
# Rwanda

## Background

Enoch Randy Aikins and Alize le Roux

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## Background


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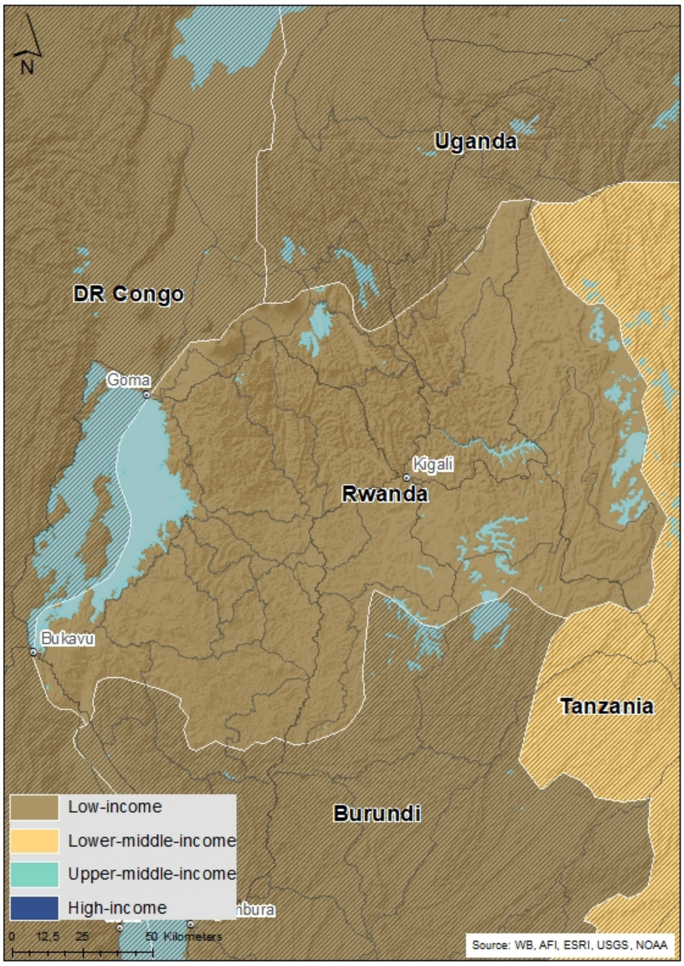
## Introduction

**Chart 1: Political map of Rwanda**




According to the World Bank's income classification, Rwanda is a low-income country positioned in central Africa. A small, landlocked country Rwanda is located just south of the equator and bordered by Burundi, the Democratic Republic of the Congo (DR Congo), Uganda and Tanzania. With an area of 26 338 km$^2$, it is the fourth smallest mainland African country, and its location on the East African Rift results in a complex topography with rich soils and great biodiversity. Rwanda's hilly topography has earned the country the nickname of 'land of a thousand hills' and the its ample rainfall drains into a series of freshwater lakes as part of the eastern Nile and western Congo basins.

Rwanda gained independence from Belgium and separated from Burundi in 1962. The government of President Grégoire Kayibanda faced severe development challenges. Upon the assassination of his successor, Juvénal Habyarimana on 6 April 1994, Rwanda spiralled into civil war. The subsequent genocide was ended with the military victory of the Rwanda Patriotic

Front (RPF) which has dominated politics since. In 2000 Vice President Paul Kagame took over the presidency from Pasteur Bizimungu and became the fourth Rwandan president since independence. President Kagame was officially elected in 2003 as president, re-elected for a second term in 2010 and his mandate was renewed during the August 2018 elections that the RPF won with a landslide.

In accordarance with an 2015 amendment to the constitution the length of presidential terms were shortened from seven years to five years and allows President Kagame the option to contest for third seven-year term starting in 2018 with the option of an additional two subsequent five-year terms until 2034.[1]

Rwanda has made significant development strides since 1994 and is known for its ease of doing business, ranking 38th in the World Bank's ease of doing business index in 2020. it has emerged as one of Africa's fastest-growing economies.

Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). After joining the Commonwealth in 2009, Rwanda replaced French with English as the official second language in schools.

The restoration of forest land, protection of national parks and groundbreaking environmental policies have been vital for the country's successful tourism sector.

The Rwanda Energy Group (REG) was established in 2016 to deliver on the government's energy aspirations and a number of new projects are currently underway to increase capacity.[2] For instance, recently, Lake Kivu, the largest of the freshwater lakes in Rwanda, has become a source of biogas (methane) extraction, promising great potential for energy generation in Rwanda.

## Rwanda Vision 2050

**Chart 2: National development plan of Rwanda - Rwanda Vision 2050**


In 2015 the Minister of Finance and Economic Planning launched Rwanda's Vision 2050[3] that provides the long-term strategic direction for the country and sets the pathways to achieve the country's 2050 ambition. Vision 2050 replaces Rwanda's previous long-term development plan, Vision 2020. Vision 2020 recorded substantial economic growth, but did not meet its target of becoming a lower-middle-income country by 2020. Vision 2050 now aspires to elevate the country to upper-middle-income status by 2035 and high-income status by 2050, providing a high quality of life for all citizens.[4]

Vision 2050 is anchored on five pillars: human development, competitiveness and integration, agriculture for wealth creation, urbanisation and agglomeration, and accountable and capable state institutions.[5]

- Part of the human development pillar, Vision 2050, acknowledges that the benefits of a demographic dividend will only be harnessed if the future workforce is well educated, skilled, healthy and provided with employment opportunities. To this end, it commits to investments in human capital parallel to a reduction in fertility rates and economic reforms.

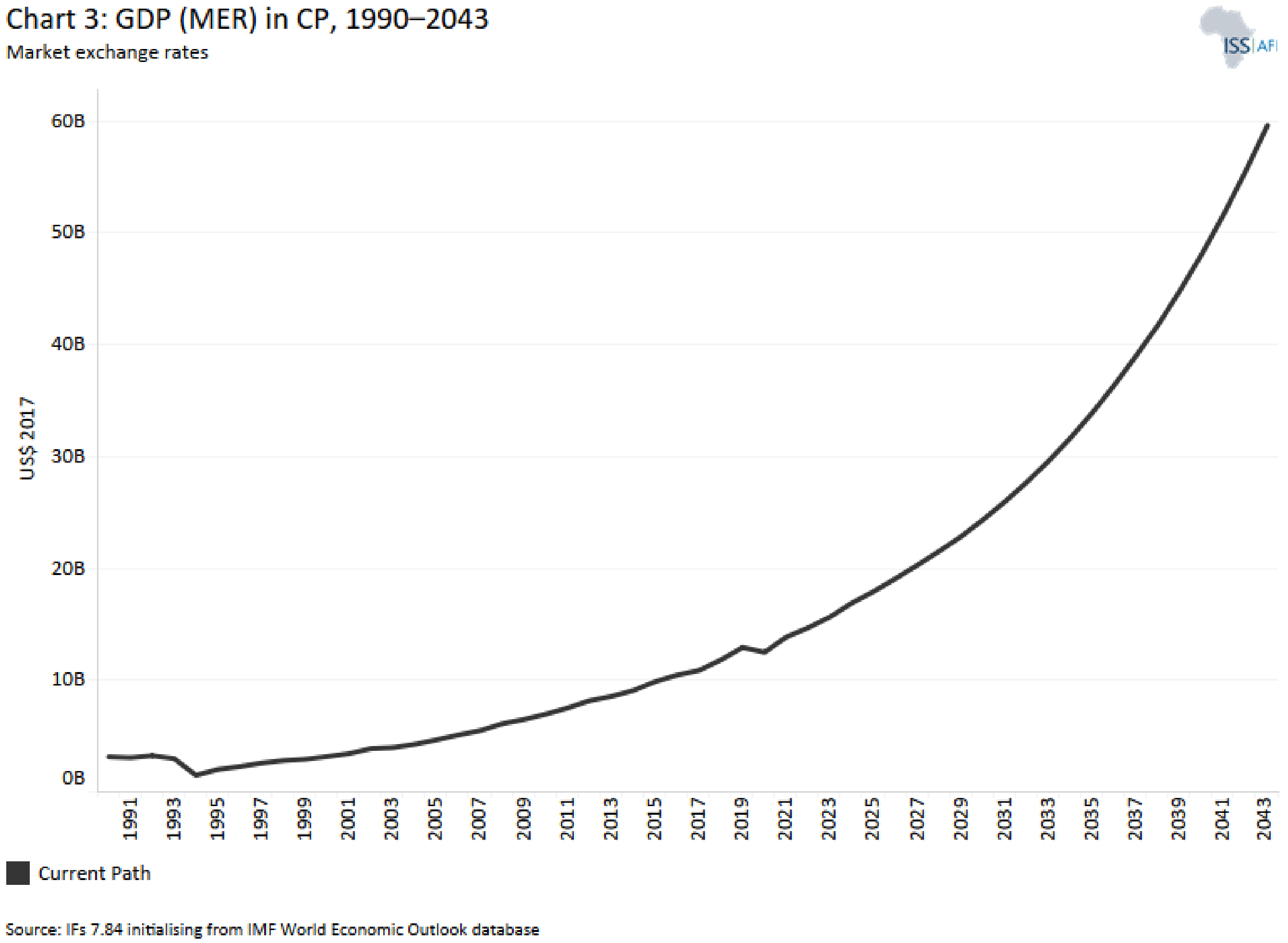
- The competitiveness and integration pillar emphasises the role of economic competitiveness at all levels as a prerequisite to a developed country. Particular emphasis is placed on modern technologies, innovation, research and development (R&D), increased productivity, quality infrastructure and a favourable cost of doing business environment.

- The third pillar, agriculture for wealth creation, reaffirms the important role of agriculture, which consists of professional farmers and strong commercial value chains. This will underpin economic growth and poverty reduction and support food security, nutrition and a vibrant export sector.

- Urbanisation and agglomeration are recognised as the fourth pillar for their role in increasing access to markets, skills and employment opportunities.

- The fifth pillar, accountable and capable state institutions, supports effective institutions to facilitate economic growth and development. Emphasis is placed on modernising the country's institutions and governance through innovation and by keeping the government accountable through citizen participation and adherence to the rule of law.

## Economics: Current Path




The GDP of Rwanda measured in market exchange rates (MER) has more than quadrupled from US$3.2 billion in 1990 to US$13.0 billion in 2019, placing the country's economy as the sixth largest in East Africa and the 34th largest in Africa. This represents a growth in GDP of over 300% in the last three decades. From 2009 to 2019, Rwanda's GDP grew at an average of 7.2%.[6]

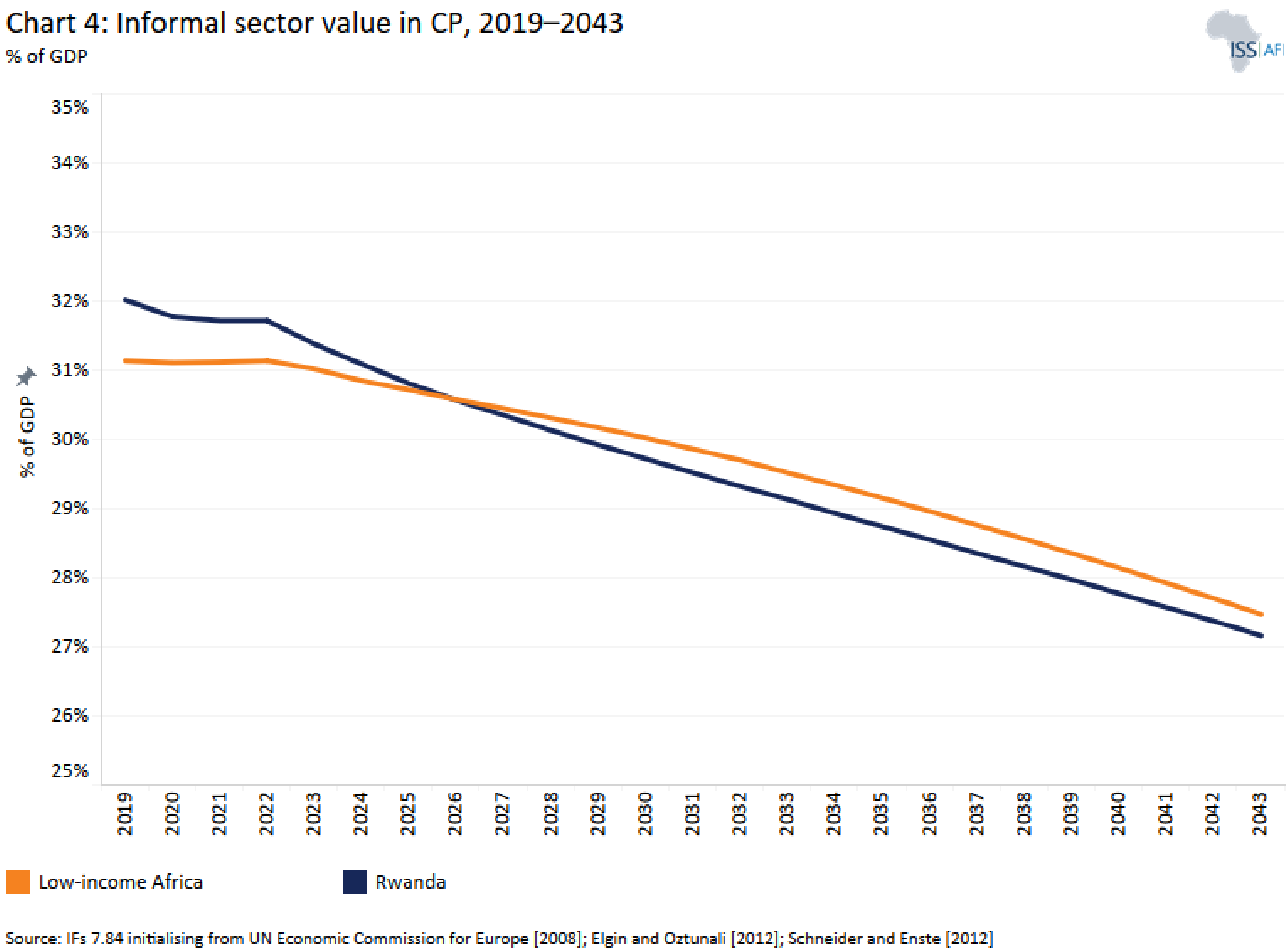
However, after growth of 10% in 2019, the restrictive measures and protocols instituted to control the COVID-19 pandemic curtailed economic activities, with the GDP shrinking by 3.4% in 2020 — the largest drop since 1994.[7] The structural problems facing the Rwandan economy include a balance of payments deficit, rising foreign debt, a small industrial sector, and a large informal sector, as well as at least 40% of its youthful labour force either underemployed or unemployed.[8]

The government also faces the difficult task of combating high inflation, climate risk and addressing long-term development needs. Annual inflation jumped to 31% in October 2022 from 23.1% in the previous month, the highest since January 1997.[9] The steady rise in inflation is mainly driven by rising prices of vegetables, food and non-alcoholic beverages and bread and cereals.[10] High food inflation severely affects poorer households for whom food expenditure constitutes more than 70% of their budget.[11]

Huge public investment in the economy, estimated at 19% of GDP in 2019, is also resulting in a large fiscal deficit and public debt largely financed by external borrowing. From 2010 to 2019, the country's debt-to-GDP ratio increased from

19.5% to 56.8%, rose to 72.4% in 2020 due to COVID-19 expenditure, and was projected to reach 77.9% by the end of 2022.[12] Out of this, external debt constitutes a growing portion and is projected to reach 62.7% in 2022.[13]

With the easing of COVID-19 restrictions and with donor support, the economy is expected to bounce back. It is the first African country to secure a staff-level agreement with the IMF for a 36-month Policy Coordination Instrument (PCI) and Resilience and Sustainability Facility (RSF).[14] The agreements gives Rwanda access to a Special Drawing Right (SDR) of 240.3 million (about US$310 million) under the RSF. This is to support economic policies and reforms in maintaining macroeconomic stability and advancing structural reforms such as climate mitigation and adaptation. On the Current Path, Rwanda's GDP is estimated to increase nearly fivefold to US$59.6 billion by 2043. The increase in GDP reflects the higher rate of economic growth expected to occur within the next 24 years.




The informal sector in Rwanda is large, serving as a source of livelihood for the majority of the population, especially young people who largely depend on the sector for survival.[15] According to the 2019 Rwanda Labour Force Survey, over 75% of all workers are employed in the informal sector.[16] Informal workers are particularly vulnerable as they do not have secured employment contracts, social security and protection or worker representation and work in bad conditions.[17] People who work in the informal sector are usually underemployed and poor as most of them earn less than US$0.5 per day, with women earning significantly less.[18]

The sector mainly consists of hawkers, street vendors, domestic workers, mine and tea plantation workers, barbers and hairdressers, street vendors, restaurant workers and other unregistered service providers.[19] The activities of the sector include agriculture, fishing and forestry, wholesale and retail trade, motor vehicle reparation, motorcycles in the manufacturing sector as well as transport and storage.[20]

In 2019, IFs estimated the size of the informal sector in Rwanda was approximately 32% of GDP. Among Africa's 23 low-income countries, only Togo, Ethiopia, Sudan and Madagascar have a smaller informal sector. It suggests that Rwanda has performed better in formalising its economy compared to the average of other African countries within its income group. This is expected to decline to 27.2% by 2043, constituting a 4.8 percentage point decrease over the 24-year period. By then, Rwanda will overtake Madagascar to be the country with fourth lowest informal sector contribution among the low-income countries in Africa after Ethiopia, Togo and Sudan.

## Endnotes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## About the authors

**Mr Enoch Randy Aikins** joined the AFI in May 2021. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. He has an MPhil in economics from the University of Ghana, Legon.

**Ms Alize le Roux** joined the AFI in May 2021 as a senior researcher. Before joining the ISS, she worked as a principal geo-informatics researcher at the CSIR, supporting various local and national policy- and decision-makers with long-term planning support. Alize has 14 years of experience in spatial data analysis, disaster risk reduction and urban and regional modelling. She has a master's degree in geographical sciences from the University of Utrecht, specialising in multi-hazard risk assessments and spatial decision support systems.

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