Rwanda

Debt summary

In the wake of the Rwandan genocide in 1994, the country was left with a huge debt burden equivalent to 126% of the countries Gross Domestic Product, and a decimated economic state. In 2000, Rwanda entered into the **Heavily Indebted Poor Country** initiative (HIPC). US$1.4 billion of the country's debt was cancelled upon HIPC completion in 2005, saving Rwanda approximately US$48 million annually in debt repayments.

Where did the debt come from?

Loans were continually extended to Rwanda and their debt increased twenty fold between 1976 and 1994. The conditions attached to these loans directed Rwanda towards an export-based economy with basic good such as coffee and tea at the centre. The vulnerable position of this economy was highlighted when export prices fell significantly between 1987 and 1991, with famine spreading in the country. Conditions attached to the loans involved a decrease in public spending and policies influenced by the International Monetary Fund and the World Bank were central to the spread of violence in the country.

The 1994 genocide, in which an estimated 800,000 people were killed, was orchestrated by the Habyarimana regime in Rwanda with huge military expenditures financed predominantly by loans. Evidence has suggested that the international financial institutions gave not only financial support but also technical advice to the authorities prior to the genocide. The IMF and World Bank continued lending until 1993, failing to monitor the use of the loan money and this allowing the money to be spent on the military and preparation for genocide.

Debt relief

The HIPC completion point for Rwanda was reached in 2005, with Rwanda fulfilling conditions including reform of the tea sector, macroeconomic reform and completion of a **Poverty Reduction Strategy Paper.** Despite the odious nature of the debt and the questionable behaviour of the loan givers, Rwanda was still subject to a lengthy process and numerous conditionalities to receive debt cancellation. When the debts were finally cancelled, the budget for social services increased and the economy began to grow. Proclaiming itself to be the 'African Singapore', Rwandan officials are impressed with the progress. However, critics claim that the growth has remained firmly in the hands of the richer members of society, with social expenditure barely effected.

The current situation

Rwanda remains heavily dependent on aid with over 46% of the government budget originating in overseas assistance. International institutions including the World Bank are impressed by Rwanda's improvements suggesting that a greater focus on private sector investment will help to increase the economy further.

However, the economic success is not felt by everyone; An Ansoms found that "the farmers feel like they're the losers, because they are not part of the development model which is presented to the world as a success". Human rights organisations also question Rwanda's gains, noting high censorship and human rights violations within the country.

Whilst gains are made in the economic sphere, lauding Rwanda as a success, these conditionalities have not created a positive environment for everyone. High poverty levels, inequality and continued human rights violations suggest that the conditionalities placed upon the country have not succeeded in improving the position for everyone.

Factfile

Population
11.68 million

Life expectancy
58 years

71.1%
Total adult literacy rate

91 out of 1000
children die before the age of 5

44.9%
of the population live below the poverty line

Human Development Index rated
166
out of 187 countries

For every
£1
earnt by the poorest 10%, the richest 10% earn
£21

Find out about Concern Worldwide's work in Rwanda at; www.concern.net/