, Rwanda sends few high-level officials to China for training. China also offers limited assistance to support economic reforms. For instance, there has been, so far, relatively little exchange on agriculture or private sector development. Moreover, China does not assist the Rwandan government in reducing political spaces. Interviews with Rwandan government officials and an extensive press survey suggest, for instance, that cooperation related to human rights, the media or civil society continues to be very limited.<sup>55</sup>

Exchange between the RPF and the Communist Party of China has been regular but less intense compared to other countries like Ethiopia. The CCP and the RPF have established relations in 1998 and have had regular party-to-party meetings since then (*New Times* 2010). Party-to-party exchanges could open opportunities to discuss leadership succession or the strengthening of party institutions. Yet, visits took place only one or two times a year between 2000 and 2012 (Fig. 3.5). Compared to



**Fig. 3.5** Annual bilateral visits RPF-CCP

Source: Author's compilation, based on news reports from the International Department of the Chinese Communist Party

other African countries, the intensity of the CCP's relations with the RPF figures in the medium range. In 2010, the RPF and CCP signed a memorandum of understanding (MoU) in Kigali (*New Times* 2010). It is unclear, however, to what extent the MoU results in an intensification of bilateral relations.

### 3.4 A U-TURN IN THE EU'S STRATEGIES IN 2012 BUT LITTLE CHANGE IN RWANDA'S RESPONSIVENESS

In the summer of 2012, the EU substantially modified its strategy towards Rwanda. When a report published by a UN panel of experts accused the Rwandan government of backing rebel groups in the Eastern DRC (UN Group of Experts 2012), the EU institutions, the USA and some EU member states such as Germany, the UK and the Netherlands partly suspended or withheld aid funds. The EU decided to postpone decisions regarding new aid commitments to the transport sector (€40 million) and to the MDG contract (€30 million) in September 2012. In light of pressure from some EU member states, the World Bank and the African Development Bank (AfDB) also decided to hold out on the signing of new aid agreements for several months. The EU and most other donors eventually did not reduce aid levels, but started channeling funds through other aid modalities such as sector budget support and project aid.<sup>56</sup>

While the UN panel of experts' report was a main reason for the EU's shift in strategy, the EU's decision was also influenced by its more critical view regarding the governance situation. This more critical perception had gradually built up since the 2010 presidential elections. The EU therefore did not resume general budget support, even when the Rwandan government took a more constructive role in the peace process in Eastern Congo.<sup>57</sup>

Beyond the shift in the EU's policies from a *cooperative-rewarding* to a *cooperative-conflictive* strategy, the EU also slightly broadened the content of its good governance approach after 2012. The negotiations for the programming of funds from the 11th EDF for the period 2014–2020 suggested that the EU wants to make assistance for governance reforms a more prominent issue than before. Moreover, the EU placed a stronger emphasis on supporting non-state actors in holding the government

accountable, indicating a gradual shift from *democratic government* towards *democratic governance*.

The Rwandan government vocally criticised the EU and other donors' decision to withhold budget support funds and to use aid funds as leverage.<sup>58</sup> Yet, despite the EU's shift in strategy, the Rwandan government has remained willing to cooperate on governance reforms and engage with the EU in political and aid policy dialogues and the implementation of governance aid.

### *Rwanda's Survival Strategies and Economic Dependence on the EU*

When the EU and other donors decided to use aid funds as leverage to exert pressure on Rwanda, the EU's shift in strategy caused Rwanda substantial challenges. The delayed budget support funds were estimated at totalling about 3 per cent of GDP (IMF 2013). At least in the short-term, the Rwandan government had difficulties in mobilising funds to close the budget gap and struggled to pay civil servants. In 2013, economic growth fell to 4.7 per cent due to donor decisions to freeze aid; between 2000 and 2012 the economy had been growing by 8.2 per cent on average (EIU 2013). Even though the EU (and other donors) did not finally reduce aid levels, the Rwandan government went through a period of great uncertainty as to whether aid would eventually be flowing.

At the same time, when the EU and other donors shifted their strategy, the Rwandan government did not face substantial threats to regime survival and domestic opposition. In contrast to the Ethiopian government in 2005 (as we will see in the next chapter), the Rwandan government had more room for manoeuvre to continue engaging with the EU in governance reforms. We have seen that at least since 2010, the Rwandan regime's support coalition has been eroding further. Members of the Rwandan security apparatus in particular have been defecting (Cooke 2011). Their departure put pressure on the Rwandan leadership to maintain the loyalty of the security apparatus. As there are few sources of easy domestic revenues in Rwanda, allowing the military to exploit natural resources in the DRC may help to maintain support from key segments of the security apparatus. Indeed, observ-

ers point to Rwanda's economic rather than security concerns to explain its support of rebel movements in the DRC (Huening 2013; Prunier 2009, 322ff).<sup>59</sup>

### *Signs of a Gradual Change in China's Policy Towards Rwanda?*

Since 2012, the volume of China's assistance and concessional loans has grown. Parallel to disputes over Rwanda's involvement in the DRC between the Rwandan government and traditional donors, China announced an increase of its development aid. In September 2012, a few weeks after EU donors threatened to withhold parts of their aid, President Kagame signed a USD25 million grant and interest-free loan agreement during his visit in Beijing (*New Times* 2012). According to Rwandan officials, the purpose of this loan was not immediately defined and subject to negotiations with the Chinese government. At the end of December 2012, a few weeks after the UN panel of experts had issued its final report, the Chinese ambassador to Rwanda pledged another two interest-free loans amounting to USD35 million that are to be used for infrastructure development in Rwanda (*New Times* 2012). Whereas these grants and loans are relatively small compared to the volume of aid used by traditional donors to pressure the Rwandan government into ceasing its support for rebel movements in the DRC, nonetheless, China's support was timely for the Rwandan government.

The motives of the Chinese government for increasing its aid to Rwanda in 2012 remain subject to speculation. They not only coincide with the disputes between the Rwandan government and traditional donors but also with Rwanda's election to the UN Security Council. Similar to other donors that tend to financially reward non-permanent members of the Security Council (Kuziemko and Werker 2006; Bueno de Mesquita and Smith 2010), China probably had an interest in closer cooperation with Rwanda during this period.

The Rwandan government, in turn, has clearly become more interested in cooperating with China; at least partly as a result of the 2012 crisis.<sup>60</sup> By withholding development aid, the EU and other traditional donors gave the Rwandan government an ever-more prominent indication of the implications of aid dependence. As a result, the Rwandan government has

started to explore options for intensifying cooperation with China and other emerging economies.

*Outlook: What Prospects for Strengthening Economic Cooperation with China?*

Until the end of 2014, China's economic cooperation with Rwanda in terms of aid, trade and investments has been relatively limited compared to Rwanda's cooperation with the EU. What are the prospects for deepening economic relations in the short- to medium-term?

In contrast to other African countries (for instance, Ethiopia and Angola), Rwanda has not (yet) received commercial loans or large-scale concessional loans for sizable infrastructure projects from the China EXIM Bank or the China Development Bank. But plans to support the building of a railway line (and a new airport) have been pushed by the Rwandan government. Not least due to the small size of the Rwandan market and its lack of strategic natural resources, Chinese banks have been reluctant to extend loans in the past. If the Rwandan government engages more closely with other East African countries and presents a vision for making infrastructure projects such as an airport or a railway line economically viable in a regional context, finance may be extended in the future. However, even though the Rwandan government has been quite active in reaching out to China to explore opportunities for receiving more official flows, Rwandan officials also clearly see the limits of how much finance they can expect from China. As one Rwandan government official put it:

We have very limited means to leverage Chinese finance. Compared to other African countries, Rwanda has few things to offer. We do not play in the same league as countries like Ethiopia or Angola.<sup>61</sup>

A similar situation exists for trade and investments. Due to the size of Rwanda's market, the difficult interregional connectedness and the limited presence of strategic resources, Chinese companies tend to engage with neighbouring countries such as Kenya or Tanzania instead. The Rwandan government has been quite active in developing strategies to strengthen trade and investment relations with China (one example being the new textile company that opened in 2014), but some of the above-mentioned strategic parameters are difficult to address and overcome.

### 3.5 CONCLUSIONS

Rwanda only reluctantly engaged with the EU in governance in the early 2000s, but became increasingly willing and at times proactive after 2006. What explains Rwanda's initial reluctance and the change in the Rwandan government's strategy over time?

#### *2000–2005: Why Was Rwanda Reluctant to Engage with the EU in Governance Reforms?*

The EU's strategies to promote governance reforms in Rwanda initially produced only a few benefits but entailed some costs for the Rwandan government. The EU's attempts to promote the *effectiveness* of *government* institutions and to support the establishment of formal democratic institutions partly tied in with the government's preferences. By the early 2000s, the Rwandan government had restored its monopoly on power and basic economic development. Economic growth, public goods provision and the introduction of formal democratic institutions became more important priorities. The 2003 referendum on the new constitution and presidential and parliamentary elections marked the end of the post-genocide transition phase. In this context, EU support for the rehabilitation of parliament, democratic oversight institutions, the judiciary and the reconciliation process thus partly converged with the government's preferences.

At the same time, the EU's attempts to promote *democratic government* and the EU's criticism and pressure to open spaces for civil society and opposition parties were risky for regime stability. The EU began to ask Rwanda to engage in democratic reforms during a period of growing domestic opposition and regime instability. Ahead of the 2003 presidential and parliamentary elections, some members of the 'government of national unity' defected to the opposition to challenge and compete with the RPF. The government responded by banning the MDR, the main opposition party, and by limiting spaces for civil society organisations and the media. The EU's criticism and pressure to open political spaces thus put the government in a difficult position.

In light of these costs and relatively limited benefits that EU good governance strategies generated for the Rwandan government, one would have expected Rwanda to refuse or only very reluctantly accept to cooperate with the EU on governance reforms. However, the challenges that cooperation on governance reforms caused were largely compensated by

Rwanda's broader interests in cooperating with the EU. Since the end of the 1990s, Rwanda's aid dependence was growing rapidly and the EU became one of its largest donors. Rwanda thus had a strong incentive to start engaging with the EU in governance reforms. Moreover, in the early 2000s, Rwanda had very limited access to official flows from China (or other emerging economies) which could have shaped Rwanda's interests in EU development assistance.

### *2006–2011: Why Did Rwanda Increasingly (Pro)actively Engage?*

Between 2006 and 2011, EU good governance strategies caused little cost but some benefit for the government. The EU continued to promote *democratic* and *effective government*. The EU also continued to put little emphasis on using the transnational channel and made few attempts to empower non-state actors. The EU refrained from publicly criticising the Rwandan government or from imposing material pressure. Instead, it *rewarded* Rwanda through higher aid levels and aid modalities such as budget support.

The EU's good governance strategies thereby largely aligned with the preferences of the government. After the end of the transition process, economic growth, public goods provision and state modernisation became even more important pillars for the government's legitimacy. EU demands to cooperate on improving the effective management of state institutions (i.e. public financial management reforms) thus tied in with the Rwandan government's preferences. Moreover, EU support for strengthening democratic government and input legitimacy concentrated on areas where the EU and the Rwandan government's preferences largely converged. EU support for democratic government put a strong emphasis on promoting justice sector reforms, including the Gacaca process, also an important priority of the Rwandan government. Furthermore, the EU provided rhetorical and material support for the elections in 2008 and 2010, which bolstered the domestic and international legitimacy of the regime.

In contrast, between 2006 and 2011, the EU refrained from criticising the gradual closing of political spaces. From the mid-2000s onwards, the Rwandan regime experienced a period of relative stability with few challenges from the opposition from outside or within the country. After banning the main opposition party ahead of the 2003 elections and the crackdown on independent civil society organisations in 2004, domestic



opposition was substantially weakened. Members of the inner core of the elite defected (particularly after 2008) and joined the opposition or left the country. The Rwandan government used various strategies of low-intensity coercion and successfully prevented the emergence of a meaningful opposition.

Between 2006 and 2011, EU good governance strategies thus entailed few costs but some benefits for the Rwanda government. Focusing only on the EU's strategies and the Rwandan government's survival strategies, however, cannot fully explain why Rwanda at times even proactively engaged with the EU in governance reforms. One would actually have expected the government to just actively engage.

To explain why Rwanda was even proactive in cooperating with the EU on governance reforms, one also needs to take into account Rwanda's interests in cooperating with the EU 'beyond' governance reforms. While output legitimacy has become more important for Rwanda's strategy to strengthen regime stability, the EU has remained important for Rwanda as a donor. The EU's willingness to provide higher aid levels, to channel increasing shares of aid through the government's budget and to direct aid to social sectors strongly coincided with the Rwandan government's preferences. Rwanda thus had a strong interest in engaging with the EU.

The EU becomes even more attractive as a cooperation partner when taking into account that Rwanda has very limited access to cooperation with China (or other emerging powers). Economic cooperation between China and Rwanda has remained limited compared to economic cooperation with the EU between 2006 and 2011. Since 2011, China has become Rwanda's second-largest trading partner, after the EU, and an important source of direct investments. However, trade and foreign investments continue to account for only a small share of Rwanda's economy. Furthermore, Rwanda's engagement with China in institutional reforms and party-to-party contacts were also limited. Overall, cooperation with China is no alternative to the EU.

### *The 2012 Crisis and Its Aftermath: Why Has Rwanda Continued to Engage?*

The EU shifted its strategy in 2012. It became more critical regarding the governance situation in Rwanda and it used budget support funds to pressure the Rwandan government to cease backing rebels in the DRC. General

budget support was not resumed as the EU viewed the governance situation to be more critical and the preparations for Kagame's third term was looming. Even though the EU's shift in policy caused substantial difficulties for the Rwandan government, it continued to actively engage with the EU in the implementation of governance instruments between 2012 and 2014.

The conjunction of three factors explains the Rwandan government's willingness to continue engaging. First, the EU and other donors put very strong pressure on Rwanda. Withholding aid put the government in a precarious position for several months, during which time it was unclear whether donors would eventually reduce aid levels or not. Moreover, the shift from budget support to sector budget support and other aid modalities has caused substantial short-term costs as the government needed to fill the budget gap.

Second, the government could 'afford' to continue cooperating with the EU and other donors since the crisis did not originate in a substantial (domestic) threat to regime survival. The EU and other donors' decision to rescind budget support was not a response to a situation of high-intensity coercion where the government had little room to manoeuvre (as in the case of Ethiopia in 2005, as we will see in the next chapter). Instead, the shift of the EU and other donors' policies results from a gradual change in the perception of the Rwandan regime that has built up since the presidential elections in 2010 and where the UN expert report tipped the scale.

Third, even though Rwanda increasingly has access to cooperation with China, China's grants and loans still remain small compared to the aid volume that the EU and other donors were withholding. China increased its official flows and strengthened its cooperation with Rwanda in 2012 at the height of the conflict between the EU and other donors and the Rwandan government. Moreover, the Rwandan government actively reached out to China (and other emerging economies) to explore options for deepening relations. However, it remains unclear to the government as to what extent China will become a more important economic cooperation partner in the short- to medium-term.

### *What If...?*

Counterfactual arguments are merely a 'thought experiment' (Tetlock and Belkin 1996), but they can make a contribution to strengthening the argumentation. What if the EU had broadened its good governance

approach over time from *democratic government* to *democratic governance* and what if the EU had continued to use a *cooperative-critical* approach between 2006 and 2011? If the EU had put more emphasis on empowering civil society organisations *vis-à-vis* the government, EU strategies would have generated substantially more costs for the regime. If the EU had used more critical public statements and withheld aid to put pressure on the government, for instance, after the 2008 or 2010 elections, this would have entailed substantial direct costs for the government and might have empowered opposition and non-state actors.

What if Rwanda had already had much more access to cooperation with China in the early 2000s or at least between 2006 and 2014? The Rwandan government's willingness to proactively engage with the EU (and other donors) in governance reforms was part of its efforts to maximise access to development aid funds. Rwanda was very active in shaping and implementing the international aid effectiveness agenda, at least partly in order to receive more aid. If China had already been a major partner to engage with Rwanda in the early or mid-2000s, the Rwandan government might still have engaged with the EU in governance reforms. However, it is possible that the government would have been less proactive in cooperating on governance reforms.

### *Outlook*

The case of Rwanda documents that the domestic logic of political survival in authoritarian regimes has important consequences for what the EU can achieve with its good governance strategy. Since the mid-2000s, the Rwandan government has very actively embraced the good governance agenda and actively cooperated with the EU (and other donors) on governance reforms, at least partly with a view to position itself as an aid darling and increase access to development aid funds. In countries like Rwanda, where the government has not been politically challenged domestically since 2006, and where the government was generally willing to engage with the EU in governance reforms, the EU (and other donors) may have had more room to manoeuvre in urging for political reforms. Until 2012 the EU has been highly reluctant to pressure the government not to further reduce political spaces. As with other donors, the EU thus contributed little to counter the gradual closure of political spaces since 2006, to avoid the hardening of authoritarian structures and to prevent the constitutional change that has allowed President Kagame to continue in power after 2017.

## NOTES

1. According to figures from the UNHCR, about 100,000 refugees returned from Uganda in 1994. Based on OAU and US State Department reports, Sarkin (2001) reports the growing dominance of Tutsi in the government (see also Silva-Leander (2008) and Ansoms (2009, 294)).
2. This observation is consistent with findings on authoritarian regimes. Political leaders generally prefer small coalitions. Yet, in light of mass movements, elite conflicts or severe social conflicts during the early stages of state formation, they are under pressure to broaden their coalition. This argument has been made, for instance, in the case of Asian states (Doner et al. 2005).
3. The minutes of these meetings can be found online at <http://www.devpartners.gov.rw/>, last access on 3 June 2015.
4. The EU uses three main criteria to decide on the allocation of EDF funds and increases or reductions in EDF funds during the mid- and end-term review: the governance situation, the ‘needs’ of the country measured in terms of economic and social development, and the country’s capacities to absorb aid funds.
5. See Hayman (2006) for an analysis of the aid management framework and the different aid policy dialogue fora in Rwanda in the early 2000s. For an overview of the development of aid policy dialogue between the government, the EU and other donors, also refer to Euréval and PRODEV (2006, 41ff).
6. The minutes of the aid policy dialogue meetings can be found at <http://www.devpartners.gov.rw/>, last access on 3 June 2015.
7. The government of unity was created after the genocide. It was partly based on the Arusha Accords that were signed in 1993 by the RPF and the Rwandan government to end the three-year civil war (see also Prunier 1997).
8. The national electoral commission was founded in 2000. The Ombudsman office was founded in 2003. See official mandate and legal framework of the Ombudsman online at <https://www.ombudsman.gov.rw/>, last access on 3 June 2014.
9. See, for instance, the interview with Tito Rutaremara online at <http://www.princeton.edu/successfulsocieties/content/data/oralhistory/S7TitoRutaremaraid297/TitoRutaremara.pdf>, last access on 3 June 2014.
10. Interviews with Rwandan and Chinese government officials were conducted in Kigali in March and April 2010 and in July 2013 and in Beijing in January 2013.
11. Information on EIDHR projects for various years is available at EIDHR compendia; see European Commission (1995–2012).

12. Some EIDHR funds were used for strengthening the civil society platform that monitored the 2008 and 2010 elections, to support freedom of the press or the human rights advocacy work of NGOs (European Commission 1995–2012).
13. Aid provided under the MDG contract is not made conditional upon specific governance reforms. The main objective is to assist countries in making progress in achieving the MDGs and reducing poverty. Nevertheless, the EU's decision to reward Rwanda with an MDG contract signalled to the government that the EU views the governance situation as generally positive.
14. Results from the mid-term review are published on the website of the European Commission online at [www.ec.europa.eu/development](http://www.ec.europa.eu/development), last access on 10 November 2016.
15. EU Press statement, 7 May 2012, online at [http://eeas.europa.eu/delegations/rwanda/press\\_corner/all\\_news/news/2012/20120507\\_01\\_en.htm](http://eeas.europa.eu/delegations/rwanda/press_corner/all_news/news/2012/20120507_01_en.htm), last access on 7 May 2013.
16. In response to a UN panel of experts report that accused Rwanda of supporting rebel movements in the DRC, Sweden and the Netherlands shifted budget support to project assistance in 2008 (Hayman 2011, 677f). The EU did not.
17. In addition to these formal channels of communication, the EU used periodic informal meetings with the government to address governance issues.
18. See, for instance, speech by President Kagame at the Ninth Government of Rwanda and Development Partners meeting—Kigali, 4 November 2010, online at [http://www.paulkagame.com/2010/index.php?option=com\\_content&view=article&id=214:speech-by-president-kagame-at-the-9th-government-of-rwanda-and-development-partners-meeting-kigali-serenonovember-4-2010-&catid=34:speeches&Itemid=56&lang=en](http://www.paulkagame.com/2010/index.php?option=com_content&view=article&id=214:speech-by-president-kagame-at-the-9th-government-of-rwanda-and-development-partners-meeting-kigali-serenonovember-4-2010-&catid=34:speeches&Itemid=56&lang=en), last access on 3 June 2014.
19. In addition to the documents cited, the following section has been particularly informed by interviews with officials from EU institutions, EU member states and the Rwandan government. Interviews were conducted in Kigali in March and April 2010 and July 2013, and in Brussels in October 2012.
20. Interviews with officials from the EU institutions, member states and the Rwandan government, Kigali March and April 2010.
21. Whereas issues related to governance reforms are brought onto the agenda mainly as a result of the EU's initiative, the Rwandan government has been particularly interested in discussing the extradition of genocide suspects who have sought refuge in the EU. Broader international issues such as the aid effectiveness agenda or political developments in the EU were appar-

- ently not discussed during formal Article 8 dialogue meetings. Interviews with officials from the EU institutions, member states and the Rwandan government, in Kigali in March and April 2010 and in Brussels in October 2012.
22. During the meetings the government discussed with donors its overall development strategy, progress achieved and areas of disagreement. The minutes of all meetings can be found online at <http://www.devpartners.gov.rw/>, last access on 5 December 2015.
  23. The minutes of the meetings can be found online at <http://www.devpartners.gov.rw/>, last access on 5 December 2015.
  24. Interviews with officials from the EU institutions, member states and the Rwandan government, Kigali March and April 2010, July 2013 and in Brussels October 2012.
  25. Ibid.
  26. The National Authorising Officer is located within the Ministry of Local Government and manages the implementation of EDF funds.
  27. The aid policy strategy defines the government's position on aid and seeks to clarify the responsibilities of different national and international actors in implementing aid (Government of Rwanda 2006). In this strategy, the government asks other donors, such as Sweden, to shift aid from the justice sector to other policy fields.
  28. See minutes of sector budget support meetings accessible online at <http://www.devpartners.gov.rw/>, last access on 3 January 2013 as well as interviews with officials from the EU institutions, member states and the Rwandan government, in Kigali in March and April 2010.
  29. Interviews with EU officials in October 2012.
  30. Limiting the political space for non-state actors caused a number of international NGOs to leave the country, rendering EU support for NGOs even more difficult.
  31. Most Rwandan civil society organisations focused on service delivery and supported the implementation of government policies rather than seeking to hold the government accountable (Longman 2011).
  32. In a political context where freedom of expression is severely restricted, public opinion polls have to be viewed with great caution, of course. This is equally relevant for opinion polls in Ethiopia and Angola.
  33. Whereas exact figures are difficult to obtain, the FDLR was estimated as having about 10,000 troops in the early 2000s (Waugh 2004). By 2008 it suffered an erosion of its military strength and the number of troops was reduced to 6000 (Prunier 2009, 322ff, International Crisis Group 2009). According to UN figures, it had as few as 1500 to 1800 troops by December 2013. See, for instance, Voice of America, 11 December 2013,

- online at <http://www.voanews.com/content/un-targets-fdlr-fighters-in-eastern-congo/1808451.html>, last access on 3 June 2014.
34. Moreover, the RPF came to power as a result of a situation not too different: it was established in Uganda by armed refugees who had fled the crisis in Rwanda in the 1960s.
  35. See, for instance, Amnesty International (2010) or Amnesty International (2012).
  36. The 2006 reform reduced staff numbers from 10,000 to about 2000. Salaries that made up 73 per cent of government expenditure at the end of the 1990s were cut to 33 per cent. The percentage of civil servants with university degrees rose from 6 per cent in 1998 to almost 80 per cent in 2005 (Hausman 2011).
  37. PEFA seeks to assess the quality of the budget process. In 2010 Rwanda scored 'good' or 'very good' on 18 out of 28 PEFA indicators. The results for the PEFA analysis can be found online at <http://www.pefa.org/>, last access on 3 June 2016.
  38. The rate of primary school completion increased from 76 per cent in 2009–2010 to 79 per cent in 2010–2011. The gross enrolment rate for secondary education also increased (African Development Bank et al. 2011).
  39. According to the MDG monitor, Rwanda achieved all goals except for goal 2 (universal primary education) and goal 8 (global partnership for development), where not enough information is available.
  40. The RPF successfully resisted pressure to look back on human rights abuses and killings it carried out during the civil war in the early 1990s, during its military advance into Rwanda in 1994 as well as in the early years after the genocide (Prunier 1997, Longman 2004, 77). The RPF's refusal to take responsibility and to be accountable for gross human rights abuses is seen as an important obstacle to long-term peace-building and stability (Longman 2004).
  41. The 2007 report on Rwanda's progress in meeting the principles set out by the Paris Declaration can be found online at <http://www.oecd.org/dac/effectiveness/42155403.pdf>, last access on 10 December 2016.
  42. This 'exceptionalism' is also probably a result of Rwanda's domestic survival strategies and the basic threats to regime stability that the government faces.
  43. Interviews with Rwandan, Chinese and Indian entrepreneurs in Kigali in July 2013, in Delhi in July 2013 and in Beijing in July 2013.
  44. Information here and in the following is based on interviews with Chinese and Rwandan officials in Kigali in March 2010 and July 2013 and in Beijing in January 2013.

45. Interview with Rwandan government official, Kigali July 2013.
46. One-third of Rwanda's exports is composed of metals and ore like tin, coltan, wolfram and cassiterite. Since the mid-2000s, the volume of ore exports has substantially increased, most of which goes to China (see UN Comtrade data).
47. In June 2013 China started to allow roasted coffee to be imported and may thus set incentives for Rwanda to roast and package the coffee domestically before exporting it to China.
48. The CADFund is an equity fund set up by the China Development Bank after the 2006 meeting of the Forum for China–Africa Cooperation in Beijing. For more information on the CADFund, see, for instance, Sanderson and Forseythe (2013).
49. *New Times* (2011), Digital TV firm to add more channels, online at <http://www.newtimes.co.rw/news/index.php?a=44509&ci=14728>, last access on 3 June 2014.
50. See also Joseph Mudingu 'China and Rwanda celebrate years of economic and trade cooperation', *New Times*, 29 October 2008, reprinted by BBC monitoring international reports.
51. The information on FDI flows and stocks was kindly provided by the Rwanda Development Board in an e-mail exchange in July 2013.
52. See 'Chinese firm to set up new textile plant in Rwanda', *The East African*, 19 July 2014, online at <http://www.theeastafrican.co.ke/business/Chinese-firm-to-set-up-textile-plant-in-Rwanda/2560-2389932-lx4x90z/index.html>
53. Interviews with Rwandan and Indian government officials in Kigali in July 2013 and in Delhi in July 2013.
54. Interviews with Rwandan and Indian government officials in Kigali in July 2013 and in Delhi in July 2013.
55. Interviews with Rwandan and Chinese government officials in Kigali in March and April 2010 and in July 2013.
56. For AfDB see, for instance, IGIHE, 4 April 2013 'AfDB Gives US\$ 39.44 M to Rwanda's Specific Sector Budget', online at <http://en.igihe.com/business/afdb-gives-us-39-44m-to-rwanda-s-specific-sector.html>, last access on 3 June 2014.
57. Conversations with officials from the EU and EU member states in June 2013.
58. International observers were divided over the question of whether aid should be cut or not. The former UK Prime Minister Tony Blair (who is known as a strong supporter of President Kagame) and the philanthropist and politician Howard Buffett argued against cutting aid. They reasoned that Rwanda is not the only party to be blamed for the crisis in the Eastern DRC, and aid cuts would therefore be one sided. Furthermore, they argued that aid has a



huge positive impact on poverty reduction in Rwanda; aid cuts would therefore not only hurt the poor but would also not contribute to solving the crisis. See Blair and Buffett (2013) ‘Stand with Rwanda. Now is not the time to cut aid to Kigali’. The Howard Buffett Foundation has even published its own, very critical assessment of the UN panel of experts report and the methodology used for that report (The Howard G. Buffett Foundation 2013).

59. Reports published by the UN group of experts in 2001, 2005 and at the end of 2008 accused members of the Rwandan government of supporting rebel movements in the DRC (Huening 2013, Prunier 2009, 322ff). Findings of the report from the UN group of experts were contested and criticised, for instance, by Tony Blair and Howard Buffett.
60. Interviews with Rwandan government officials in Kigali in July 2013.
61. Interview with Rwandan official in Kigali in July 2013.

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