

COVID-19 IN RWANDA

Economic impacts and proposed immediate and post-coronavirus actions

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I. Introduction

The coronavirus pandemic, also referred to as COVID-19, is a new challenge that has rapidly caused economic havoc across the world. The International Monetary Fund (IMF) anticipates that the repercussions of the outbreak will lead to the worst economic crisis since the Great Depression¹.

Emerging markets and low-income nations across Africa, Latin America and much of Asia are at greatest economic risk. This is because these nations have weak health systems and are facing the challenge of fighting the virus in densely populated cities and poverty-stricken slums. The majority of their populations earn a daily wage from the informal sector, and social distancing to prevent the virus spread is hardly an option.

As a low-income country, Rwanda falls in the category of those at high risk. The country's economy is already being affected by the coronavirus pandemic. Yet the current government has not adequately communicated to the population the impact of coronavirus on the country's economy and what efforts are being made to reduce it.

This document aims to inform on the potential adverse impacts that coronavirus will have on Rwanda's economy. Moreover, it also proposes immediate and post-coronavirus actions that the government must implement to reanimate Rwanda's economy.

¹ <https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser>

II. Background

Coronavirus was unknown before the outbreak began in Wuhan, China in December 2019². In January 2020, the outbreak was declared a Public Health Emergency of International Concern³. On 11 March of the same year, coronavirus was declared a pandemic by the World Health Organization (WHO).

Coronavirus has continued to spread fast, causing adverse impacts on global commercial activities. Since the beginning of the pandemic, the level of factory activity in China has been declining. Output in China fell from 50% in January 2020 to 37.5% by the end of February 2020. Considering that China makes up a third of manufacturing globally, and is the world's largest exporter of goods, the situation brought about by coronavirus in China suggests that the global chain supply has been disrupted, slowing down economic activities worldwide. Investors – fearing that governments across the world will not be able to contain the spread of the virus, affecting global economic activities including the demand for oil – pulled money out of financial and commodity markets, causing these markets to drop to their lowest value ever. To contain the spread of the virus, governments have introduced travel restrictions and have put their populations under strict lockdown. These have brought a total halt to major industrial production chains across the world.

Different countries have implemented immediate measures to mitigate coronavirus shock. For instance, major economies such as the US, Germany, France, UK and Spain are planning to offer loans or credit guarantees for companies, income subsidies for affected workers along with tax deferrals, social security deferrals or subsidies and debt repayment holidays⁴. Some African governments have also implemented fiscal and monetary stimulus measures to help those affected by the pandemic in their countries⁵.

² <https://www.who.int/news-room/q-a-detail/q-a-coronaviruses>

³ https://www.who.int/diagnostics_laboratory/EUL/en/

⁴ <https://www.ft.com/content/26af5520-6793-11ea-800d-da70cff6e4d3>

⁵ https://au.int/sites/default/files/documents/38326-doc-covid-19_impact_on_african_economy.pdf

III. Potential impacts of COVID-19 on Rwanda's economy

The narrative known worldwide is that Rwanda has been achieving remarkable economic and social progress over the past couple of decades. However, the reality on the ground tells a different story. The economic realities of Rwanda are described in detail in a recently published report entitled *Rwanda Vision 2020 Development Programme Scrutiny*⁶, in which a comprehensive analysis of the country's development programme objectives is presented. There is no doubt that the coronavirus crisis arrived while Rwanda was still confronting the same development challenges as many other developing and poor countries. Thus, a list of impacts of coronavirus on Rwanda's economy can be extensive. The following are the potential main impacts.

The health system

The health system in Rwanda is yet to be developed to provide a competent service to its population in normal circumstances. The health service in Rwanda suffers from a serious shortage of qualified medical personnel. This is particularly so with physicians and nurses: Rwanda has only 1 physician and nurse per 10,000 people, compared to the recommended minimum of 2.5 health providers per 10,000 people⁷. There is also only 1 hospital bed per 10,000 people⁸. Moreover, most recent statistics show that the country's community-based health insurance (CBHI) scheme has persistently been in deficit (*see figure 1*). The Rwandan Auditor-General of State Finances⁹ has indicated that CBHI is not able to cover medical benefits and operational expenditure.

⁶ <https://dalfa.org/en/rwanda-vision-2020-development-programme-scrutiny/>

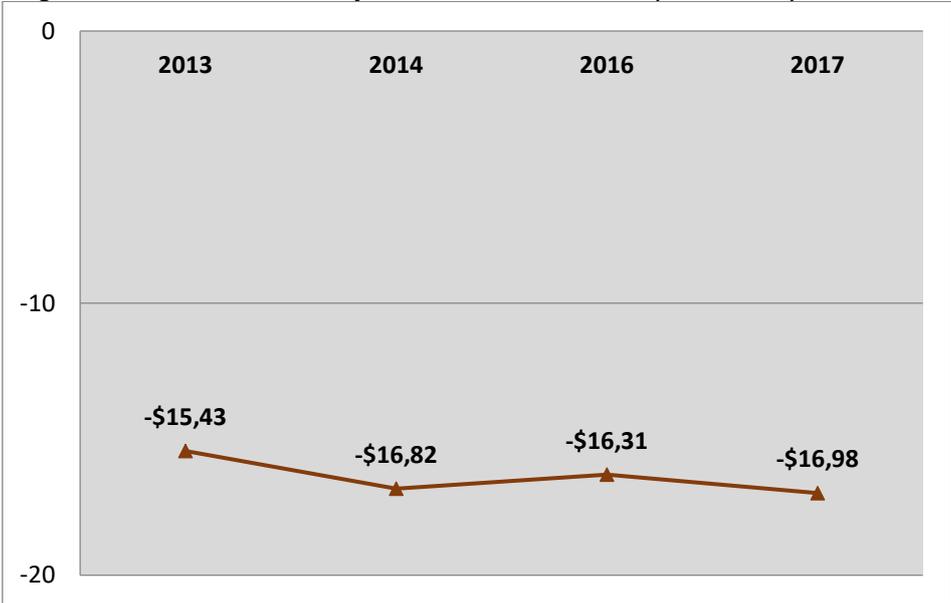
⁷ <http://documents.worldbank.org/curated/en/219651563298568286/pdf/Rwanda-Systematic-Country-Diagnostic.pdf>

⁸ <https://www.who.int/goe/publications/atlas/2015/rwa.pdf?ua=1>

⁹ Report of the Auditor-General of State Finances for year ended 30 June 2017/18.

Rwanda’s health service expenditure depends more on external funding sources in comparison to other sub-Saharan African and low-income countries (see figure 2). This means that Rwanda’s health system might suffer even more if the flow of aid is affected, due to donor countries deploying their resources to support their own populations most affected by the economic impact of coronavirus. Against that backdrop, if the virus were to spread across Rwanda, it would be a disaster.

Figure 1 Rwanda's Community Health Insurance deficit (US\$ Million), 2013 - 2017



Data source: Reports published by the Office of Rwanda Auditor General

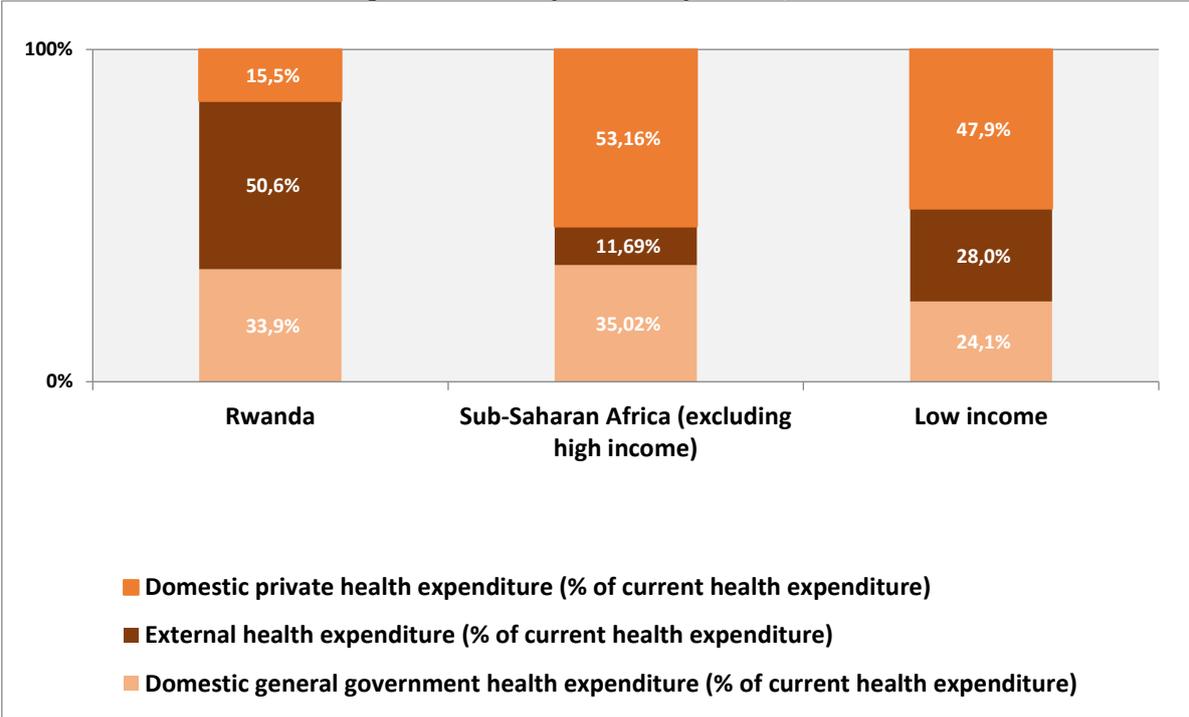
Most affected sectors of Rwanda economy

Rwanda allocated a substantial amount of public fund towards the development of air transport and MICE strategy (meetings, incentives, conventions and events). Rwanda also invested heavily in tourism and hospitality, particularly hotel and restaurants. For instance, an estimated US\$1.5 billion in public resources was invested in RwandAir and MICE¹⁰ between 2013 and 2017. In July 2016, the Kigali Convention Centre (KCC) was inaugurated. The centre comprises a five-star hotel with 292 rooms, a conference hall that can host up to 2,500 people

¹⁰ <http://documents.worldbank.org/curated/en/219651563298568286/pdf/Rwanda-Systematic-Country-Diagnostic.pdf>

and several other meeting rooms. The construction of KCC cost more than US\$300 million. In August 2019, Kigali Arena was also inaugurated. The sport facility has a 10,000-seat capacity. Besides hosting sports events, the arena is expected to complement the KCC in hosting international meetings, conferences and entertainment events such as concerts. The construction of the arena is said to have cost US\$104 million.

Figure 2 Health expenditure by source, 2016



Data source: World Bank

Rwanda has also signed deals with two famous European football clubs, Arsenal¹¹ and Paris St-Germain¹², to promote tourism in Rwanda. Rwanda officials are yet to confirm the exact amount paid for those deals, but it is believed to be US\$30 million to Arsenal in 2018 and US\$11 million to PSG in 2019. Both deals were contracted for three years.

¹¹ <https://edition.cnn.com/2018/05/23/africa/arsenal-football-shirt-rwanda-africa-intl/index.html>

¹² <https://www.reuters.com/article/rwanda-tourism-soccer/rwanda-signs-deal-with-paris-st-germain-to-promote-tourism-idUSL8N28E2P3>

The tourism and travel sector in Africa could lose at least \$50 billion due to the pandemic, and at least 2 million jobs are expected to be lost, either directly or indirectly¹³.

In March 2020, RwandAir, the national carrier of Rwanda, suspended all flights for 30 days because of coronavirus¹⁴. The Rwanda Development Board (RDB) suspended research and tourism activities in three of the four national parks in Rwanda because of coronavirus¹⁵. These imply losses of revenue for Rwanda's economy from both air transport and tourism activities. It is important to note that international tourism receipts in Rwanda amounted to 26% of export proceeds in 2018, and tourism is the main earner of foreign exchange. In March 2020, the Rwanda Convention Bureau (RBC) announced that at least 20 conferences initially scheduled for March and April 2020 were postponed, generating revenue losses of US\$8 million. This represents 10% of targeted revenue for the MICE industry for the first quarter of the 2020–2021 year¹⁶.

The suspension of activities in MICE and tourism industries because of coronavirus has in turn had an impact on Rwanda's hotel and restaurant industry. According to the Rwanda Chamber of Tourism, the tourism and hospitality sectors have already lost US\$37.3 million due to the coronavirus crisis¹⁷. The combined debts of the Tourism and hospitality sector are estimated to be US\$94 million. The sector is already asking the government for a financial stimulus of US\$75 million to save struggling businesses¹⁸.

In April 2020, The Commonwealth Secretariat issued a statement informing that the 26th Commonwealth Heads of Government Meeting (CHOGM) scheduled to take place in Kigali

¹³ https://au.int/sites/default/files/documents/38326-doc-covid-19_impact_on_african_economy.pdf

¹⁴ <https://www.rwandair.com/media-center/news-press-releases/rwandair-to-temporarily-stop-all-flights-for-30-days/>

¹⁵ <https://www.newtimes.co.rw/latest-news/rwanda-suspends-tourism-research-activities-three-national-parks>

¹⁶ <https://www.cnbcfrica.com/east-africa/2020/03/18/rwandas-mice-sector-postpones-events-due-to-covid-19/>

¹⁷ <https://www.newtimes.co.rw/news/tourism-chamber-seeks-over-rwf7-billion-govt-stimulus>

¹⁸ <https://www.newtimes.co.rw/news/tourism-chamber-seeks-over-rwf7-billion-govt-stimulus>

Rwanda on 22 – 27 June 2020 will be postponed as a result of the ongoing Covid-19 pandemic¹⁹. This represents another huge loss to actors from formal and informal economic sectors of Rwanda that were looking forward to benefit from the conference.

Government borrowing

Rwanda's air transport and MICE industries were financed by government borrowing from external and domestic sources. A new report by credit rating agency Moody's has pointed out that the coronavirus global shock is having a severe macroeconomic and financial impact on African countries²⁰. Given the already weak fiscal position of many African countries, the effect of border closures, global trade disruption, commodity price declines and financial market volatility linked to the coronavirus pandemic, the credit conditions for many African sovereigns will be affected. Declining export revenues will increase pressure on the balance of payments and aggravate external vulnerability, while financial market dislocation and investor aversion towards weaker debt issuers will exacerbate the government's liquidity risk.

Rwanda's debt has rapidly increased from 24% of GDP in 2010 to 53% of GDP in 2019 (see *figure 3*). The interests on domestic and external debts to be paid are estimated to be \$US100 million and \$US68 million respectively in 2020–2021²¹. This becomes a gigantic burden to the Rwandan economy considering that the country already confronted dire economic challenges before the coronavirus pandemic.

Prior to the outbreak, the World Bank had pointed out that Rwanda's fiscal space had already been tightened due to the country's indebtedness²² gradually affecting the sustainability of Rwanda's financial position. This was as a result of large investments skewed towards the

¹⁹ <https://thecommonwealth.org/newsroom/chogm>

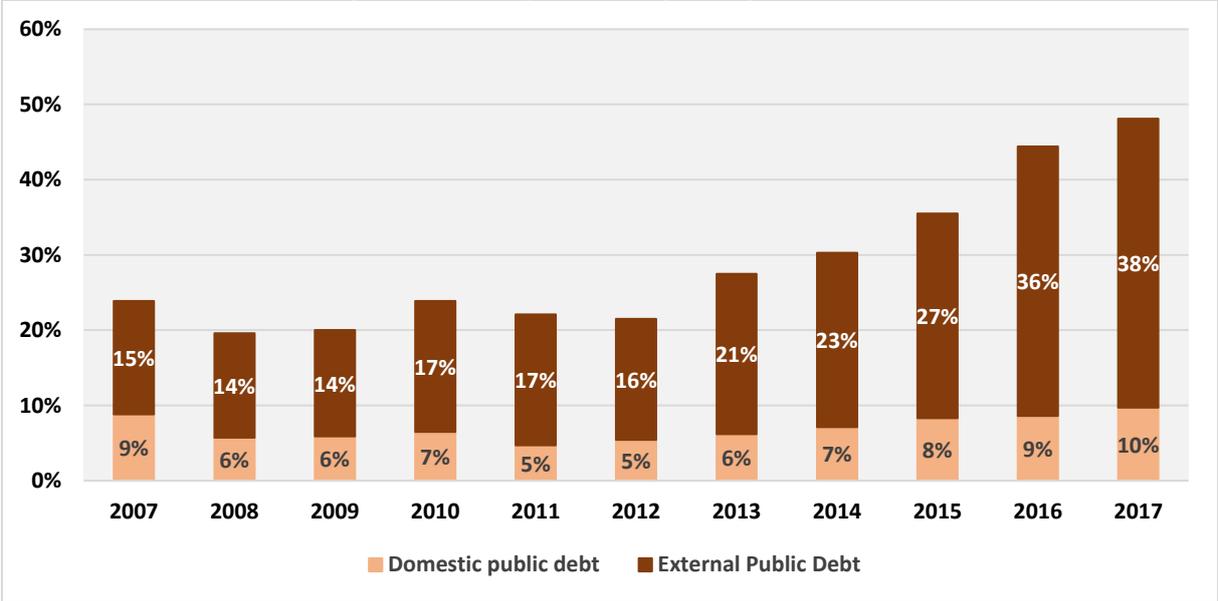
²⁰ https://www.moody.com/research/Moodys-Coronavirus-shock-poses-significant-growth-and-fiscal-challenges-for--PBC_1221325

²¹ <https://www.imf.org/en/Publications/CR/Issues/2019/07/03/Rwanda-Staff-Report-for-2019-Article-IV-Consultation-and-a-Request-for-a-Three-Year-Policy-47089>

²² <https://openknowledge.worldbank.org/bitstream/handle/10986/29036/122107-WP-PUBLIC-Rwanda-Economic-Update-FINAL.pdf?sequence=1&isAllowed=y>

development of air transport and MICE sectors, which were executed from external borrowing but are yet to generate the expected return.

Figure 3 Rwanda public debt (% GDP), 2007 -2017



Data Source: World Bank

Other sectors of Rwanda economy such as tradable, agriculture and manufacturing remain underdeveloped. Rwanda’s share of tradable sector in the economy is almost unchanged since late 1990s, ranging between 7% and 10% of GDP²³. Labour-intensive sectors like manufacturing and agriculture have received only a small share of private investments in Rwanda²⁴. Rwanda’s borders with Uganda and Burundi had been closed for many months before coronavirus pandemic struck, affecting the country’s trade transactions. The Rwandan currency has been depreciating; this is likely to continue because coronavirus has disrupted trade activities between Rwanda and other countries.

Taking everything into consideration, the coronavirus crisis will inevitably worsen Rwanda’s fiscal position and the balance of payments account of Rwanda, increasing the risk of

²³ <https://www.worldbank.org/en/country/rwanda/publication/rwanda-economic-update-financing-development-role-deeper-diversified-financial-sector>

²⁴ <http://documents.worldbank.org/curated/en/219651563298568286/pdf/Rwanda-Systematic-Country-Diagnostic.pdf>

Rwanda's external debt distress and ultimately lowering Rwanda's credit rating. The International Monetary Fund has recently pointed out that the coronavirus pandemic has ground Rwanda's economy to a halt, and the country's international reserves are declining²⁵.

Effects of the lockdown

A lockdown in Rwanda was introduced on 21 March 2020. It banned all unnecessary movements outside the home except for essential services such as health care and grocery shopping and has had effects on many households in Rwanda. The lockdown decision most affects those surviving on daily wages from the informal sector employment, as without work they are unable to feed themselves and their families. These informal workers are estimated to number more than 2.48 million.

The longer the lockdown in Rwanda continues, the more households will struggle financially. World Bank statistics from 2016 shows that 56% of the population in Rwanda were living on less than US\$1.90 a day. Moreover, the level of domestic saving in Rwanda is barely 10% of GDP, and is the lowest in comparison to regional peer countries. Moreover, prior to coronavirus, only 40% of households in Rwanda were food secure with little risk to become food insecure²⁶. The disruption caused by coronavirus could quickly change the income and food security distribution and exacerbate inequalities among the population, which could lead to insecurity or instability in the country.

Before coronavirus, the government of Rwanda had conducted the systematic demolition of houses of the poor and middle classes in the city of Kigali in December 2019 and February 2020. It had also enforced a 0.5% deduction on the salary of all public sector workers in February 2020. These raised discontent among those affected, and sparked debate among

²⁵ <https://www.imf.org/en/News/Articles/2020/04/02/pr-20130-rwanda-imf-executive-board-approves-disbursement-to-address-covid19>

²⁶ <https://www.wfp.org/publications/rwanda-comprehensive-food-security-and-vulnerability-analysis-march-2016>

Rwandans across the board, especially on social media. Therefore, the sudden decision to put Rwanda on lockdown, preventing a large portion of workers from the informal sector to generate any income, could add to the existing strain of the population and bring about instability in the country.

IV. Immediate actions to respond to COVID-19

Different actions were implemented by the government of Rwanda and it has also received financial and other supports. In this part of the paper will explore the overview of immediate actions implemented in Rwanda to deal with coronavirus impacts and provide suggestions on how these can be improved.

The government has ordered a lockdown to prevent the spread of coronavirus across the country. This was a necessary action considering the challenges to the health system in Rwanda as described above. The decision to go into lockdown was announced on 20 March and was effective from the following day for 14 days. It was then extended to 30 April. Nonetheless, the lockdown was rapidly implemented without consideration of the structure of Rwanda economy which comprises a large share of informal sector employment. During the lockdown some of them are jobless and homeless in the streets, at risk of catching or spreading the deadly virus. To date the government has not provided any plan about how these people will be supported during the lockdown.

The Central Bank of Rwanda (Banque National du Rwanda or BNR), has extended a lending facility of around \$52 million to commercial banks. From 1 April it lowered the reserve requirement ratio from 5% to 4% to enable banks having more liquidity to support affected businesses. It has also allowed commercial banks to restructure outstanding loans of borrowers facing temporary cash flow challenges arising from the pandemic. We recommend that the Central Bank and commercial banks agree to offer easy payment methods to borrowers of outstanding loans based on interest only. This can particularly apply to borrowers from formal or informal sectors most affected by coronavirus. The ultimate objective should be to enable individuals to have more disposable income which they can spend on daily household needs during this time of crisis.

The government has decided to stop receiving people's contribution to Agaciro²⁷ development fund through deductions from their salaries and other methods.

Nevertheless, the government should also reverse its abrupt decision to deduct 0.5% from public workers' salaries. The decision is contrary to Rwanda's constitution. Article 34 states that private property, whether owned individually or collectively, is inviolable. Considering that disposable income and domestic savings are already low, we recommend the government to offer tax cuts on salaries and on edible goods during the lockdown period. This will enable citizens who are still receiving their pay cheques to have more available income to spend. At the same time this will give incentives to retailers and wholesalers of edible products not to increase prices during these difficult times.

Funds have been received by the government of Rwanda to help fight coronavirus and the most affected people in Rwanda. The Bank of Kigali has donated US\$300,000; the IMF has extended a credit facility to the tune of US\$109 million²⁸; the United States has donated US\$1 million. The government of Rwanda is believed to have raised close to US\$3 million from voluntary forfeiture of the April salaries of cabinet members, permanent secretaries, heads of public institutions and other senior officials. The World Bank has also approved a credit of US\$14,25 million²⁹ to Rwanda. The European Union has also pledged US\$56 million to Rwanda's Coronavirus response, as the country falls among those lacking functioning health systems, economic dynamism and social safety nets³⁰. Rwanda has also received batch of coronavirus test kits and prevention materials donated by Chinese billionaire Jack Ma³¹. We recommend that received funds be transparently and efficiently used. Recent reports, including those from the World Bank and the African Union, have warned aid flows to African countries

²⁷ <https://www.devex.com/news/what-is-the-agaciro-development-fund-78982>

²⁸ <https://www.imf.org/en/News/Articles/2020/04/02/pr-20130-rwanda-imf-executive-board-approves-disbursement-to-address-covid19>

²⁹ <https://www.worldbank.org/en/news/press-release/2020/04/07/world-bank-group-supports-rwanda-covid-19-response>

³⁰ <https://www.newtimes.co.rw/news/eu-pledges-rwf528-billion-rwandas-covid-19-response>

³¹ <https://edition.cnn.com/2020/03/16/africa/jack-ma-donate-masks-coronavirus-africa/index.html>

will reduce as major donors will deploy their resources towards protecting vulnerable segments of their population being affected by the pandemic. Therefore, our recommendations on how the funds should be spent are as follows:

- a. To support Rwanda's health system,
- b. To rescue those made homeless after their houses were demolished by the government in December 2019 and February 2020, and workers from the informal sector who are jobless and homeless on the streets, due to the lockdown decision.
- c. To import food to help those in need across the country during the lockdown. Many households have no revenue and have become food insecure since the government put the country on lockdown.
- d. To support businesses that genuinely alleviate the needs of the population, particularly firms that can produce and trade affordable, nutritious and edible products for local consumers. This makes sense, as Rwandans need affordable food during and after the coronavirus crisis. Health experts need to advise how workers at these firms can operate without putting themselves and other at risk of coronavirus.
- e. Small farmers from rural areas should also be financially supported to grow food they can survive on. The government should alleviate, where necessary, the agricultural directive on what, how, where and when to grow crops, which was imposed on small farmers prior to coronavirus.

The IMF has approved a six months debt relief for its 25 poorest and most vulnerable member countries, including Rwanda³². This will give additional financial capacity to the government of Rwanda, equivalent to US\$ 11 million, to come to the rescue of the most

³² <https://www.imf.org/en/News/Articles/2020/04/13/pr20151-imf-executive-board-approves-immediate-debt-relief-for-25-countries>

vulnerable and affected population and support businesses. Nevertheless, we encourage, the Rwanda's government, along with other governments from the African continent, to continue the ongoing discussion on African countries' multilateral and bilateral debt relief with creditors. The largest portion of Rwanda's debt comes from external sources, mainly issued by multilateral organisations. Though these loans have been extended on terms more generous than market loans, if all or part of the loan is cancelled for Rwanda then the country's fiscal space will widen. The government will be able to help more people and support businesses that respond to the immediate need of the people.

The success of any action implemented to fight coronavirus and help those Rwandans most affected will depend on how well the government cooperates and engages with citizens on finding solutions to the ongoing crisis. We recommend that the government, through an established crisis committee, must regularly communicate with the population on how the coronavirus is being handled. The government must transparently disclose the receipt of funds to fight coronavirus, what these are intended to be spent on and what mechanisms the government is undertaking to ensure no citizen is left behind without support. This will limit the spreading of rumours and propagation of false information which could confuse citizens and misguide stakeholders on the real challenges and risks of coronavirus that Rwanda is confronting. For instance, claims have been circulating that Rwanda's leadership is distributing free food to the most vulnerable or is planning to provide essential services such as the supply of water and electricity for free³³. Such claims – including those from local policy makers who spread misleading information about food distribution in Rwanda via social media – should be kept in check, and when noticed should be condemned by the authorities. Rumours can quickly be misinterpreted by the population. It is important to note that before the coronavirus crisis and the lockdown was put in place in Rwanda, the government embarked on illegal demolition

³³ <https://www.africanexponent.com/post/7335-rwanda-distributes-free-food-social-services-in-response-to-covid-19>

of houses of citizens in the city of Kigali. Moreover, the ministry of public service and labour had announced an abrupt 0.5% deduction on all public workers' salaries in March 2020. Early in the lockdown, Rwanda police shot and killed three people³⁴ and two soldiers were accused of raping women in the slums of Kigali³⁵. These add strain to a population whose economy has worsened due to the lockdown. For the sake of stability, we recommend the government to suppress any rumours and misinformation as well as propaganda around food distribution and social support due to be provided to the people in Rwanda during this time, as the population is already under a lot of pressure. We recommend the government to communicate more with the population.

³⁴ <https://www.bloomberg.com/news/articles/2020-03-25/rwanda-police-shoot-two-say-officers-attacked-on-patrol>

³⁵ <https://www.theghanareport.com/rwandan-soldiers-accused-of-raping-women-during-lockdown/>

V. Proposed post-pandemic crisis actions

Coronavirus will hopefully be another historical challenge that the world will overcome. While it is not over yet, it does not prevent policy makers from reflecting on what needs to be done to reanimate the economy of Rwanda in the post-coronavirus era. In this last part of the paper will propose actions to revive Rwanda economy after Covid-19 crisis.

In order to stimulate Rwanda's economy, the government will have to squeeze its expenditure and ensure the population have disposable income to spend. This is regardless of whether part or all of Rwanda's external debt obligations have been cancelled by some bilateral and multilateral creditors or the government of Rwanda receives more overseas development assistance after coronavirus crisis. Government expenditure will need to be tightened for some time to enable households to accumulate income and spend it. This should be achieved by the government offering the following:

- a. A tax cut to those employed in small enterprises. This is the largest group of workers within the formal sector (170,000). Offering a salary tax cut to such large number of people will ensure more people have some disposable income which they can spend within the economy.
- b. A reduction of tax on necessity goods and services such food and transport. The proposed tax cut could be compensated by an increase in excise duty on luxury goods such as alcohol, etc. This tax reduction should also apply to the manufacture, retail and wholesale of the goods and services.
- c. Ease the directive imposed on workers from the informal sector operating in urban area particularly in Kigali city³⁶. Instead of clearing street traders through sustained brutality, the authorities should engage in dialogue with them and

³⁶ <https://edition.cnn.com/2016/08/02/africa/kigali-street-traders-mpa/index.html>

figure out together how they can efficiently operate in the city. The ultimate aim should be to give an opportunity for informal sector players to generate income while they also contribute towards reanimating Rwanda economy.

- d. Forfeit the tax on land that is charged to small farmers. Furthermore, the government should subsidise small farmers' seeds for a period of time.
- e. Ease the land usage directives imposed on small farmers that stipulates that land will be expropriated by the state if small farmers use it contrary to government agricultural directives.

These proposed actions would provide employment to workers in the informal sector and give small farmers across the country a chance to generate an income and contribute to the economic development of their country. The ultimate objective is to give small farmers and workers in the informal sector an opportunity to earn a certain level of regular income and reach social well-being.

VI. COVID-19 crisis is a lesson for the government of Rwanda

In July 2000, the administration in Rwanda, led by the Rwandan Patriotic Front (RPF), promised the people of Rwanda to transform their nation from a low-income to a middle-income country driven by a knowledge-based economy by 2020. That plan was named the Rwanda Vision 2020 development programme. Vision 2020 promised continuing investment in protection and management of water resources, as well as water infrastructure development, to ensure that by 2020 all Rwandans have access to clean water. Nonetheless, the number of population using at least basic drinking water services in Rwanda was only 58% in 2017. While the vision pledged to develop health sector of Rwanda, the health service in the country suffers from a serious shortage of qualified medical personnel. This is particularly so with physicians and nurse: Rwanda has only 1 physician and nurse per 10,000 people, compared to the recommended minimum of 2.5 health providers per 10,000 people (as of 2016). Moreover only 1 hospital bed per 10,000 people³⁷ is available in Rwanda. Against that backdrop, coronavirus crisis is a lesson to the government of Rwanda.

Delay in infrastructure projects

The Rwandan government must ensure that going forward there are no more delays in the completion of infrastructure projects. This is particularly important for those projects that aim to bring about basic needs to the Rwandan population, such as access to clean water, sanitation and quality health care service. In 2018, five water infrastructure projects worth US\$18 million, with delays ranging between one week and two years were identified and out of 16 water treatment plants in operation, 11 were operating significantly below their full capacity³⁸. The government must ensure infrastructure projects that respond to basic need of the population are not just completed, but that the deliverables are completed to the best

³⁷ <https://www.who.int/goe/publications/atlas/2015/rwa.pdf?ua=1>

³⁸ <https://dalfa.org/en/rwanda-vision-2020-development-programme-scrutiny/>

standard and operate within expected capacity. See the value of delayed or abandoned contracts in Rwanda in figure 4.

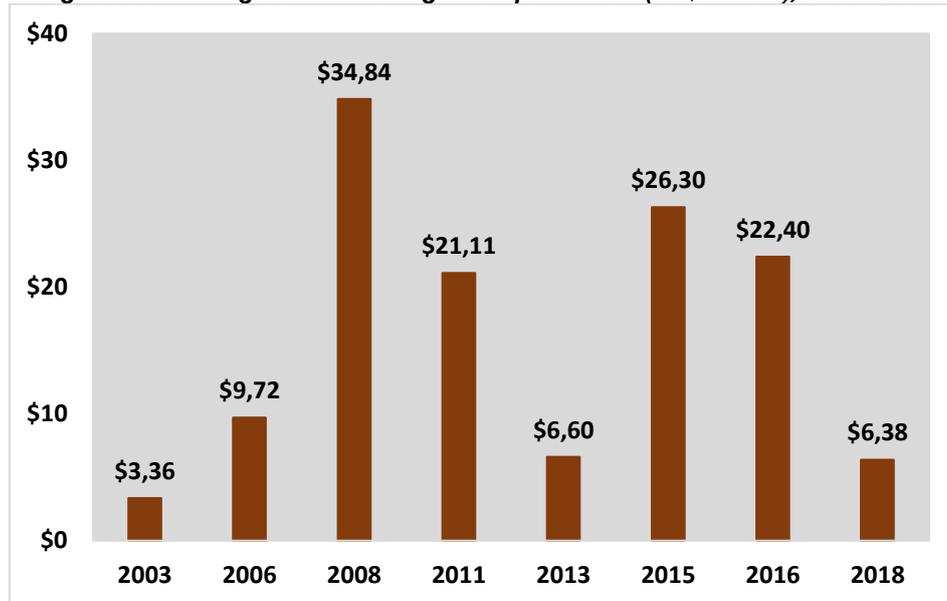


Public fund management

Coronavirus has shown that Rwanda lacks financial capacity. Prior to coronavirus, Rwanda was losing substantial public funds – estimated on average to be US\$15 million per year from 2002 to 2016 – through irregularities, as reported regularly in the Auditor-General’s report³⁹ (see figure 5). In 2013, \$US1 billion left Rwanda through illicit transactions⁴⁰. Recently the World Bank revealed that Rwanda lost \$US190 million between 1990 and 2010⁴¹. Had these funds been used efficiently it could have made a difference during these difficult times. Therefore, after coronavirus the government will have the opportunity to consider how to manage public funds in a more transparent and accountable way. No economy can flourish if it loses its own resources to rogue officials and reckless spending.

³⁹ <https://oag.gov.rw/documents/reports-to-parliament/financial-audit-reports/>
⁴⁰ <https://gfintegrity.org/illicit-financial-flows-and-development-indices-2008-2012/>
⁴¹ <http://documents.worldbank.org/curated/en/493201582052636710/pdf/Elite-Capture-of-Foreign-Aid-Evidence-from-Offshore-Bank-Accounts.pdf>

Figure 5 Rwanda government irregular expenditures (US\$ Million), 2003 - 2018



Data source: Reports published by the Office of Rwanda Auditor General

Investment of public sources

The investment of public resources must be reflected on more. Coronavirus has demonstrated the vulnerability of air transport, MICE and hospitality, sectors the government of Rwanda had heavily invested in. After coronavirus, the government should consider placing public investment in sectors that respond to the population's needs which have been receiving less funding. For instance, the agriculture sector employs over 70% of the population in Rwanda yet receives just 10% of government expenditure⁴². Rwanda's road quality impairs the integration of its countryside with its cities, and this can be attributed to low spending on infrastructure and maintenance⁴³. Rwanda's spending on education falls below the regression line that relates government spending on education as a share of GDP per capita⁴⁴. Going forward, Rwanda must allocate its investments in sectors that respond to people's immediate needs.

⁴² <http://documents.worldbank.org/curated/en/219651563298568286/pdf/Rwanda-Systematic-Country-Diagnostic.pdf>

⁴³ *ibid*

⁴⁴ <http://documents.worldbank.org/curated/en/425181544476221575/pdf/132832-NWP-PUBLIC-dec12-12am-Rwanda-Economic-Update-13.pdf>

Characteristic of Rwanda labour force distribution

The coronavirus crisis has shown that there is a pressing need for the government to work towards shifting the characteristics of the Rwanda's labour force distribution.

Expanding the economy formal sector employment particularly from the private sector is essential. To achieve this, the government and the ruling party should retire their commercial activities from the private sector of Rwanda. The government should instead focus more on creating and regulating an enabling environment in which the private sector can flourish. Moreover, parliament should be empowered to pass a law preventing political parties to engage in commercial activities. Having the ruling party involved in business activities is an obstacle to the development of private sector in Rwanda and can create a conflict of interest. Particularly that the current regime in Rwanda is categorised by the Economic Intelligent Unit democracy index as authoritarian⁴⁵. In fact, one of the reasons domestic and foreign investors abstain from committing their investments in Rwanda is simply because they feel they cannot compete with the ruling party and the government enterprises.

Moreover, the government should invest towards initiatives that aim to gradually pull those working in the informal sector into formal sector employment. For example, the government of Rwanda can forfeit a small portion of aid it receives from donor countries and uses it to finance existing businesses operating within the informal sector that have the potential to prosper within formal sectors. In the long term this could expand the formal sector but also help to develop the private sector of Rwanda. For Rwanda to attract Foreign Direct Investment, the government must reshape its reputation. While Rwanda is known worldwide for having made remarkable economic and social progress over the past couple of decades, it is also known for its human rights abuse record and infringement of democratic principles, as well as allegedly instigating conflicts with neighbouring countries. Furthermore, Rwanda's government is believed to have manipulated social and economic statistics⁴⁶ and hired Public relation

⁴⁵ https://www.eiu.com/public/topical_report.aspx?campaignid=democracyindex2019

⁴⁶ <https://www.ft.com/content/683047ac-b857-11e9-96bd-8e884d3ea203>

companies to portray itself as a success story and development model all over the world. Going forward, the current Rwanda government must reflect on and address these issues so that foreign direct investment flow in the country can be increased which can lead to the creation of more formal employments in the economy.

Sources of finance

Regardless of whether part or all of Rwanda's external debt obligations have been cancelled by some bilateral and multilateral creditors, or the government of Rwanda receives more overseas development assistance post coronavirus era, the Rwandan government expenditure will need to be squeezed to enhance the country's fiscal position. This will allow the government to allocate funding to some of the proposals tabled above.

During the coronavirus crisis, senior public officials have demonstrated that salaries can be forfeit to support those most in need. Thus, once the coronavirus pandemic is over, the government should consider reducing its spending on public senior officials' salaries and benefits and direct the surplus revenue towards projects that respond to the immediate needs of people.

Moreover, big public commercial projects such as building airports and luxury parks in urban areas of the country should be put on hold. The funds can be redirected into completing projects that focus on bringing basic needs to the population such water, education and health. The government should abstain from further unproductive borrowing. Nonetheless, borrowings to invest in quality education, maintaining or building roads connecting rural areas and cities, and supporting Rwanda's small farmers should be encouraged.

Governance

The aftermath of the coronavirus crisis will be an opportunity for the Rwandan Patriotic Front, the ruling party in Rwanda, to revamp its governance style. This includes to review the development plan it had envisioned for Rwandans, namely vision 2020 and 2050, and make changes. The government should prioritise opening the political space to enrich constructive and competitive political ideas towards the development of Rwanda. Post coronavirus will also be time for people from Rwanda and international community to sincerely hold accountable the RPF administration so that the management of the social, economic and political affairs of the country is improved.

ANNEX

Dalfa-Umurinzi and PS Imberakuri joint press release on COVID-19



PRESS RELEASE APRIL 27, 2020

THE RPF'S DECISION TO CONFINE THE POPULATION TO THEIR HOMES IS PUTTING THEIR LIVES AT RISK MORE THAN COVID-19

Since 21 March 2020, the RPF INKOTANYI regime has taken the decision to confine Rwandans to their homes to prevent the spreading of COVID-19.

We have constantly shown that the decision to put Rwanda in confinement was taken without measures to cushion its repercussions, as the population were not provided with the basic needs to survive on during the lockdown.

Since that decision became effective, many Rwandans residing in the city of Kigali and other urban areas of Rwanda are at risk of dying more from hunger than COVID-19. This is because many of them live from hand to mouth.

To prevent Rwanda from soon becoming an open-air cemetery, we recommend the RPF government to ease the confinement measure and enable people resuming daily activities without putting themselves at risk of COVID-19.

To this end, we recommend to the RPF regime the following:

1. Confinement measure must be eased to allow the resumption of activities in the informal sector subject to reinforcing measures including wearing of masks and distancing.
2. Lockdown should only apply to areas of the country where COVID-19 has been found.
3. Vulnerable people, including those with chronic diseases and the elderly, should be supported
4. The government should let people, who normally reside in the countryside but caught up in the city of Kigali due to abrupt lockdown, to return to their homes in the village after they have been tested of COVID-19;
5. Public transport must resume but passengers must wear masks and respect distancing measures,
6. The government must provide food to the most vulnerable until they are self-supporting,
7. The government must support most affected companies enabling them to pay half salaries for employees;
8. The government needs to reduce VAT and customs duties so basic goods become affordable on the market.

For these recommendations to be implemented, the RPF needs:

- to stop arresting journalists as it has happened on 08 April 2020. Journalists are merely voices of the people reporting authorities who abuse their powers during these difficult times ;
- to efficiently use the funds received from different sources including the IMF, World Bank and Agaciro Fund,
- to take from its holding companies coffers and help Rwandans in need.

We demand the government not to recklessly manage the meager public funds. We deplore the donation of one million dollars that the President gave to the African Union at a time many Rwandans are at risk of dying from hunger. Charity begins at home.

Issued in Kigali, on April 27, 2020

Ms. Victoire INGABIRE UMUHOZA
President of the DALFA UMURINZI Party

Me NTAGANDA Bernard
Founding Chairman of the PS Imberakuri Party



PRESS RELEASE

DALFA welcomes IMF financial support to Rwanda to support the economy of the country affected by the COVID-19 pandemic.

DALFA reiterates its support for the measures put in place by our government to help and mitigate the spread of the COVID-19 pandemic.

The IMF press release stresses that this emergency support under Rapid Credit Facility will be affected in sector where there are much needed resources like health expenditure, households and firms affected by the crisis.

DALFA would like to make the following suggestions to the government:

1. Rescue homeless families whose houses were demolished in Kigali, casual labours caught up in the city and unable to go back to their villages and all those jobless people who live from hand to mouth. DALFA hopes that the government will act quickly to rescue all these categories of people and especially starving children and the elderly before it is too late to save them from starvation.
2. To reduce taxes on essential food items to allow wholesalers to sell at affordable prices to the poorest.
3. To support firms and factories that produce or sell essential goods that meet the basic needs of the ordinary people.
4. To support agricultural production by facilitating farmers to get farming inputs at reasonable prices so that they can feed their families and sell the rest locally.

We are living in difficult times which demand solidarity where human person must be at the centre of economic activities. DALFA calls on all people of goodwill and human empathy to show their spirit of solidarity and humanity by giving food and other items to those who need it most.

Kigali, April 3, 2020

Mrs Victoire Ingabire Umuhoza

President DALFA

ABOUT THE REPORT AUTHOR

Since 1997, Victoire Ingabire Umuhoza has been involved in the struggle of the Rwandan political opposition in exile. This has led her in the creation of the United Democratic Forces (FDU) Inkingi in October 2006 which she was then elected to preside. FDU has a goal to install the rule of law in Rwanda, underpinned by the respect of democratic values enshrined in the universal declaration of human rights and other international instruments relating to democracy and good governance.

In January 2010, Ingabire returned to Rwanda from the Netherlands in order to register FDU Inkingi as a political party according to Rwandan law so that she could run in the presidential elections scheduled August 2010.

In April 2010, Ingabire was arrested on charges of spreading the ideology of genocide, aiding and abetting terrorism, undermining the internal security of the State, establishing an armed branch of a rebel movement, and attempting terrorism and any form of violence to destabilize authority and violate constitutional principles. Ingabire went through a court's trial which was condemned by human rights organizations and the European Parliament.

On 30 October 2012, Ingabire was sentenced to eight years imprisonment by the High Court of Kigali, Rwanda for "conspiracy against the country through terrorism and war" and "genocide denial".

During her imprisonment, Ingabire wrote a book titled "between four walls of 1930 prison" in which she recounts her return to Rwanda, the trial and her subsequent imprisonment as well as her thoughts and convictions.

On 13 September 2012 while she was still imprisoned, Victoire Ingabire Umuhoza, was nominated by 42 Members of European Parliament for the Sakharov Prize for Freedom of Thought 2012 of the European Parliament. The Sakharov Prize honours individuals and groups of people who have dedicated their lives to the defense of human rights and freedom of thought

On 17 April 2013 Ingabire, made submission to the Supreme Court, asking the Supreme Court to quash the sentence passed on her by the High court

On 13 December 2013, Rwanda's Supreme Court upheld the conviction of Ingabire and increased her jail term from eight to fifteen years.

On 18 October 2014, Ingabire appealed against the ruling of Rwandan courts to the African Court of Human and Peoples' Rights (AfCHPR). While Ingabire's case was pending before the AfCHPR, the current government in Rwanda withdrew Rwanda's declaration allowing individuals to appeal directly to the AfCHPR. Nonetheless, the withdrawal of Rwanda's declaration from AfCHPR did not affect Ingabire's case.

On 24 November 2017, the African Court on Human and Peoples' Rights (AfCHPR) held that Rwanda violated Victoire Ingabire Umuhoza's right to freedom of opinion and expression, as well as her right to an adequate defense.

On 14 September 2018, the current President of Rwanda exercised his prerogative of mercy and granted early release to Ingabire.

Since her release, Ingabire continues to publicly condemn human rights abuses going on in Rwanda, to hold accountable the authorities and speaking out about social and economic challenges Rwandans are daily confronting in spite of claims of development progress by the current government in Rwanda.

In November 2019, Ingabire resigned as chairperson of FDU and launched a new political party, Dalfa Umurinzi for democracy and liberty for all. The mission of Dalfa Umurinzi is to strive for the rule of law in Rwanda and sustainable development that benefits every Rwandan citizen.

In December 2019, Ingabire received the 2019 international human rights award from Padhe a Spanish human rights association.

She also wrote and published a report titled "Rwanda Vision 2020 Development Programme's scrutiny" in which she provides a comprehensive description of Rwanda's social and economic development constraints. Thus, challenging Rwanda's development miracle narrative and calling for change.