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**RWANDA: DEVELOPMENTAL SUCCESS STORY  
IN A UNIQUE SETTING**

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## Rwanda: developmental success story in a unique setting

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# Rwanda: developmental success story in a unique setting

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## Abstract

The paper discusses the applicability of the developmental state concept in Africa via the illustrative case study of Rwanda and through the detailed analysis of the country's unconventional institutional framework that enables the acceleration of "primitive accumulation", the leap from precapitalism to capitalism. The Rwandan state features several attributes of the classic developmental state: a transformative leadership with a developmental vision, closely intertwined business and political sectors and a highly effective public bureaucracy. What makes Rwanda different from states with similar developmental ambitions, is the unique post-genocidal setting and special homegrown solutions. The 1994 genocide was a shock that moved Rwanda out of the high-corruption equilibrium and opened a window of opportunity for deep-seated reforms. Homegrown solutions combine classic developmental tools with indigenous knowledge and mobilize people to take part in the long-term development of their own country. These tactics and the dynamic economic development ensure the exceptionally wide support of the regime: the government and military is backed by 80 to 90 per cent of the population in most of its endeavours.

*JEL:* A13, O17, H41

*Keywords:* developmental state, Rwanda, development-oriented leadership, effective public service, post-genocidal setting

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## 1. Introduction

State-led market interventions mitigating long-term negative effects of the 2007-2008 financial crisis all over the developed world revived debates regarding the role of state in boosting economic growth. This resuscitated general interest is also due to a series of developmental strategies emerging in rapidly growing African countries. Among them, I will take a closer look at Rwanda, East African role model praised for its stability, sustained and inclusive economic surge.

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Rwanda's leadership refers to the "East Asian tigers" of Hong Kong, Singapore, South Korea and Taiwan as examples where peasant societies were forged into highly competitive economies in the course of two generations. At the same time an emerging comparative politics literature is focusing on the relevance and possible application of East and Southeast Asian developmental experiences in Africa. (van Donge et al., 2012; Ubhenin and Edeh, 2014; Henley, 2015)

The article is structured as follows: the following section summarizes the central findings of the existing research literature and examines the theoretical underpinnings of the concept of developmental state. There follows a short discussion of its applicability in the 21<sup>st</sup> century African context and this leads to our central theme about the Rwandan developmental strategy. We then assess whether this small African country's strategic vision is indeed a somewhat modified replica of the original East Asian model and whether it is possible in the 21<sup>st</sup> century to borrow from the original developmental paradigm. Finally, the main findings are summarized in the conclusion.

## **2. A short review of the conceptual framework: defining features of the developmental state**

The term developmental state itself was first introduced into the literature by Chalmers Johnson describing successful Japanese state-coordinated efforts from 1925 to 1975 that achieved dramatic economic growth. There were numerous previous examples of similar but less rewarding planification efforts, Chibber (2004) and Bagchi (2004) consider comparable Turkish, Brazilian and Indian initiatives as precursors. However, because the term itself came into being in 1982, and quickly gained reputation afterwards, Johnson's work is widely recognized as a first milestone. (Ricz, 2015)

Developmental state is defined as one whose ideological underpinnings are developmental and it seriously attempts to deploy its administrative and political resources to the task of economic development (Meyns and Musamba, 2010).

A developmental state is associated most of all with **a highly effective public bureaucracy** based on meritocratic recruitment and long-term career rewards comparable to that of the private sector. The political leadership is capable and willing to "maintain powerful, competent and insulated specialist economic bureaucracies, highly trained and largely insulated from the cloying demands of special interests, avoiding the main 'capture' by such interests." (Leftwich, 2008: 14) Evans and Rauch validated the significance attributed to bureaucratic capacity by

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estimating how "deviation" from the standard "Weberian" model<sup>2</sup> of ideal bureaucracy affects GDP growth rates: they found that an increase of one half of a standard deviation in the "Weberian" score is worth a 26 (!) per cent increase in GDP from 1970 to 1990. (Evans and Rauch, 1999)

Another attribute of successful developmental states: **development-oriented political leadership closely connected to the business sector** ("embedded autonomy" in Evans' terms (1995): mostly reciprocally favourable synergistic relationship between pilot state agencies and key industrial capitalists. Japan's pilot agency was the Ministry of International Trade Investment (MITI), that of the Republic of Korea was the Economic Policy Board (EPB), while Singapore operated the Economic Development Board (EDB). Our illustrative case study, Rwanda boasts with the Tri-Star (later on Crystal Ventures) holding and Horizon Group, as well as Rwanda Investment Group, all playing a crucial role in forging a strong link between the state and the business sector.

Since committed elites are capable of mobilizing even hidden resources of society, it is also of primordial significance to have a **unified leadership** with a developmental vision and that **policy-making is freed from ephemeral clientelistic burdens**. If relations of patronage are minimized, then the leadership will be able to invest with a longer time horizon. (Booth et al.)

To sum up, we collected developmental state attributes based on relevant literature to use them later when analyzing our illustrative case study. Our major aspects are: a leadership with a long-term developmental vision, in close cooperation with and supported by the business sector and a capable bureaucracy. However, history has proved that although one country can learn from another's relevant experience, success comes from selecting certain elements from multiple developmental strategies and then incorporating different approaches, creatively combining them to build something unique.

### **3. Applicability in Africa**

Since the framing of the original developmental state concept was largely influenced by particular South East Asian features (Johnson, 1982, Amsden, 1989, Wade, 1990, Evans, 1995), newly emerging similar strategies cannot be entirely characterized by the same initial theories. Peter Evans for example, who described what he defines as the 21<sup>st</sup> century developmental state, elaborated a concept that varies in key ways from the original ideas. (Evans, 2008)

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<sup>2</sup> The basic features of true bureaucracies as defined by Max Weber: whether recruitment to public positions involves impersonal meritocratic criteria, whether those recruited might look forward to long term career rewards approximating those of private sector, etc.

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For decades, the concept of developmental state was thought to be transferrable to other regions except Africa due to the pervasive nature of clientelism and the atypical levels of rent seeking in numerous African economies. However, there has been dissent around the topic, among others Thandika Mkandawire refuted previous allegations that developmental strategies do not have the potential to be implemented in Africa (Mkandawire, 2001). Côte d'Ivoire from 1960 to 1975, Malawi from 1964 to 1978, Kenya from 1965 to 1975 and Tanzania from 1967 to 1978 are already analysed in this context, along with their present counterparts, Ethiopia, Botswana and Rwanda. (Kelsall and Booth, 2010) The greatest concern remains whether by following suit the East Asian efforts African economies will be able to overcome their developmental problems. (Meyns and Musamba, 2010)

For African states concentrating their national energies towards growth nowadays, Ovadia stresses that the lack of analogous historical settings could be a huge problem. (Ovadia, 2015) Circumstances are very different from that of the 1980s. Collier emphasizes that there is no wage gap similar to the massive gap that dominated between the then-developed countries and Asia around the eighties, therefore it will be much harder for "the bottom billion" to break into the global markets. (Collier, 2007) Leftwich also identifies contingent historical factors like an intense external threat that was present in nearly all cases of the East Asian model. (Leftwich, 2008)

Another problem that emerges: there is no such thing as an unequivocal developmental state recipe that leads to dynamic growth. The only common feature of Asian models is a dynamic approach to tackling problems and constant trial and error in seeking applicable solutions. (Ohno and Ohno, 2013) Therefore nowadays we could define developmental states in Africa as countries where there is a systemic commitment to adaption: trying and then swiftly modifying the original idea if it fails to perform. As David Booth points out, good policies are heterodox and iterative and they are "stumbled upon, in a process of searching for solutions to particular problems." (Booth, 2015: 8)

However, in the previous section we undertook to identify some basic traits shared among efficacious East Asian countries and comparable developmental states of the 21st century in order to support our illustrative case study, Rwanda which, according to the above criteria may be considered a developmental regime. Let's detail the reasons!

#### **4. Illustrative case study: Rwanda**

What makes Rwanda profoundly different from any other developmental state is the unique post-genocidal setting. The 1994 events set the scene for a dramatic change of performance. The

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strategy chosen by the RPF's leadership transformed a devastated war-torn country into a bright example of dynamic and mostly uninterrupted development that is much sought after in other regions of Sub-Saharan Africa.

In Sub-Saharan Africa turbulent political rivalry often fuels corruption, but Rwanda seems to deviate from this usual model of development trap. (Booth – Golooba-Mutebi, 2012)

The case of Rwanda is especially interesting from the developmental economist's point of view due to the government's unorthodox approach to the investment community, using unconventional institutional frameworks and strong governmental influence. The reasons for success are multiple and we shall examine them highlighting a few major elements. We will detail post-genocidal institutional arrangements that have permitted and facilitated sustainable growth, as well as the socio-economic factors that enabled the government to pursue its policy trajectory.

**Aftermath of genocide: tabula rasa?**

Post-conflict situations are highly fluid: about half of affected countries backslide into conflict within a decade (Collier et al 2003), and even more suffer further sporadic flare-ups of violence. (Brown et al., 2008) But the reverse also holds true: i.e. a previously failing state is more likely to achieve a sustained turnaround if it had recently emerged from civil war. (Collier, 2007: 70) Rwanda seems to justify the latter hypothesis: genocide and civil war opened a "window of opportunity" for deep-seated reforms (Junne, G. and Verkoren, W., 2005: 6) The 1994 genocide and civil war was perceived as such an imminent and overwhelming threat to the very existence of the whole Rwandan society, that stakeholders agreed on the necessity for implementing basic social, political and economic restructuring to prevent relapsing into conflict. This perception resonates with Leftwich's observation regarding contingent historical factors prevailing at the emergence of East Asian developmental states: genocide represents the threat (although not external) that facilitated the unification of Rwandan society and the emergence of a leadership with a developmental vision.

In 1994, at least 10% of the population (800.000) died in the course of a few months, and almost four times as many people deserted their homes and fled to neighbouring countries. Social and economic costs were both staggering (Lopez et al., 2004) The destruction of human resources, infrastructure, development facilities and natural resources as well as the fear from recurring violence created an especially large room for manoeuvre for victorious RPF forces. Rwandans were willing to tolerate and even praise unconventional methods if they brought the promise of stability and growth.

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Did the 1994 genocide make such a difference? To answer, we will shortly review how a neighbouring country with characteristics comparable to those of Rwanda got trapped in corruption and clientelism.

**Genocide: the "big push" that moved Rwanda out of the high-corruption-equilibrium?**

Rwanda and Burundi display an extraordinary level of resemblance culturally, historically and geographically (small, landlocked countries with few resources, same ethnic composition: 84% Hutu, 15% Tutsi, 1% Twa). In spite of resemblance, state effectiveness and governance seem to follow diverging paths in the two countries, even though it was of a comparable level before the civil war (1993-2004 in Burundi) and genocide (1994 in Rwanda). (Chemouni, 2014) The government of Rwanda is often praised for its high degree of organization, its capacity to manage resources efficiently and its focus on delivering results. (Bozzini, 2014) On the other hand, factions have been fighting for the control of the state and its rents since shortly after independence from Belgian colonizers in Burundi. (Nkurunziza – Ngaruko, 2008)

In developing countries, tax revenues are so low that the funding of politics inevitably becomes clientelistic. However, the degree of using rents to buy the elite's loyalty or pay off debts to supporters largely defines whether the state is able to provide public goods that are of primordial importance to sustained growth. (Booth et al., 2015) In Burundi, rent seeking by a small group had become the underlying purpose of successive governments, perpetuating underdevelopment. (Barros, 2012) Until 2004, the Bururi-based narrow political elite distorted Burundi's economy by creating inefficient state firms (used as sources of rent), limited access to education paving the way to enter the army or civil service (both careers representing possibilities of appropriating rents), effectuated a trade policy where ever-changing tariffs and administrative requirements also generated rents. At the same time, the provision of quality public goods was neglected or reserved to elite members of the Burundi society. The system was stable and survived several civil wars because it was supported by the army<sup>3</sup> and due to the elite's short-sighted way of thinking that reproduced itself over successive generations being used to the pervert economic logic. Pierre Nkurunziza and his party, CNDD-FDD, representing Hutu majority took power from previous Tutsi minority leaders following 2005 elections. Although the leadership changed, corruption remains a significant problem to this day. Burundi

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<sup>3</sup> Paul Collier and Jan Willem Gunning have identified a so-called African intertemporal syndrome (Collier and Gunning, 2008), when the government transfers resources from the future to the present, sacrificing future income for present gain. Burundi between 1960 and 2000 is a classical example of the disorder. Adam and O'Connell emphasize (Adam, C.S. and O'Connell, S.A. (1999) that these predatory systems are sustainable if members of the governing elite get enough income to ignore long term negative effects of their strategy on the country's economy (since it is not in their interest to take those effects into account).

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was ranked 159 out of 176 countries surveyed in Transparency International's 2014 Corruption Perceptions Index (against 49 out of 176 for Rwanda), making it the most corrupt country in East Africa. (Transparency International, 2014) 49% of 2013 Global Corruption Barometer's Burundi respondents felt that public officials and civil servants were corrupt/extremely corrupt, 82% felt the same regarding police and 69% considered judiciary corrupt/extremely corrupt. (against Rwanda's 9-21-16% respective results in the same survey). (Global Corruption Barometer, 2013)

Rwanda at the same time was praised for its exceptional capacity to implement targeted policies already a few years after the genocide.

Practically the entire Rwandan elite of the previous Habyarimana-regime, which was used to methods of rent seeking<sup>4</sup> similar to that in Burundi, fled the country in the summer of 1994. Upon returning to Rwanda later on, they were not in a position to effectively influence the leadership's strategic decisions in any way. Any Hutu refugee crossing the Rwandan border to return to the country was fully aware of the nature of the new Tutsi leadership and willing to accept their terms of engagement in return for their homecoming. At the same time, Tutsi families who had fled Rwanda after the Hutu Revolution in 1959-61 (that ended centuries of Tutsi political dominance), started returning from exile in large numbers after the genocide, hoping that mostly Tutsi-led victorious RPF would ensure their safety. They fully supported the new regime.

Burundi has never faced an all-encompassing purge transforming the whole society like the Rwandan genocide.

The post-1994 Rwandan leadership had to build an operating state from scratch: a new system of administration, education, army, etc. This renaissance brought a meaningful transformation of the automatisms of corruption, nepotism and patronage. As Collier concluded, once corruption becomes widespread, it is not enough to reverse the policies that caused it. Corrupt societies need a big push, a shock to get out of the high-corruption equilibrium. (Collier, 2002) Genocide was the big push of the Rwandan society. Burundi on the other hand seems to have stuck in the high-corruption equilibrium.

Naturally, the myopic rent-seeking methods could have been rebuilt by the RPF leadership after assuming control of the whole country, especially that a significant part of the new administration expected a swift return to the "traditional" methods of governance including the extensive use of bribes, rents, etc. to ensure the wide support. The new regime chose a different

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<sup>4</sup> Businesses needed "godfathers" working in the civil service or at the military to be lucrative. In return for godfathers' services, these businesses financed the Rwandan political elite.

approach. The firm anti-corruption stance adopted early on from 1994 would probably have been a lot harder to implement if taking over an operating country. Building an effective arrangement from square one is in many ways easier than trying to transform an existing system with its automated clientelistic habits.

### **An effective public service**

The current leadership has fought against corruption from the moment they took control of Rwanda. The fact that Hutu and Tutsi, close friends and foes, government ministers and simple civil servants were forced to resign, dismissed or prosecuted when accused of involvement in corruption cases during the last twenty years, show determination and unbiased intentions.<sup>5</sup> This permanent anti-corruption crusade (Mwenda, 2005) resulted in numerous enemies and defectors: an interviewee in Stephen Kinzer's 2008 book suggests that – among others – Rwanda's first post-genocide president, Pasteur Bizimungu as well as several high-ranking members of successive governments since 1994 had turned against the regime because of its unbending approach to corruption. (Kinzer, 2008: 222) It is very difficult to convince politicians who were "raised" buying political support in previous regimes to follow this new logic. According to another interview conducted by authors Booth and Golooba-Mutebi, there is resentment among many who stayed: top military and policy officers think Kagame deprives them of their lawful share from RPF's victory by preventing individual enrichment. (Booth – Golooba-Mutebi, 2012a)

There are practical reasons that might explain this relentless fight: the administration has attempted to win the support of Hutu masses (about 84-85% of population nowadays) by providing essential public goods and services to ordinary citizens. Replacing the favouritism of a narrow elite with the provision of benefits to ordinary people is a new form of political survival strategy. (Tangri –Mwenda, 2013) The assumption is the following: if progress takes place fast enough, a new generation will emerge who are capable of fully assuming their national identity instead of emphasizing the ethnic one that divided them in the past (Booth – Golooba-Mutebi, 2012b) As president Paul Kagame reflected in his essay "The Backbone of a new Rwanda"<sup>6</sup>: "We decided after our liberation struggle that if we could develop economically, then there might not be the basis for conflict." (Kagame, 2009: 4)

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<sup>5</sup> Some researchers point out that mentioning corruption charges is an exceptionally effective and swift method for "removing personnel who are out of line politically" (Bertelsmann, 2012: 26)

<sup>6</sup> Published in the book *In the River They Swim: Essays from Around the World on Enterprise Solutions to Poverty*

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If regime legitimacy and national unity depend largely on quality services, the government needs effective public institutions resting on performance-based appointments and the lowest possible level of corruption. The Rwandan civil service has earned a reputation for its honesty and proficiency: when recruiting or promoting technical staff or low- to middle-ranking civil servants, merit is definitely the primary factor.<sup>7</sup> (Bozzoni, 2014) The government has also engaged in an impressive array of public sector reforms to make the bureaucracy more efficient, more responsive to Rwandan citizens' and other users' needs (Karega, 2006). The large-scale downsizing of the public sector with more than 12.000 employees dismissed or removed from the payroll (Wyatt et al., 2000) took place during 1998-1999. Several comprehensive pay reforms (Broadbent, 2009) took effect alongside with the decentralization process. All the above is in line with the government's idea that a "capable state needs to be able to provide efficient and effective services to the people" (Republic of Rwanda, 2007: 6). The government was assisted in its capacity building by the World Bank Multi Sector Capacity Building Project (MSCBP) from 2005 to address capacity issues (World Bank, 2004) and the reform process itself is not over. Recently (from June 2013 to February 2014), the Singapore Cooperation Enterprise, a Singaporean governmental organization reviewed several public institutions in Rwanda and since it found shortcomings and gaps, the Rwandan government has already launched a bureaucracy restructuring campaign in August 2014. The author remembers discussing this feature of constant transformation and her Rwandan friend's spontaneous reaction when he said smiling: "In Rwanda, we change everything." This is one of the most important qualities of a developmental state: keep building it iteratively, trying new solutions that work out (even) better.

Since standards of entry are rigorous and members of the administrative elite are aware of their leading role (Onis, 1991) in shaping ordinary Rwandans' lives for the better, most bureaucrats have a sense of mission and identify themselves with national goals.

**Leadership with a developmental vision: parastatals facilitate the leap from precapitalism to capitalism, creating a vibrant private sector**

As we have already mentioned, Rwanda is a small, landlocked country, relatively poorly endowed in minerals with a low historic investment in education. These drawbacks had been coupled with chronically weak local private enterprise and foreign direct investment that only changed for the worse after the genocide and civil war in 1994. (Kelsall and Booth, 2010) If hoping to succeed on international markets, the new leadership in 1994 had to start designing a

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<sup>7</sup> "Top officials tend to be politically appointed, as is customary in most countries..." (Bozzoni, 2014: 18)

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system that compensates not only for the immutable natural handicaps but also enables Marxian “primitive accumulation” to make up for the deficiencies of domestic private sector and lack of foreign investment. (Khan, 2009) As Kelsall and Booth point out, when neither the private sector, nor the foreign actors devote or have resources to invest, politically directed venture capitalism might be the solution.

In Rwanda, the leadership operates three conglomerates that are closely intertwined with the government and were created (partly) to lure in international investors and develop the private sector. The largest one is Tri-Star Investments (from 2009 on rebranded as Crystal Ventures Ltd). This holding has become one of the most effective rent-centralization agencies in Sub-Saharan Africa. Crystal Ventures (CVL) is a private holding company owned by the ruling party, initially using its resources to stabilize the country by fulfilling elementary socio-economic needs. Later on it used its financial resources to carry out socially and economically profitable projects. It invests into areas, which are indispensable for the long-term economic development in Rwanda, in line with the government’s strategic ideas about moving up the value chain and gradually turning the country into an IT-hub in East Africa and a knowledge-based economy. CVL operates according to private sector rules but priority is given to projects serving social goals. (Booth – Golooba-Mutebi, 2011)

Although subsidiaries work as private companies, in the beginning they were usually operated by party members with no or little business experience. Therefore profitability varies from sector to sector, and depends on their managerial staff. Since the final aim is to create subsidiaries that are attractive partners for international investors, management as well as operation standards have been moving a lot towards private sector norms. Hiring strategy has reflected this attitude: they have been hiring internationally acknowledged and qualified professionals and pay them high salaries, and have also been trying to lure valuable members of the Rwandan diaspora to move back to the country.

CVL’s subsidiary companies usually enter sectors that were demolished during the genocide or pioneer in brand new areas of the domestic economy. By entering these sectors demonstratively, CVL tries to lure other companies to follow. These enterprises include a wide range of services: building roads and mobile telephony networks, providing security services, fruit processing, etc. The CVL subsidiary is a pioneer in a sector that did/does not seem to attract neither domestic, nor international investors.

The initial steps of mobile communication network building illustrate the above described method: mobile telephony networks were initially also financed by a Tri-Star Investment company (TSI) because no service provider saw the potential (enough subscribers to run a

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profitable business) in Rwanda. TSI's investment was persuasive: South-African MTN entered the Rwandan market, and from a 26% share in 1998 it became a majority shareholder possessing 55% of the network by 2007 and 80% by 2011, with CVL holding only 20%. (Crisafulli – Redmond, 2012: Location 2401) This is only one of the many examples when a TSI/CVL investment had demonstrative effect and managed to pull local or foreign entrepreneurs to an area deemed of paramount importance for the national economic development. (Booth – Golooba-Mutebi, 2011) TSI/CVL activities have been contributing to make the necessary leap from precapitalism to capitalism: by absorbing learning costs in a risky area, the long and painful process of primitive accumulation accelerates. As Khan points out, learning costs hindering the development of capitalism (no investor is willing to take the risk as a newcomer in that business area) might be absorbed by centrally planned rent-investment. (Khan, 2000) The Rwandan government – through parastatals, has been acting as a magnet for further investment: they used a large part of government-owned corporations' revenue to realize projects that would increase the pace of development.

Since local companies are supposed to get capital from risk-averse African banks and become successful in sectors where competence takes time, without CVL absorbing initial learning costs, local actors could not compete with experienced capital-abundant international giants. Therefore in sectors like road building and constructions, CVL has used its financial resources to diminish local companies' learning costs and risks, so that these companies become real competitors of international actors in the same area.

Supporting local entrepreneurship is important for the government to expand the tax base. This is one way to become less dependent on foreign aid. Kagame simply explains the consequences in Rwanda, Inc.: "...the government has nothing because it cannot get anything from the people. It only ends up begging donors to come in, and then they provide everything. Then the donors become the government". (Crisafulli – Redmond, 2012, Location 1477) This is the economic justification for promoting the private sector but there is a psychological agenda, too. Supporting entrepreneurship is the surest way to "unlock people's minds, to allow innovation to take place, and to enable people to exercise their talents". (Kagame, 2009: 4) Accordingly, the government gives high priority to fostering it: providing access to loans, building infrastructure, training managers, easing administrative requirements, etc. Rwanda's aim is to create an entrepreneurial mindset and change the common belief that foreign aid will solve Rwandan problems. (Kagame, 2009: 5) Instead, the government wants the Rwandan people to take full responsibility for the country's development, and reduce dependency on aid (Rwanda Vision 2020: 8).

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There is another important conglomerate worth mentioning, the army's investment arm: Horizon Group. Horizon Group is a holding run as a private firm; its CEO is seconded by the army. It first established a constructions subsidiary that built irrigation canals, coffee washing stations, cassava production complex and a milk factory. Later on, Horizon subsidiaries carried out complete urban development projects and started taking part in pyrethrum processing. One of the Horizon subsidiaries, Horizon Logistics is gradually taking over logistics supply for Rwandan peacekeepers from several international providers. Horizon Group subsidiaries are similar in many ways to CVL branches: they are private companies, hiring along the same lines of professional quality as CVL. According to the group's website, its operation is defined as much by achieving certain social and political objectives as profitability. (Horizongroup.rw)

Another element of the specific Rwandan developmental system is Rwanda Investment Group (RIG) established in 2006. Bigger projects are sometimes difficult to finance from the underdeveloped Rwandan capital market. RIG is a cooperation between state and private actors, a joint stock company that connects well-endowed and known businessmen of Rwandan origin with major state funding institutes in Rwanda. In 2012, it had 41 shareholders, among them 31 individuals, four middle-sized companies and six institutional investors (Rwandan Development Bank, Rwanda assurance companies, CVL, etc.) RIG's initial capital was 25 million dollars but they are raising capital and attracting international investors, and entering stock markets to sell their shares.

RIG is supposed to raise enough capital (without help from international capital markets or foreign banks with Rwandan subsidiaries) for promising projects that require a certain "economic patriotism". RIG took a leading role in privatizing the biggest cement-producing company, CIMERWA when the company needed a capital injection. RIG became a majority shareholder in CIMERWA with a 90% stake. RIG later on supported the extraction of methane around Lake Kivu as well as peat extraction since they could solve Rwanda's growing hunger for electricity. RIG also took part in financing the building of Kigali Industrial Park (rig.co.rw)

**Financing politics: business and politics intertwined, a long-horizon system supported almost unilaterally**

In several African countries, policy-making focuses on creating rents to allocate to supporters and to finance politics instead of focusing on public goods. The Rwandan regime is able to stray from this path because CVL, Horizon Group and Rwanda Investment Group also play an important role in financing politics. CVL, with 7,000 staff, is the second most important employer after the state and one of the largest business ventures in Rwanda.

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The dividends paid after the holdings' shares together with individual members' payments fill the RPF's cash account. (Booth – Golooba-Mutebi, 2012b) The group's turnover in 2009 was USD 167 million, representing over 3% of Rwanda's GDP. (Bozzoni, 2014) According to a Financial Times report from 2012, the RPF is one of the best endowed political movements in the world relative to the size of the country. The same report mentions that half of the RPF-campaign (USD 2,4 million) for the 2010 elections was financed from "company coffers". "We came in when contributions fell short." said James Musoni, minister of local government in 2012 (now minister of infrastructure). "From the beginning, we said we should have our own resources so that we are not indebted either to business people who want favours or foreign people..." (Financial Times, 2012)

The government is able to pursue its long term objectives and invest with a longer time horizon exactly due to the interlacement of business and politics, public and private spheres: RPF's business empire frees the leadership of clientelistic obligations. The Rwandan government does not need to buy support, they created a system where their campaigning and politics are financed by government-owned holdings.

Whether this close link and the blurred line between private and public sectors promotes growth and productivity, is contested by Gökgür, who argues that parastatals prevent the emergence of "a more inclusive, broad-based and labour-intensive private sector". (Gökgür, 2012) Kelsall and Booth paint a different portrait: TSI/CVL, Horizon Group and RIG enabled the government to create a momentum, to exit from the precapitalist surrounding Rwanda was stuck in. Reality seems to prove that the Rwandan idea on centrally planned rent management through parastatals positively affects economic development. The system has impressive results: twenty years after the genocide, mobile phone/data coverage for Rwanda's population reached 96 percent (in 2011), a high-speed fiber-optic backbone network now interconnects all districts and border points of the country (Ntale –Yamanaka – Nkurikiyimfura, 2013), more than a million people managed to escape the poverty trap between 2006 and 2014, and the Rwandan National Bank's issuance of treasury bonds is a colossal success.

There is another factor that facilitates the realization of the Rwandan leadership's developmental vision: the government and military is backed by 80 to 90 percent of the population in most of its endeavours. (Crisafulli and Redmond, 2012, Location 1499) Public trust constitutes a huge advantage: nearly the entire society genuinely shares the common vision to rebuild the country. From peasants to government ministers, almost everyone seems confident in a collective determination to leave the past behind and concentrate on the future: stability, self-reliance and inclusive economic growth. Rwandan leaders have the capacity to mobilize

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their society. According to the Rwanda Reconciliation Barometer published in 2010, more than 90% of Rwandans strongly agreed or agreed that they can trust the country's leaders to do what is in their best interest. 82% strongly agreed or agreed that the country's leaders care equally about all Rwandans. (Rwanda Reconciliation Barometer, 2010)

The government's intent to serve all citizens in Rwanda advances nationwide reconciliation and unification efforts: nowadays it is impolite to ask one's ethnic identity and individuals describe themselves not as Hutus or Tutsis, but as Rwandans. 70.8% of Rwandans strongly agreed when asked whether they would want their children to think of themselves as Rwandans, over and above any other social identity. (Rwandan Reconciliation Barometer)

When writing about nurturing this shared national identity, one must mention Rwandan homegrown policy solutions that use practices and beliefs people are able to identify with. If the government uses traditional methods and collective wisdom to mobilize people and these solutions require society-wide participation, they make people shareholders in the enterprise that is their country. (Kagame, 2013) These programmes facilitate the adaptation to changes that a dynamically developing country inevitably faces.

Girinka (one cow per poor household) was adapted from the traditional Rwandan practice of giving each other a cow as a symbol of friendship (and sometimes simply giving a cow to someone in need as an act of solidarity). Nowadays, the government gives every poor family a cow in the framework of this pro-poor targeted poverty alleviation programme, that was introduced in 2006. It focuses on tackling several problems simultaneously: a cow improves the family's diet, generates extra income, increases fertiliser for crops and kicks in agricultural productivity. (Rwanda United Nations Development Assistance Plan, 2013) Girinka program has given tens of thousands of cows, and transformed several previously poor and malnourished Rwandans into entrepreneurs. (Ezeanya, 2014) When Girinka began in 2006, childhood malnutrition across the country stood at an average of 43 per cent; six years later, this figure had dropped to 21 per cent. Girinka therefore cut the record of child malnutrition by more than half (Burd, 2014)

Another illustration of homegrown initiatives is imihigo or performance contracts. Imihigo describes the pre-colonial cultural practice in Rwanda where an individual sets targets to be met within a specific period of time. As a result of the Rwandan government's decentralisation policy local governments became responsible for implementing more development programs, therefore the government needed a tool that ensures the speed and quality of execution. Rwandan leadership decided to revive the tradition of performance contracts: from 2006 on, each year the president of Rwanda and local government institutions and line ministries sign

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binding contracts for one year. Local authorities are held accountable to their targets. (Versailles, 2012) The good thing about imihigo is that it instills the culture of regular performance evaluation. Since 2006, performance of the districts in voluntarily set objectives under imihigo program has greatly improved and imihigo has been expanding further down the society, to household levels.

The above two examples (together with ubudehe, umuganda, itorero, abunzi and gacaca) prove that the Rwandan government realized the need to incorporate indigenous knowledge in their development strategy to resonate with most citizens and to bring them on board.

Although homegrown schemes and the government enjoy great popularity, partly since Rwandans equally benefit from them, political authority does not yet reflect the ideal of equal opportunity. A 2008 secret cable to the US secretary of state entitled Ethnicity in Rwanda—Who governs the country says: "An analysis of the ethnic breakdown of the current Rwandan government shows Tutsis hold a preponderant percentage of senior positions. Hutus in very senior positions often hold relatively little real authority, and are commonly "twinned" with senior Tutsis who exercise real power. The military and security agencies are controlled by Tutsis, generally English speakers who grew up as refugees with President Kagame in Uganda. The 28-member cabinet is evenly split among Tutsis and Hutus, but most key ministries are in the hands of Tutsis..." (Wikileaks, 2008) Nevertheless, this system is not perpetuated through education and recruitment; therefore it is becoming more inclusive as time goes by. Not to mention that important Hutu business and professional elites have at least tacitly accepted this arrangement. (Golooba-Mutebi and Booth, 2013)

The government and especially the president of Rwanda, Paul Kagame, is often criticized from abroad for the narrowing of the political space. The political settlement in Rwanda indeed excludes elite groups that do not accept ban on ethnic politics as well as génocidaires, but there is meaningful power-sharing (as stipulated in the constitution) among parties firmly against ethnic sectarianism.

## **5. Conclusion: is this developmental vision sustainable?**

Rwanda qualifies as a developmental state for several reasons. Its leadership has a clearly articulated developmental vision (Rwanda Vision 2020) that is a real point of reference. Rwandan elite is different from non-developmental regime elites in its attitude: it is not trying to stay in office by distributing privileges but by demonstrating that it is able to produce more and better public goods for its whole electorate. The public and private sectors are intertwined

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through the ruling party's holdings that initiate investments in areas key to further economic development. The income generated from these consortia frees the Rwandan leadership from clientelistic burdens and makes the ruling party one of the best endowed political organizations. These government-owned corporations have also played an immense role in transforming the post-1994 precapitalist setting. The genocide itself opened a window of opportunity for national unification and rebuilding, but it also represented the shock that moved the country out of its high-corruption equilibrium. Nowadays, Rwanda boasts with one of the lowest corruption levels in East Africa and a highly effective and meritocratic public service.

To summarize: the Rwandan developmental model builds enormously on East Asian predecessors but above all things, its strength lies in the capacity to combine classic developmental tools with indigenous knowledge. This is what makes ordinary Rwandans feel part of the Rwanda Inc. and this is how they are able to embrace changes that are inevitable as the country is struggling to move up the value chain.

The dynamic economic development that pulled more than a million Rwandans out of poverty provides a wide base of supporters. Nevertheless, since this dynamism is the cornerstone of the current leadership's legitimacy, economic recession or slowdown could be destabilizing and politically devastating. (Cooke, 2011) Another factor that questions the sustainability of development: the dependence of the whole system on the president. As Crisafulli and Redmond point out, Paul Kagame Rwandan president is a one-of-a-kind leader and his excellent leadership and organizational qualities will make succession very problematic. Since Rwandan institutions are relatively young, their depth is untested, it is doubtful whether their efficiency have become a culture by now. Therefore several initiatives may not last beyond President Kagame.

Is following a Rwandan modal pattern a viable alternative for other developing countries in Africa? Rwanda's unique post-genocidal setting influenced not only the leadership's stance on corruption and clientelism but it also created a tabula rasa where imminent and deep-seated change became the only desirable option. These circumstances would be practically impossible to reproduce. However, the institutions and methods to mobilize people to take part in the long-term development of their own country can and should be imitated since strategies imported from outside combined with homegrown solutions are more readily and rapidly adopted.

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