FOREIGN AID AND THE WAR EFFORT

I shall in this chapter discuss answers to the dissertation question, namely whether foreign aid contributes to the RPA's war effort in the Congo. Since it is arguable that different kinds of aid are likely to provide different answers to this question, I shall divide the discussion into several sub-sections in which I discuss the various types of aid given to Rwanda. I shall start the discussion by outlining the crucial theory of fungibility and use this as a backdrop for discussing how recipient governments – in this case the 'Rwandan Government' - react financially to different types of aid, such as unspecified budget aid or specific project aid. Finally, I shall look at the political implications of this aid.

Is aid to Rwanda fungible?

From the outset it is important to note, as David Dollar of the World Bank does, that,

> …[foreign aid success] can be assessed at two levels – at the micro of project level, which typically shows high rates of success or at the macro level of economywide growth and poverty reduction, where […] there is less visible success.[1]

In other words, the key question is whether aid impacts on the overall composition of the state budget. Will aid given to one sector or project, say building a school or paying schoolteachers, mean that more funds are going to be spent on this particular sector or project, or will recipient states simply transfer freed resources to other priority sectors of their own choice, say, the army?

This is where the argument of fungibility comes into the picture. Fungibility is defined as the possibility for aid recipient countries to reduce their own resources in the sector that receives aid and transfer them to other sectors of the budget.[2] From the definition follows, most importantly, that fungibility only is an issue if donors and recipients disagree on the overall composition of the budget. If they share the same preferences for how much money should be spent on which budget items, donors do not have to worry that resources freed by support to one sector will be spent on a different sector that donors do not wish to be funding.

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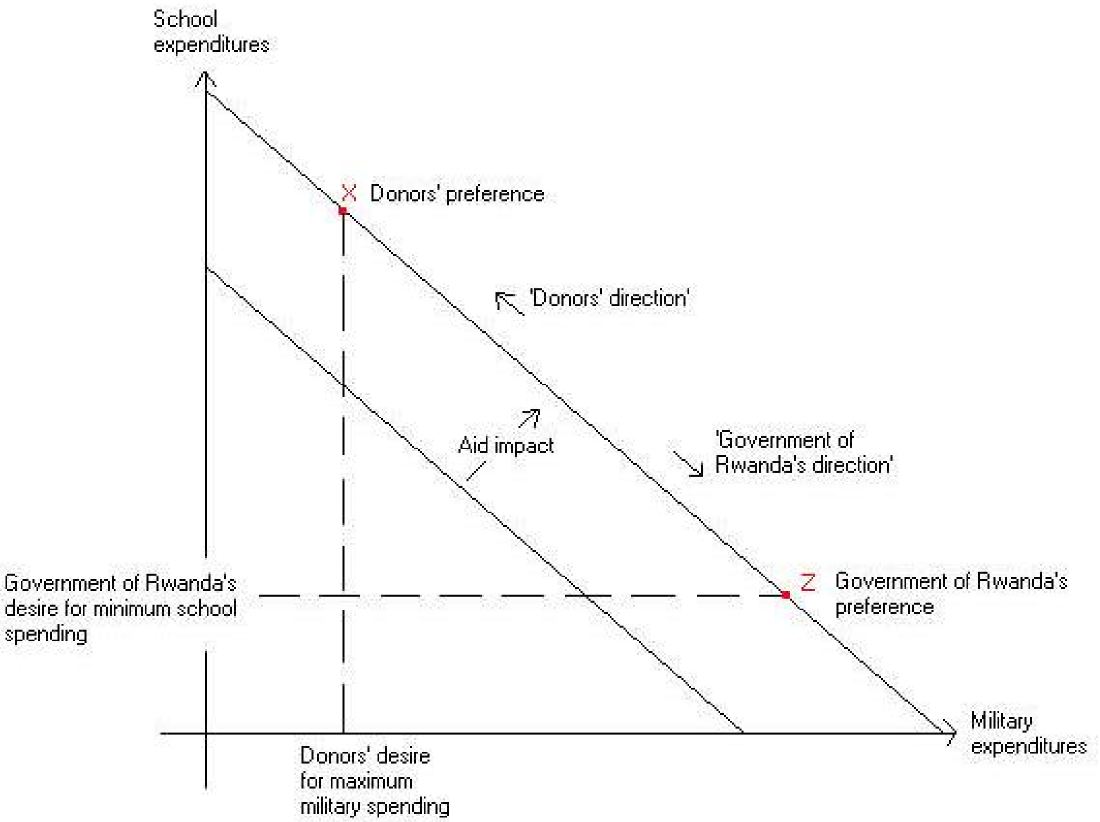
[1] World Bank, *Assessing Aid: What Works, What Doesn't, and Why*, World Bank Policy Research Report (New York, Oxford University Press, 1998), also available at http://www.worldbank.org/research/aid/aidtoc.htm, p. 60
[2] Ibid., p. 130

From the definition also follows that the issue of fungibility only is relevant if the recipient country already spends money on that sector or on the project that donors have singled out for receiving aid. If the government in the recipient country does not spend (or does not intend to spend) any money on, say, the education sector, then funds allocated to that sector will not impact on the overall composition of the budget, nor on the size of other budgetary posts. In such cases, where aid is not fungible, "evaluating the overall effect of aid is easy: it is simply the collective effect of individual projects."[3] If donors hand out money for a school (and we presume the school is built without money disappearing into corruption) then donors get what they see: a school, which would not have been built without the donor money. In this case, the so-called 'w*hat-you-see-is-what-you-get*' principle applies.

However, if we assume that the recipient government has an interest in building one school and would indeed have allocated the appropriate resources had donors not supported the project, then what you see might not be what you get. For instance, if donors have a preference for building as many schools as possible and only spend limited funds on the military, while the government is content with one single school and wants the rest of its resources spent on the army, then fungibility does apply, as illustrated in the figure below. The amount of money offered simply enhances the budget that is available to the government, and it will choose to spend the extra money on the army. The end result is indeed one school, but the school would have been built anyhow, and, still worse, donors' aid in fact means that the government will be able to spend more money on the military. Under such circumstances, funding a school will in reality mean the same as providing unspecified budget aid, although there is no diversion of funds as such.

[3] Ibid., p. 60

Figure 1 – The Fungibility Diagram



Source: Adopted with minor changes from World Bank, *Assessing Aid: What Works, What Doesn't, and Why*, World Bank Policy Research Report (New York, Oxford University Press, 1998), also available at http://www.worldbank.org/research/aid/aidtoc.htm, p. 62

Sometimes, donors decide to provide Third World governments with unspecified budget aid or other forms of assistance not confined to a particular project or spending sector. If donors decide that no conditions are attached to such aid, the recipient government is free to spend the aid as it pleases, and the unspecified budget aid merely enhances the financial options of the recipient government. In such cases, the aid is completely fungible. In Figure 2 above, the end result would be at 'Z'.

Whether fungibility applies, thus depends on two factors:

1) Does the donor have the same preferences as the recipient government with respect to the overall composition of the budget and, if applicable, with respect to the particular project being funded?[4]

2) Is the aid provided as *unspecified budget aid* or as *specific earmarked project aid*?

How does this apply to Rwanda?
First, it is important to note that there is a difference between the agenda of the 'Government of Rwanda' and those of its donors.[5] The 'Government' has sought to hide the true size of military expenditures from donors, using the income from the mineral exploitation to finance the warfare. In other words, was the 'Government of Rwanda' free to decide, it would prefer to spend much more on the military as compared to 'standard' donor preferences, such as health, education, the justice sector, infrastructure and privatization.

Second, I shall now take a look at which kind of aid, i.e. unspecified or specified, that is provided to Rwanda.

Unspecified Fungible Aid

Unspecified aid includes unspecified budget aid, unspecified loans on concessional terms, and debt relief. In case of Rwanda, the World Bank and the IMF have been the main lenders, providing a US$ 75 million loan package to the 'Government of Rwanda' over the past three years. In January 2001, the World Bank awarded a further US$ 15 million loan due to increasing world fuel prices.[6] On 26 September 2000, the DFID announced that it would provide UK£ 63 million over 3 years in order to "support the 'Government of Rwanda's' budget". A press release

[4] Ibid., p. 62
[5] At least on a rhetorical level
[6] World Bank, External Affairs Department, *Development News*, 5 January 2001, at http://wbln0018.worldbank.org/NEWS/DEVNEWS.NSF/eb730c645da440418525673500723bf3/8376d9a692349421852569cb00519c84?OpenDocument

stated that the funds would be "linked to supporting the Government's own policy issues, including the reduction of poverty, economic growth and good governance initiatives." Also, it was specified that UK£ 21 million of this amount would "help improve Rwanda's education system". It is thus not immediately clear whether this money would be given as unspecified budget support or merely as some kind of budget support to, for instance, the ministries of education or finance.[7]

A donor-financed trust fund has serviced most of Rwanda's debt, which cost US$ 35.5 million in 1997, US$ 37.7 million in 1998, and an estimated US$ 55.4 million in 1999.[8] On top of this, the EU in May 2001 announced that it is to forgive all outstanding debts to the world's least developed countries, including Rwanda. Previously, the UK and other European nations have cancelled bilateral debt owed to them by Rwanda.[9] The most significant point to mention in this respect is the recommendation by the two Bretton Woods institutions in December 2000, which said that donors write off US$ 810 million of Rwanda's external debt, something which a number of donors, for instance France and the EU, have indicated their willingness to do.[10]

Social Sector Aid Diverted to the War Effort

As mentioned earlier, it has been alleged by Human Rights Watch and others that the RPA has collected a so-called voluntary war tax to help fund the war: in particular civil servants have been forced to contribute a substantial share of their wages to the war effort.

Through the EU's substantial budgetary support to the ministries of health, education and justice, the EU aid has thereby indirectly funded the RPA's campaign in the Congo. The United Kingdom is also a significant contributor to the education budget with over UK£ 21 million over three years. As previously calculated, the extra-budgetary input from teachers' salaries alone might well boost the army budget by several million US$.

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[7] United Kingdom, Department for International Development, *Building support…*, at http://www.dfid.gov.uk/public/news/pr26sept00b.html

[8] International Monetary Fund, *Rwanda: Statistical Appendix*, Country Report No. 01/30, 5 February 2001, at http://www.imf.org/external/pubs/ft/scr/2001/cr0130.pdf, p 33; and United Kingdom, Department for International Development, *Rwanda: Country Strategy Paper…*, at http://www.dfid.gov.uk/public/what/strategy_papers/rwanda_csp.html, p. 7. See also World Bank, External Affairs Department, *Development News*, 9 June 2000, at http://wbln0018.worldbank.org/NEWS/DEVNEWS.NSF/eb730c645da4404185256735007 23bf3/20ce7ca0e47b27fe852568f9004aa12c?OpenDocument

[9] World Bank, External Affairs Department, *Development News*, 15 May 2001, at http://wbln0018.worldbank.org/NEWS/DEVNEWS.NSF/eb730c645da440418525673500723bf3/15ec46a0f5eae76285256a4d004a58fa?OpenDocument

[10] International Monetary Fund, *Rwanda to Receive US$810 Million in Debt Service Relief: The IMF and World Bank Support Debt Relief for Rwanda Under the Enhanced HIPC Initiative*, Press Release No. 00/84, 22 Dec 2000, at http://www.imf.org/external/np/sec/pr/2000/pr0084.htm

Fungible Project Aid

There are however also projects – or parts of projects – in which both the 'Government of Rwanda' and donors have a common interest. To take a cynical approach, one could presume that leading RPA officers and top 'government' officials would want at least their own children to go to school, as they would probably also have a keen interest in paying at least some prison guards to ensure that the 120,000 prisoners accused of participating in the Genocide stay locked up. Top officials would probably also want to organize a minimum of road maintenance to ensure that roads between major towns and from Kigali to the airport are passable. Finally, the Army has a clear interest in a proper airport that can be used to fly goods and soldiers to and from Congo, and top officials and members of the 'government' also have an interest in being able to fly abroad. Expenditures that are perfectly legitimate in donors' eyes, since the infrastructure, education, and the justice sector is seen as contributing to the development of the country. However, as Catherine André and Laurent Luzolele Lola make clear, "in a post-conflict phase […] reconstruction efforts will primarily benefit the tertiary and secondary sectors located in the towns."[11]

In Rwanda, the urban elite (besides expatriates) first and foremost include the military and political elite in power, which are therefore direct beneficiaries of many development projects. It is therefore likely that many of the projects now funded by donors benefit the Akazu and would thus have been paid for by the 'Government of Rwanda' in donors' absence. It is in other words fungible project aid.

Quite a significant amount of aid falls within this category. This includes EU funds spent on reconstructing Kigali airport, worth € 5.5 million, maintaining roads, worth € 24 million, and EU budget line support to the ministries of health, education, and justice through a 'First Structural Adjustment Programme' (SAP 1), worth € 51.2 million for 1999-2000.[12] Also included are the promised € 59.62 million through a 'Second Structural Adjustment Programme' (SAP 2) "as a contribution to the external financing gap for 2001 and 2002". The SAP 2 will "support the recurrent budget in the sectors of education, health and justice," according to a statement. Finally, UK£ 30

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[11] André, Catherine, and Luzolele Lola, Laurent, *The European Union's Aid Policy Towards Countries involved in the Congo: Lever for Peace of Incitement to War?*, Unpublished paper, May 2001, p. 29

[12] During the period from 1999 to 2000, the EU contributed € 51.2 million through a Structural Adjustment Programme (SAP 1), which "was particularly targeted on the reduction of the internal debt and the budgetary expendituresfor the health, education and justice sectors." European Union, Desk officer for Rwanda Alfonso Pascual, *Aide Communautaire 2000-2001,* private correspondence to the author, 7 May 2001

million provided by the United Kingdom during the period from 1998 to 2001 for debt relief and budget support to the social sectors are also included.[13]

Non-Fungible Aid

There are also those projects in the justice, health and education sector that we assume the 'Government of Rwanda' do not care for? According to the fungibility theory, there would be no problem in funding such projects - if we presume that one were able to separate those social expenditures that the 'government' would under no circumstances pay for from those particular items in the health, education and justice sector that the 'government' was going to pay for anyway if donors were not there. Viewed from a practical angle, this is extremely complicated and hardly feasible, since it would involve judging the 'government's' intentions with regard to specific projects; intentions the 'government' for obvious reasons would not have an interest in revealing.[14] Moreover, donors would need an iron-cast guarantee that funds spent on, say, a rural school, would not be transferred to build a school for RPA officers' children, or that once built, school inventory or other removable parts would not simply be confiscated and taken elsewhere. This is a real possibility in a country where soldiers act with impunity.

Political Implications of Aid Disbursement

So far I have considered the strictly budgetary conflict of interest that arises from channelling aid into the budget of the 'Rwandan Government', whom I have assumed to have a different spending agenda than the donors. However, even if we assume that all aid is provided to 'legitimate' projects and is not directly or indirectly transferred to other sectors, there are still political implications of disbursing aid to both the public and the private sector.

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[13] United Kingdom, Department for International Development, *Rwanda: Country Strategy Paper…*, at http://www.dfid.gov.uk/public/what/strategy_papers/rwanda_csp.html, p. 7

[14] As aptly put in the above mentioned World Bank study, "It is not just a question of saying that if a donor provides an additional $1 million that spending on the activity financed must increase by $1 million because spending might have increased by that amount in the absence of the extra aid. To ensure additionality, donors would have to make governments promise that they are spending $1 million more than they would have had they not received the aid. But they would say that in any case, wouldn't they?" World Bank, *Assessing Aid…*, at http://www.world bank.org/research/aid/aidtoc.htm, p. 80

Political Implications of Funding the 'Government'

As discussed at length in previous chapters, the RPF-led 'government' consists of a network of strongmen, the Akazu, which is centered around a core of 'Ugandan' Tutsis. The network is held together by members' access to power and wealth. In a poor country with massive unemployment, this includes the ability to award supporters with jobs in the civilian administration and punish political enemies or party line deviationists by keeping them from attractive 'government' jobs.[15] Funding ministries that in donors' eyes pursue legitimate policies still means feeding the network.[16] Any programme implemented through the 'Government of Rwanda' is thus bound to indirectly support this network, since donors have no influence on who will be employed and who will be left out in the cold.

That external support holds together an otherwise dysfunctional state is not a new phenomenon. Tilly described how this phenomenon prevailed in the Middle Ages:

> Where the ability of rulers to draw revenues from commodity exports, or from great power military aid […] allows them to bypass bargaining with their subject populations, large state edifices have grown up in the absence of significant consent or support from citizens.[17]

I argue that this is exactly what has happened for Rwanda in the post-1994 period: no Hutus wield any significant influence and with the broad majority of the population being marginalized. It is thus no surprise that the Akazu network is extremely unpopular inside Rwanda - much more so than the pre-1994 Akazu. The 'Rwandan Government' would basically have gone bankrupt had it not been for the aid it received from abroad, and the commodities its army steals in the Congo. And since the state in this connection means a network of criminals, the absence of aid would pose a severe threat to this network; there would be no jobs, no salaries and no 4-wheel-drive cars or other associated benefits to hand out to followers and to deny outsiders. As has been made abundantly clear in previous chapters, the Congo War has also effectively become a profitable 'licence to plunder'. A job in the Ministry of Education, a business concession, a

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[15] See for instance *East African*, 'RPF Split Over Alleged Bias in Handing Out Govt Jobs', 2 October 2000, also available at http://www.nationaudio.com/News/EastAfrican/08102000/Regional/Regional17.html

[16] A recent example is former President Bizimungu who was allowed to stay in the Presidential palace with associated benefits even after he resigned, but had these privileges withdrawn the very day he sought to launch a new party. *Associated Press*, 'Rwanda Blocks New Political Party', 31 May 2001

[17] Charles Tilly, *Coercion, Capital and European States, AD 990-1990*, (London: Basil Blackwell, 1990), p 207, quoted in Reno, William, *War, Debt and the Role of Pretending in Uganda's International Relations*, Occassional Paper at the Centre for African Studies, University of Copenhagen, July 2000, available at http://www.teol.ku.dk/cas/Occ_Reno_internetver.doc, p. 6

'licence to plunder', or an official residence all belong to a wide spectrum of fringe benefits the Akazu can use – and uses – to award its followers and to discourage political deviation. Economic 'rewards' are the be-all and end-all of the Akazu without which there would be no organized violence, let alone a war campaign. In turn, this means that with fewer resources available, fewer rewards can be handed out and this would clearly threaten the Akazu's economic cohesion. Without a stable network, it would be much more difficult to fund and fight the well-organized campaign in the Congo, simply because the network would break apart and rivalry among different factions inside the 'government' would start fighting for the spoils. How this can split an otherwise cohesive alliance has been demonstrated many times in the Congolese jungle, where the former allies of Rwanda and Uganda have fought pitched battles over the control of lucrative mineral resorts.

Political Implications of Private Sector Funding

Donors such as the European Union and the Bretton Woods institutions have been keen on helping the Rwandan private sector.[18] As part of this, the European Union has contributed € 20 million for rehabilitation of the tea sector, and € 5 million for rehabilitation of the coffee sector. In his March 2000 visit to Rwanda, EU Commissioner Poul Nielson further invited Rwanda to apply for funding from a private sector investment facility worth € 2.2 billion that is open to countries in the so-called 'Africa, Caribbean and Pacific (ACP) Group'.[19]

Also, the Bretton Woods institutions are pushing for the privatization of parastatals, some of which have already been privatized, for instance companies in the coffee sector. The monopoly holder of landline telecommunications, *Rwandatel*, is slated for privatization in 2001 with 51% being offered to a strategic investor. The national water and energy company, *Electrogaz*, is also slated for privatization, but will be split into three entities responsible for electricity, water, and gas, respectively, prior to being sold.[20] The national tea company, *Ocir-Thé*, and the mining company, *Redemi*, will also be privatized in the not too distant future. Some of the major donors have taken the view that strengthening the private sector will have a positive effect on the economy in general.

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[18] On 19 April 2001, the World Bank announced that Rwanda will "receive a loan of $40.8 million to help build a sounder business community in the strife-torn African nation." World Bank, External Affairs Department, *Development News*, 20 April 2001, at http://wbln0018.worldbank.org/NEWS/DEVNEWS.NSF/eb730c645da44041852567350072 3bf3/2c86dcf1dc4ca72185256a34004f020d?OpenDocument

[19] Economist Intelligence Unit, *EIU Country Profile 2000…*, unpaginated version

A discussion of the implications of this massive private sector funding requires an analysis of the Rwandan private sector and in particular the role that the RPF and its associates play.

While still in Uganda, the RPF founded a company called Tri-Star Investments SARL. (a.k.a. Tri-Star or Tristar), headed today by a certain individual referred to simply as 'Dr Ben'.[21] This company grew enormously and is today involved in a number of the most dominant and profitable businesses in Rwanda. The company has from its inception been shrouded in secrecy and the management of Tri-Star did not respond to the author's request for a clarification of its portfolio and ownership.[22] According to a document by the World Bank's International Finance Corporation, Tri-Star has a "portfolio comprising telecommunications, construction, agriculture, trading, and banking."[23] Tri-Star is no doubt a major player in Rwandan business life, though the exact composition of its portfolio remains to be established. Based on documents, interviews, and media articles, I have made the following incomplete (and possible slightly erroneous) attempt of a compilation of the portfolio of the company:

- shares (41%) in *MTN Rwandacell SARL*, a mobile telephone company, which in February 1998 won the first and only license to establish a GSM mobile network in Rwanda[24]

- owns *Intersec*, a security company, which provides security guard services mainly to businesses, embassies, and international NGOs working in Rwanda[25]

- owns *Impremerie Nouvelle*, a printing house, formerly the National Printing Press[26]

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[20] Economist Intelligence Unit, *EIU Country Profile 2001…*, pp. 17-18
[21] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001; and *AfroAmerica Network*, 'RPF delegates on recruiting and public relations spree', 4 May 2001, at http://www.afroamerica.net/afroamerica.html
[22] See also *Christian Science Monitor*, 'Behind the Congo war: diamonds', 16 August 1998, also available at http://www.csmonitor.com/durable/1999/08/16/fp1s4-csm.shtml
[23] World Bank, International Finance Corporation, untitled World Bank Public Information Center (PIC) Operational Document on MTN-Rwandacell, n.d. but was projected to be presented to the 'International Finance Corporation's Board of Directors on 25 April 2000, at http://www.worldbank.org/pics/ifcspi/rws9445.txt
[24] Ibid. and *Business Times Online,* 'MTN safari reaches Rwanda', 15 February 1998, at http://www.btimes.co.za/98/0215/comp/comp12.htm
[25] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001

- owns *Highland Flowers*, a company exporting roses to Europe[27]

- owns or has shares in *Mutara Enterprises*, a furniture and office tools company that primarily supplies ministries with equipment[28]

- shares in an unnamed construction company[29]

- shares in *Le Meridien*, a four-star Kigali hotel[30]

- shares in *Banque de Commerce, du Développement et d'Industrie* (BCDI),[31] which provided loans to a short-lived RCD-Goma company that spent the money paying RPA military expenditures and eventually repaid the loans with revenue earned from the mineral trade [32]

- shares in *Banque de Commerce et du Développement* (BCD), which was created by Laurent-Desiré Kabila when he came to power in Kinshasa, but now firmly under the control of the RPF and Rwandan-backed businessmen[33]

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[26] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001. Apparently *Intersec* purchased *Impremerie Nouvelle*. *La Libre Belgique*, 'Après la reconstruction, la stagnation', 2 November 1999

[27] World Bank, International Finance Corporation, untitled World Bank Public Information Center (PIC) Operational Document on MTN-Rwandacell…, at http://www.worldbank.org/pics/ifcspi/rws9445.txt;and Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001

[28] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001

[29] According to a report by the World Bank's international Finance Corporation, Tri-Star holds "a portfolio comprising of telecommunications, *construction*, agriculture…" (own emphasis added). World Bank, International Finance Corporation, untitled World Bank Public Information Center (PIC) Operational Document on MTN-Rwandacell…, at http://www.worldbank.org/pics/ifcspi/rws9445.txt

[30] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001

[31] 11.6% of the shares in BCDI are owned by Tri-Star, according to a report by the trade organization called Common Market for Eastern and Southern Africa (Comesa). Common Market for Eastern and Southern Africa, *Rwandan Banking Information*, memorandum, n.d., at http://www.comesa.int/states/rwanda/qrwabact.htm

[32] United Nations, Security Council, *Report of the Panel of Experts…*, at http://www.un.org/News/dh/latest/drcongo.htm, p. 7

[33] Ibid., p. 15

Outside Rwanda, Tri-Star holds an estimated 10-15% of the shares in the Ugandan mobile telephone company *MTN Uganda*.[34] According to the Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Tri-Star also had shares in *Coffex*, a coffee trading company that was dissolved after the expatriate manager resigned, complaining that RPF members forced him to employ their unqualified friends or relatives.[35] Either RPA officers or the RPF party as such appear to own the *New Times*, a bi-weekly pro-'government' English newspaper.[36] The same is true for *Rwanda News Agency*, a pro-'government' news agency.[37]

Besides this, RPF members and RPA officers own or otherwise control influential companies: Rwanda Metals – according to the *UN Exploitation Panel Report,* the biggest coltan export company with an estimated export of 100 tons per month – is owned by RPA officers. Grands Lacs Metals, another major coltan export company dealing with Congolese coltan, has according to the *UN Exploitation Panel Report* Majors Gatete, Dan and Kazura among the shareholders. Simba Manasse, a former army officer and member of the RPF, runs another unnamed coltan export company.[38] Manasse is also a shareholder in the BCDI, which counts Rwandan Prosecutor-General Gerard Gahima, an RPF insider, on its board. Alfred Khalissa (a.k.a. Kalisa), yet another of the RPF's long-term backers, founded the bank in mid-1995 and has the vast majority holding. Khalissa also holds shares in the BCD of which he is the former manager.

The Sonex-BCDI deal, which helped channel extra-budgetary funds to the RPA's war effort, was handled by Major Dan, chief of the Congo Desk, according to the *UN Exploitation Panel Report*. He is related by marriage to Emmanuel Kamanzi, former head of RCD-Goma's Finance Department.

Banque à la Confiance d'Or (BANCOR) also started in mid-1995 and was until 2000 owned almost exclusively by members of a Ugandan family named Alam. Under suspicious circumstances, the RPF businessman Tibere Rujugiro (a.k.a. Rujigiro), by many considered as one of the main bankrollers of the RPF war from 1990 to 1994, suddenly purchased the bank in

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[34] *East African,* 'How MTN Modernised Uganda's Phone Network', 4 December 2000, also available at http://www.nationaudio.com/News/EastAfrican/11122000/Business/Business12.html
[35] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001
[36] The *New Times* appears to have RPF members on its board, such as for instance Joseph Bideri, the Director of Irinfor, the Rwandan Government's Information Office. Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001
[37] Ibid.
[38] *Reuters*, 'Forget Congo - Rwanda enjoys its own mining boom', 12 June 2001

early 2000 at an apparently low price.[39] According to the Kinshasa-based *Observatoire Gouvernance-Transparance*, Rujugiro also has a vast network of trading in the Congo, involving cigarette plantations in the Rwandan-controlled territory as well as a virtual monopoly of cigarette trading in that area.[40]

Banque Continentale Africaine – Rwanda (BACAR SA) is owned almost exclusively by another main backer of the RPF, Valens Kajeguhakwa, who was also a member of the Rwandan Parliament until 1999.[41]

According to Michael Dorsey, the general managers of both the *Kigali Bank* and the *Rwandan Development Bank* are RPF-members, the manager of the latter bank being the husband of Paul Kagame's personal secretary.[42]

According to *AfroAmerica Network*, a certain Joseph Mugisha runs *Fair Construction*, a company owned by him, the Rwandan ambassador to South Africa, Colonel Karemera, and Rwandan President Paul Kagame. The company also has branches in Uganda.[43]

The *AfroAmerica Network* also claims that a Rwandan businessman acquired *Kibuye Guest House* and *Hotel des Chutes* in Cyangugu under the privatization program imposed by the Bretton Woods institutions "as a reward for his contribution to the RPF war".[44]

According to Michael Dorsey, a garbage-collection contract for Kigali was assigned to an unnamed RPF officer with no lorries. However, once he had the contract in his hands, the BCDI was helpful to lend him money to purchase the necessary vehicles.[45]

In order to further strengthen the Akazu network, RPA officers have been appointed to senior positions in most important 'government' parastatals, from where they are able to promote RPF-members' businesses and create obstacles for non-RPF businesses.[46]

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[39] United Nations, Security Council, *Report of the Panel of Experts…*, at http://www.un.org/News/dh/latest/drcongo.htm, p. 15

[40] Observatoire Gouvernance-Transparance, *Guerre en RDC: Enjeux économiques: Intérêts et Acteurs*, 10 April 2000, at http://www.c-df.org/tribune_raisons_guerre.html

[41] Reyntjens, Filip, *Talking or Fighting…*, p. 6. It appears that in the summer 2001, Kajeguhakwa fled to the US. *AfroAmerica Network*, 'Kajeguhakwa, the new RPF casualty', 31 July 2001, at http://www.afroamerica.net/afroamerica.html; and Kajeguhakwa, Valens, untitled statement, 23 August 2001, at http://www.afroamerica.net/rwanda_testimonies.html

[42] Dorsey, p. 327

[43] *AfroAmerica Network*, 'RPF delegates on recruiting and public relations spree', 4 May 2001, at http://www.afroamerica.net/afroamerica.html

[44] Ibid.; and *AfroAmerica Network*, 'Kagame's visit causes an uproar in USA', 31 January 2001, at http://www.afroamerica.net/afroamerica.html

[45] Dorsey, p. 325

[46] Ibid., pp. 324-327; *Monitor* (Kampala), 'Journalist Seeks Protection In Uganda', 14 September 2000; and Mugabi, John, and Kanuma, Shyaka, *Dossier Journal Newsline*, statement circulated as e-mail medio January 2001, n.d., available at http://www.multimania.com/obsac/OBSV3N16-DOSattentHabyari.html

The case of the weekly independent newspaper *Rwanda Newsline* illustrates this point well. *Rwanda Newsline* started coming out in November 1999, and was joined in July 2000 by its sister Kinyarwanda publication, Umuseso. Both papers sold well with *Rwanda Newsline* selling an average of 4,000 copies per weekly issue throughout 2000. Given the lack of private media in the country, advertisers flocked to the paper and thereby created the necessary financial foundation for the paper. In particular, the then newly founded MTN Rwandacell repeatedly placed huge adverts comprising 5-6 full pages in some issues. With the financial backing from private advertisers and a keen readership, it was initially not an insurmountable problem for the paper that 'government' agencies were prohibited from advertising in the *Rwanda Newsline*.

But when this measure seemed insufficient to stall the paper, which was moderately critical of the 'government', the RPF in December 2000 enlarged the unofficial ban and made it clear to all private companies that they had to refrain from advertising in *Rwanda Newsline*, if they wanted to remain on good terms with the 'government'. Virtually from one week to the next, advertisement revenue dried out, and this combined with death threats caused a two-month closure of the paper. According to the Editor-in-Chief of *Rwanda Newsline*, John Mugabi, some enterprises nevertheless kept paying the newspaper but merely asked not to have adverts posted since they were afraid of loosing their jobs. At the time of writing, the situation is still such that the pages of *Rwanda Newsline* are virtually without adverts.[47]

This grotesque situation is highlighted by the fact that the National Tender Board, responsible for 'government' purchases and a supposed leader in fighting corruption and promoting transparency, every week publishes lengthy privatization adverts in the Tri-Star-owned pro-'government' paper, *New Times*, but refrains from advertising in *Rwanda Newsline*. Before the state-owned National Printing Press was sold to Tri-Star, that company also contributed to the harassment by denying available printing capacity to *Rwanda Newsline*. As a result, *Rwanda Newsline* staff thought it safer to print the paper in Ugandan capital Kampala.[48]

In a society saturated with security services, and with a justice system that is geared to succumb to the wishes of the RPF and the RPA – the State Attorney is Gerald Gahima, an RPF-insider, it is unlikely that bidders for parastatals can avoid being intimidated into either refraining from tendering or ending up paying huge bribes to win a tender. Victims of such intimidation will simply have nowhere to turn. Coupled with the fact that the official Privatization Secretariat does

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[47] Interview with Editor-in-Chief of *Rwanda Newsline*, John Mugabi, Kigali October 2000; Copenhagen, June 2001; and by telephone, September 2001

[48] Ibid.

not have to choose the company giving the highest offer, it is very possible indeed that companies are going to be sold off cheaply to Akazu insiders.

The Bretton Woods-imposed privatization programme in neighbouring Uganda offers an illustrative example of what can happen in Rwanda. Here, three 'government' ministers and a highly-placed senior Army officer, Ugandan President Museveni's half-brother, Major-General Caleb Akandwanaho (a.k.a. Salim Saleh), with complete impunity scammed the public for many million US$ by threatening other bidders, acquiring insider information, violating purchasing agreements, and purchasing parastatals at a very low price.[49]

Although these major privatization scams have been revealed by a critical and vibrant domestic press, much more daring than its Rwandan counterpart, there have been no prosecutions of the high-level officers involved. Since the Rwandan Akazu is a much more organized and tightly knit structure than their Ugandan equivalent, it is more than likely that the same things might happen in Rwanda. Given the complete dominance of business and political life by the RPF and the RPA, it is extremely difficult to support the business community in Rwanda without at the same time de facto supporting the business interests of the Akazu. The most clear example of this is perhaps the plan by the World Bank's International Finance Corporation to team up with Tri-Star and the other behind MTN Rwandacell investors and contribute US$ 6 million into a total investment pool of US$ 19 million that is meant to extend MTN Rwandacell's coverage in Rwanda.[50]

Provisional Conclusion

Donors provide the 'Government of Rwanda' with a variety of aid, given both as direct support to the general budget, loans, budget support for specific ministerial budgets, and aid earmarked to specific projects.

If ever it will be possible to separate politics and business from each other, this has not certainly not happened in Rwanda. The RPF and the RPA are completely enmeshed in Rwandan business life. Nearly all major companies are either owned by the state – and thus in control of

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[49] Tangri, Robert, and Mwenda, Andrew, 'Corruption and Cronyism in Uganda's privatization in the 1990s', *African Affairs* Vol. 100, No. 398 (January 2001), also available at http://www3.oup.co.uk/afrafj/hdb/Volume_100/Issue_398/pdf/1000117.pdf, pp.117-133

[50] World Bank, International Finance Corporation, untitled World Bank Public Information Center (PIC) Operational Document on MTN-Rwandacell…, at http://www.worldbank.org/pics/ifcspi/rws9445.txt

RPF who have employed a number of Army officers as their managers, the RPF-owned Tri-Star investment corporation, individual RPA officers, and their supporters. Private sector support therefor directly benefits the Akazu, one of the most evident examples of this being a World Bank co-financing of a business project with Tri-Star. The Akazu thus has vested interest in the foreign aid. And given the biased, pro-RPF legal system, it has furthermore a great interest in the World Bank-sponsored privatization initiative that is likely to provide Akazu members with an opportunity to rip of public enterprises state just as happened in neighbouring Uganda.

Besides this, the Akazu has an indirect interest in the aid flows to the 'government', because the aid allows it to reward its supporters by employing them in lucrative jobs or award 'government' tenders to RPF-businesses.

With regard to the amount of the budget devoted to the Army and its war in the Congo, I found it extremely difficult to ensure that money spent in one sector, say health or infrastructure, does not free resources that the 'government' could then use in a different sector, i.e. the war. This is particularly relevant because many of the (in donors' eyes) 'legitimate' projects that are financed by donors, such as those in the infrastructure sector, first and foremost benefit the ruling elite and thus might have been paid for by the 'government' in the absence of donors.

However, it remains an open question whether fungibility applies, since this pre-supposes that donors have actually left it up to the 'Rwandan Government' to spend the available budget as it pleases. On the one hand, donors have set conditions for the aid that on paper prohibited the 'Government' from, say, spending more than a certain amount of its budget on the Army and the Police. On the other hand, donors have overlooked or forgiven the 'government's' violation of a number of conditions, notably on excessive military expenditures, which in this connection is relevant. I found two aspects of this violation: inside the budget, indirect taxes were levied on civil servants that were directly channelled to the Army, which in turn means that a greater proportion of the official budget was spent on the war than has been recognized in IMF reports. Outside the budget, the plunder from the Congo has provided the Army with extra funds. The extent to which both of these manoeuvres have funded the Army (and thereby its war) is not clear.

However, even if we assume that the donors to some degree still have forced the 'government' to spend less of its total budget on the military, it is still not clear whether more money would be spent in the absence of donors, since donors fund 49-55% of the total budget.