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Consolidating political and economic progress in Rwanda

Lyal White

Dr Lyal White is a research associate of the Institute of Global Dialogue. He lived in Rwanda from January to May 2008.

RWANDA FINALLY appears to be on its way to political progress and economic prosperity. Fourteen years after a devastating genocide, and a war that plunged both the country and its immediate region into a humanitarian crisis, Rwanda is recording impressive growth and levels of socio-political stability that have eluded the country for more than 40 years.

The genocide in 1994 lasted for 100 days and claimed the lives of an estimated 800 000 people – roughly 10 per cent of the population. Hundreds of thousands more were killed and displaced in the months and years that followed, and the entire institutional fabric of the country crumbled. Rwanda's economy and public sector were literally emptied, as thousands of skilled citizens were either killed or fled during the early-to-mid 1990s when the economy declined for four consecutive years. In 1994 alone, the Rwandan economy shrank by approximately 40 per cent.

Recovery started in 1996 when aid and reconstruction efforts flooded in. This was hampered somewhat by the regional conflict – which some called the World War of Africa, given the array of countries and interest groups involved – and widespread border skirmishes. Ongoing conflicts and ethnic clashes entrenched a state of paranoia that put political and security stability ahead of the necessary economic development initiatives. While this may have changed in recent years, with aid-driven development emerging as a focal point of discussion and strategy in Rwanda, a culture of paranoia remains evident in political and social contexts.

Certainly, the country's achievements should be acknowledged. Its leader, President Paul Kagame, is recognised as the most committed and driven on the African continent. Life in Rwanda today is a far cry from the situation just ten years ago. It is hailed as one of the safest countries in East and Central Africa, and has emerged as a potential tourist destination for foreign visitors. A lengthy process of reform has set in place important economic fundamentals, and Rwanda has started reaping the benefits of an open and integrated economy. The economy has grown between 3 and 9 per cent per annum since 2002, inflation has been kept relatively low, and privatisation is growing as a result of a more favourable investment climate.

Rwanda was also one of the first countries to offer to be peer reviewed by the New Partnership for Africa's Development (NEPAD) programme, which is indicative of its commitment to African-led initiatives and its own reform process. Such developments have made Rwanda the new darling of the aid and advisory sector.

But these basic fundamentals, along with the flurry of international advisory teams and large- scale aid projects, may not be enough. Rwanda faces enormous challenges in the political economy, most of which need to be embraced by Rwandans and solved by Rwandans themselves. Fly-by-night economic advisors and grand plans to 'end poverty forever', which may be noble causes in themselves, often do not offer a practical solution that will deliver the necessary results.

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The Rwandan situation is a complex one, which requires a creative and perhaps even sensitive approach to socio-economic development and modernisation. This should be met with political will and vibrant debate. But it also requires Rwanda to confront its past in the public domain, which may be controversial within the country, but remains important if political and economic progress is ever to be sustainable and democratically accepted.

A critical assessment of the economy

Most analysts would agree that the basic ingredients and structures for a successful economy in Rwanda are in place. Nevertheless, the economy does not work as well as it should. Jared Diamond, the University of California professor of evolutionary biology and physiology, once argued that while ethnic divisions and insecurity were prevalent in Rwanda for a long time, a combination of drastic economic decline and severe land shortages – which increased poverty levels and perpetuated social instability – provided a 'tipping point' that resulted in ethnic violence and, ultimately, genocide.[1] Whether one agrees with this theory or not, it is difficult to deny the importance of economic stability and opportunity – and the effect this can have on the social and political landscape – in a country as densely populated and resource-constrained as Rwanda.

Rwanda is the most densely populated country in Africa. People are everywhere, flooding the roads between towns and villages, in rural areas, and particularly in urban centres. Every piece of arable land is cultivated, which has created a beautiful patchwork across a spread of some of the most dramatic topography on the African continent. But while the views are scenic, Rwanda's agriculture sector is far from lucrative or even productive by African standards. Agriculture accounts for about 40 per cent of the Gross Domestic Product (GDP), and provides 90 per cent of the jobs in Rwanda. Up to 50 per cent of the rural population may not produce a marketable surplus in any given year, making Rwanda principally a subsistence agricultural producer. The country does not have the land, the technology or know-how, the infrastructure or the will to compete with primary agricultural producers in the region or in global markets.

Fast facts about Rwanda: 2006

Population	9,2 million
Urban population	23,6%
Ethnic groups	Hutu (85%, Tutsi 14%, Twa 1%)
Life expectancy	46
GDP	US$2,49 billion
GDP growth	5,3%
GDP per capita	US$250
Official aid and assistance	US$585 million
Foreign direct investment	US$8 million

Source: The World Bank (www.worldbank.org), The Africa Report (January – March, 2008), the Ministry of Finance & Economic Planning, Rwanda and the US State Department

However, tea and coffee do present a slightly different scenario. These are the two largest export earners in the Rwandan agricultural sector. Combined, they account for nearly 70 per cent of Rwanda's total exports. But if the trend of processed agricultural products in international markets is anything to go by – especially premium coffee varieties like the Arabica produced in Rwanda – there is still a great deal more value that could be added to the industry, especially if they are linked to other industries like tourism, as has happened in other countries around the world. Given Rwanda's relatively small production (and thus uncompetitive export position) compared with other global tea and coffee producers, exports of these products alone will not sustain the economic requirements of the country.

Tourism is Rwanda's greatest economic hope. But the current strategy of targeting upper-end visitors for 'the gorilla experience' is unlikely to generate sufficient income or meet the developmental needs of the people. There are simply not enough gorilla families or high-cost permits to satisfy these basic requirements. The strategy therefore needs to be altered – or at least broadened – to incorporate new aspects of tourism. Rural or agrarian tourism would be one avenue worth pursuing, given the existing infrastructure and resources in the tea and coffee sectors. This would add tremendous value to these sectors, as has been shown in places like Colombia and Costa Rica, where tourists flock to coffee country to experience coffee culture and rural living.

But whether or not a country is endowed with the basic resources, tourism is ultimately a service sector, and the services require skilled individuals and functional operations – especially if international tourists are targeted, and the requisite basic standards maintained.

Kigali, the main point of entry for high-end tourists, still has only one five-star hotel. There have been no direct flights between Rwanda and South Africa – potentially Rwanda's largest market in Africa – since February 2008 when faulty planes were grounded and the local carrier was unable to lease alternative aircraft. Simply, the services offered in the surrounding countries – those competing for the same pool of tourists – like Kenya, Tanzania and Uganda, are far better equipped to cater for this market. These basic fundamentals need to be in place before Rwanda can hope to capitalise on its tourism potential.

Regional and global integration: the only option for real economic growth

Rwanda has recognised the importance of an outward-looking economy. Export-led growth dominates the trade policy rhetoric, and the country recently became a member of the East African Community (EAC).

These are positive developments, but they will not necessarily deliver immediate results. Much depends on Rwanda's competitive advantage over regional rivals producing similar products and services. The real constraints lie not only in the fact that Rwanda is a landlocked country and a fair distance from its closest port, Mombasa in Kenya, but policies and attitudes seem to add to the constraints. A more holistic policy framework needs to be pursued – one that is better geared toward an outward-orientated or regionally integrated economy – and transport improved in such a way that Rwandan producers are able to compete with those from other EAC countries and beyond.

Apart from the constraints often associated with severely underdeveloped landlocked countries, there is a cultural dimension that is often overlooked by analysts and Rwandans themselves, which tends to hamper efficiency in trade and basic economic practice. Rwanda's Francophone/Anglophone divide – often hailed as an advantage by Rwandans – is, in reality, a difficult and complex operational aspect to understand. The country's roots lie in a Francophone heritage, in particular with the close association and history it has shared with the Democratic Republic of the Congo (DRC) and Burundi. But the return of Rwandan refugees from Kenya, Tanzania and Uganda has injected a strong Anglophone influence into society. Rwanda's decision to join the EAC was a conscious one, which reinforced its commitment to the Anglophone modus operandi in trade and integration. Despite this, the Francophone attitude of centralised authority still persists over the decentralised Anglophone version in domestic economic planning and management, which creates great confusion and institutional impotence. Thus basic economic planning and industrial strategy is out of kilter with the trade policy of the country. Rwanda simply lacks a modern and accountable technocratic class; there are layers of cumbersome bureaucracy instead of the efficiency-seeking, service-orientated professionals needed for a truly competitive and open economy.

The fact is that aid may indeed have done more harm than good in Rwanda. Today, aid is by far the largest foreign exchange earner in the country. It accounts for over a quarter of Rwanda's US$2,5 billion economy, and the country has quickly become the new focal point of the increasingly polarised (and even ideological) aid and development debate. Rwanda has always received substantial aid, but has precious little to show for the millions of dollars that have been thrown at it over the last few decades. With the debate around aid and development having stepped up a notch in recent years, Rwanda has quickly become the favourite of Western aid agencies and international advisory teams seeking a silver-bullet solution to end poverty forever – using Rwanda as an incubator project for the rest of Africa.

These approaches have by and large paid little attention to possible home-grown solutions for what are essentially home-grown problems. Rwanda lacks a sense of ownership of such initiatives, not to mention the absence of middle management direction and accountability.

Detailed studies show that aid does not stimulate growth and has no effect on investment. Increases in aid flows to Africa have done little to improve per capita income on the continent. Schoolteachers in Rwanda earn less than US$60 a month, and some parents struggle to pay the required 50 US cents a child for each quarterly term of schooling.[2] Problems like these cannot be solved simply by throwing money at them.

Aid on its own can achieve little if lack of governance and poor institutions plague the political economy of a country. While this may have been the case in Rwanda in earlier decades, and while it is now making some inroads into fundamental problems, the country is still hamstrung by a lack of human and institutional capacity that is able to use the aid and advice in an effective and efficient manner. Aid has created a deep sense of dependency and, in some of the worst cases, an absence of accountability, which has become detrimental to overall economic progress in the country.

Economic prosperity needs progressive politics

Critics of Rwanda's economic development cite its over-dependence on aid, a lack of entrepreneurship, poor targeting and implementation of strategic development projects, dismal middle- and upper-level management, and the overall absence of a culture hungry for economic progress as core constraints to real progress. However, some have gone so far as to attribute these pitfalls to a suppressive political and social climate, with an overly centralised power structure that is unable to create an environment conducive to independently driven socio-economic development.

In the late 1990s President Paul Kagame's Rwandan Patriotic Front (RPF) recognised security as a precondition for growth in Rwanda. Since then, the RPF has acknowledged on numerous occasions that broad-based economic growth is the only guarantor of sustained security in the country, but has been unable to shift from a security-induced paradigm to one that relies on economic upliftment and real democratic institutions.

The RPF has proved to be a highly effective and disciplined military force, far superior to any other in the region. But, as is common with military or insurgent governments of this nature, military and strategic competence does not necessarily imply an ability to manage a troubled economy.

Few would deny the RPF's commitment to making Rwanda a more prosperous place. Kagame is personally involved in a number of development initiatives; however, this is part of the problem. There is a reluctance on the part of the ministries to take control and assume authority over what should be their areas of responsibility. One advisor referred to this as the 'lighthouse effect', suggesting that when Kagame's attention is focused on a particular issue or sector, there is a flurry of activity and results achieved, but as soon as this attention shifts elsewhere, that issue or sector is quickly forgotten and any continuity or momentum is lost.

A similar scenario exists in social dynamics, particularly the underlying social order in Rwanda. The problem emanates from a patriarchal culture to please, which was amplified through years of war, violence, genocide, and, ultimately, embedded paranoia. This has negatively affected the development of strong democratic institutions or democratic vibrancy of any kind, as well as the basic principles of a liberal economy. The political landscape and how this relates to ethnic differences are never discussed. In fact, such a debate is publicly forbidden. Neither is the role of the elite and classes, which has long been a part of the Rwandan political economy, even mentioned.

The political elite in Rwanda believe that such an environment helps ensure a sense of order and ongoing stability by preventing political mobilisation along ethnic lines. Such an approach has, after all, directly addressed the insecurities associated with the genocide, and which many feared would flare up again as they have done so many times in the past 40 years. But this debate, which is at the core of Rwanda's past, present and future – and is a regional more than a domestic phenomenon – is discussed everywhere else, even across the borders in the DRC, Burundi and Uganda, but not in Rwanda. It needs to be asked whether this suppressed silence around ethnic differences, and the role the Hutus and the Tutsis played in Rwandan history, offer a healthy approach to reconciliation. Such differences are still recognised by the masses, even if they are not aired publicly. Constructive engagement and reconciliation is necessary for nation-building. And only once true nation-building has taken place will Rwandans take ownership of their democratic institutions and economic initiatives. Then real progress can be achieved.

What can and should be done: feasible policy recommendations

Rwanda has achieved a great deal over the past 14 years, in view of the dire situation it emerged from both domestically and regionally. This is a country that was marred by chronic internal problems for 40 years – from ethnic divisions of the worst kind, to gross mismanagement and severe underdevelopment – while wedged in the middle of one of the most problematic regions in the world.

Today Rwanda is a stable, secure and orderly country, with a leadership that exudes a strong sense of purpose, all of which is attracting vast amounts of development aid and, for the first time, foreign investment interest. It has also achieved impressive levels of economic growth.

But the country still faces immense challenges. It is already the most densely populated country in Africa and, by some estimates, the Rwandan population could reach 20 million by 2035, more than double the current population. This has both socio-economic and security implications, particularly when viewed in its extremely complex regional context.

Apart from the obvious security concerns associated with a severely unstable eastern DRC, and an equally fragile Burundi to the south, it is hard to imagine how the country can possibly cope with such a population size when today nearly 60 per cent of the people live below the poverty line and per capita income hovers around US$250.

Rwanda has an ambitious economic plan to become a middle-income country by 2020. This would mean that per capita income would need to improve threefold within about 10 years, along with a drastic reduction of poverty levels, and a growth in development across the board.

Some believe that such ambitious goals can be achieved through targeted development initiatives and economic modernisation. However, this is easier said than done in a country maimed by lack of capacity and by skills shortages. There are some clear initiatives and policy measures that need to be implemented for short-to-medium term results, which will contribute toward further progress.

First, current priorities of economic liberalisation, regional integration and modernisation, must continue to be pursued. But these should be undertaken in a more realistic manner and with careful consideration of the constraints relevant to these particular priorities. Rwanda should commit itself to becoming a central cog or information hub for the EAC, using its location to enhance its functional purpose in the region. This will distinguish it from the more competitive producers and manufacturers. But basic logistics and fundamentals around service delivery must be in place before the country can gain this sort of recognition.

Second, a more coherent or homogenous policy framework should be pursued – one where domestic policies and industry-specific strategies match and support external policies that are geared toward greater integration and liberalisation. These should all work towards a common goal: improving Rwanda's competitiveness in the region and beyond. This also applies to services, particularly the reformulation and retargeting of Rwandan tourism in accordance with the facilities it has to offer and the nature of returns it requires in the long run.

Third, relatively simple policies and initiatives (lobbying) can go a long way in unlocking Rwanda's true trade potential. Although the country is landlocked, improved transport infrastructure and targeted policies – such as a lower vehicle registration and taxes, or even switching from left-hand drive to right-hand drive vehicles (in accordance with neighbouring Anglophone states) – will certainly lower transport costs.

Fourth, a conscious effort to wean itself off current high levels of aid should be made. Rwanda needs to break its dependency on aid and generate its own strategic economic agenda – not one that is formulated by international advisors who 'parachute' in and out of the country at whim. Its economic plan and strategies for growth and development should be formulated and implemented by Rwandans who not only understand, but live the challenges of the country. This includes a change of attitude toward economic development, one that encourages entrepreneurial behaviour and industrious hard work ahead of a dependency on others to deliver.

Finally, an enabling political climate that will not only allow for the formulation and debate around policy and a diverse array of initiatives, but also the implementation thereof needs to be in place. This must go beyond just the political will necessary for economic progress, and provide a stable democratic environment free of paranoia and open to vibrant political and economic debate. Strong institutions are required to facilitate such a climate (or to provide a forum for debate) and to act as conduits between the constituencies or stakeholders, the policy-makers and government. This is the essence of nation-building with a sustainable and prosperous political economy, as is the case in any post-liberation society and government.

Endnotes

1. For more insight into Diamond's thesis, see J Diamond, *Collapse: How Societies Choose to Fail or Survive*, 2005.
2. This information is based on interviews with teachers in Rwanda and officials at the Millennium Development Village near Kigali, the Rwandan capital.

Institute for Global Dialogue

Block 12, Thornhill Office Park, Bekker Street,
Vorna Valley, Midrand, South Africa
PO Box 32571, Braamfontein 2017, South Africa
Tel +2711 315 1299
Fax +2711 315 2149
Email info@igd.org.za · Web www.igd.org.za

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