

Rwanda: Looking back at the 1994 genocide and the role played by international financial institutions

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Starting on 7 April 1994, in less than three months, nearly one million Rwandans - the exact figure has not yet been determined - were exterminated because they were (or supposed to be) Tutsis. Tens of thousands of moderate Hutus were also slaughtered. This was indeed a genocide, that is, the deliberate destruction of an entire community through mass murder in the aim of preventing their biological and social reproduction.

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In this context, it is crucial to investigate the role played by international financial institutions. Everything we know leads us to believe that the policies imposed by these institutions, the main financial backers of General Juvénal Habyarimana's dictatorial regime accelerated the process resulting in the genocide. In general, the negative impact of these policies is not taken into consideration to explain the tragic unfolding of the Rwandan crisis. Only a few authors highlight the responsibilities of the Bretton Woods institutions [[1](#)], which have rejected any kind of responsibility.

At the beginning of the 1980s, when the debt crisis exploded in the Third World, Rwanda (like its neighbour Burundi) had very little debt. Whereas in other parts of the world, the World Bank and IMF were abandoning their go-go loan policy and preaching abstinence, they adopted a very different attitude with respect to Rwanda to which they granted major loans. Between 1976 and 1994, there was a twenty-fold increase in Rwanda's external debt. In 1976, it amounted to \$49 million, while it was nearly \$1 billion in 1994, increasing especially rapidly as of 1982. Its principal creditors were the IFIs or International Financial Institutions — the World Bank, the IMF, and similar institutions, and the WB and the IMF played the most active role in this debt process. In 1995, IFIs held 84% of Rwanda's external debt.

The dictatorship in place since 1973 guaranteed that there would be no progressive structural changes in the country. That explains why it was actively supported by Western powers such as Belgium, France, and Switzerland. In addition, it could be a rampart against the countries in the region that were still mulling over thoughts of independence and progressive change (for instance, neighbouring Tanzania where there was the progressive President Julius Nyerere, one of the African leaders in the Non-Aligned Movement).

Throughout the 1980s and up until 1994, Rwanda received many loans, but the dictator Habyarimana embezzled much of them. The loans granted were supposed to be used to better integrate Rwanda's economy into the world economy by developing its capacities to export coffee, tea, and tin (its three main export products), which was detrimental to the crops cultivated there to

satisfy local needs. This model worked until the middle of the 1980s, when the price of tin, then that of coffee, and finally tea, collapsed. Rwanda, for which coffee was the main source of hard currency, was hit hard by the breaking up of the coffee cartel at the beginning of the 1990s by the United States.

Using international loans to prepare for the genocide

Only a few weeks before the Patriotic Front of Rwanda launched its offensive in October 1990, the government of Rwanda signed an agreement with the IMF and the WB in Washington to implement structural adjustment measures.

When they were implemented in November 1990, the Rwandan currency dropped by 67%. By way of compensation, the IMF granted strong currency loans for quick disbursement so that the country could keep importing goods. The funds were used to artificially improve the balance of payments. The prices of imported goods skyrocketed: for instance, the price of petrol went up by 79%. Selling imported goods on the domestic market made it possible for the government to pay the army's wages, and the number of recruits increased in staggering proportions. The structural adjustment measures included a decrease in public spending, wages were frozen, and there were massive layoffs in the civil service, but part of the savings were used for the army.

Whereas the prices of imported goods increased, the price at which producers could sell coffee was frozen, as imposed by the IMF. As a result, hundreds of thousands of small coffee producers went bankrupt [2], and together with the most deprived layers of city dwellers they became a permanent supply of soldiers for Interahamwe and army recruiters.

The following measures were among the ones the WB and IMF imposed in Rwanda: an increase in consumption taxes and a decrease in corporate taxes, an increase in direct taxes on low-income families through a reduction of fiscal advantages for large families, and restrictions on credit facilities to farmers.

To account for its use of loans from the IMF/WB, Rwanda was allowed to submit old invoices for imported goods. This practice made it possible for the government to pay for the massive purchase of weapons intended for the genocide. Military expenses increased three-fold between 1990 and 1992 [3]. Over this period of time, the WB and the IMF sent out several missions of experts, who highlighted the positive consequences of the austerity policies enforced by Habyarimana, yet threatened to discontinue payments if military expenses increased further. The Rwandan government then used various ploys to conceal military expenses: Lorries bought for the army were accounted for in the budget of the transport ministry, a significant portion of the petrol used in the army or militia vehicles was part of the budget for the ministry of health. The WB and the IMF eventually stopped providing financial support in early 1993, but they did not expose the existence of bank accounts the Rwandan government had in foreign banks on which there were substantial amounts of money still available to buy more weapons. It can be said that they failed in their duty to control the use of the funds loaned. They should have stopped their loans in early 1992 when they learned the money was being used to buy weapons. They should have warned the UN at once. As they went on supplying support until 1993, they helped a government that was preparing a genocide. As early as 1991, human rights organisations had tried to draw international attention to the massacres that paved the way for the genocide. The World Bank and the IMF systematically supported a dictatorial regime, with the help of the US, France, and Belgium.

Exacerbated social contradictions

For the genocidal project to be achieved, more than just a government was needed to devise it and acquire the necessary tools; the people also had to be impoverished and driven to a level of desperation at which they were ready to do anything. 90% of the population in Rwanda was living in the countryside, and 20% of farm families owned an acre or less. From 1982 to 1994, most of the farming population fell into poverty, while a few others at the other end of the social spectrum were accumulating a huge amount of wealth. Professor Jef Maton states that in 1982 the richest 10% of the population made 20% of rural income; in 1992 they had grabbed 41%, in 1993 45%, and in early 1994 51% [4]. The disastrous social consequences of the IMF and WB enforced policies combined with the plummeting price of coffee (itself a consequence of policies applied by the Bretton Woods institutions, and the US doing away with the cartel of coffee producers at that time) played a key role in the Rwanda crisis. Habyarimana's regime exploited the widespread social discontent to carry out the genocide.

Eric Toussaint, 7 April 2014

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* URL: <http://www.cadtm.org>

* Éric Toussaint is a historian with a doctoral degree in political science from the universities of Paris VIII and Liège. He is the President of CADTM Belgium (www.cadtm.org). He has written many essays on geopolitics including *The World Bank: A Critical Primer*, Pluto Press, London, 2008, and *A Glance in the Rear View Mirror. Neoliberal Ideology from its Origins to the Present*, Haymarket Books, Chicago, 2012. He has also written several works with Damien Millet, including *Debt, the IMF, and the World Bank: Sixty Questions, Sixty Answers*, Monthly Review Press, New York, 2010, <http://cadtm.org/Debt-the-IMF-and-t...>

Footnotes

[1] Chossudovsky, Michel et al. 1995. « Rwanda, Somalie, ex Yougoslavie : conflits armés, génocide économique et responsabilités des institutions de Bretton Woods » (Rwanda, Somalia, ex-Yugoslavia: armed conflicts, economic genocide, and the responsibility of Bretton Woods institutions); Chossudovsky, Michel and Galand, Pierre, « Le Génocide de 1994, L'usage de la dette extérieure du Rwanda (1990-1994). La responsabilité des bailleurs de fonds » (The Genocide of 1994. The use of Rwanda's external debt (1990-1994). The responsibility of financial institutions), Ottawa and Brussels, 1996. See also: Duterme, Renaud *Rwanda : une histoire volée* (Rwanda: a stolen history), Co-edition Tribord and CADTM, 2013 <http://cadtm.org/Rwanda-une-histoire-volee-Dette-et>

[2] Maton, Jef. 1994. *Développement économique et social au Rwanda entre 1980 et 1993. Le dixième décile en face de l'apocalypse.* (Economic and Social Development in Rwanda between 1980 and 1999.)

[3] Nduhungirehe, Marie-Chantal. 1995. *Les Programmes d'ajustement structurel. Spécificité et*

application au cas du Rwanda.(Structural Adjustment Programmes: Specificities and Application to the Case of Rwanda.)

[4] Maton, Jef. 1994. Ibid.