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An Asian Miracle in Africa?

On the institutional context of developmentalism as a determinant factor for a successful development strategy

A case study of Rwanda

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List of Acronyms

BRD	Banque Rwandaise de Développement
COMESA	Common Market for Eastern and Southern Africa
CIA	Central Intelligence Agency
CITT	Centre for Innovation and Technology Transfer
DRC	Democratic Republic of Congo
EAC	East African Community
EDPRSP	Economic Development and Poverty Reduction Strategy Paper
GDP	Gross Domestic Product
GoR	Government of Rwanda
ICT	Information and Communication Technology
IFIs	International Financial Institutions
KIST	Kigali Institute of Science and Technology
NICs	Newly Industrialising Countries
MDGs	Millennium Development Goals
MINECOFIN	Ministry of Economic and Financial Planning
MINEDUC	Ministry of Education
MININFRA	Ministry of Infrastructure
NRA	National Resistance Army (Uganda)
PARMEHUTU	Parti du Mouvement de l'Émancipaton Hutu
PPP	Public-Private Partnership
RANU	Rwandan Alliance for National Unity
R&D	Research and Development
RIEPA	Rwanda Investment and Export Promotion Agency
RITA	Rwanda Information Technology Authority
RDB	Rwanda Development Board
RDG	Rwanda Development Gateway
RPF	Rwandan Patriotic Front
STI	Science, Technology and Innovation
TVET	Technical and Vocational Education and Training
UN	United Nations
UNAR	Union Nationale Rwandaise
WTO	World Trade Organisation

GLOSSARY

Akagari	Cell
Ibikingi	Districts (pre-colonial time)
Interahamwe	Extremist militia groups that led the genocide
Intara	Provinces
Imihigo	Performance contracts
Gacaca	Traditional courts used to trial those accused of genocide
Mwami	King
Ubwoko	Clan
Ubuhake	Clientship
Ubudehe	Community based participatory approach
Umuganda	Community work
Umurenge/Imirenge	Sectors
Uturere	Districts (modern time)

ABSTRACT

This research paper challenges the conventional view on domestic institutions that contribute to economic growth from an Institutionalist Political Economy perspective (Chang 1994). It argues that the conventional set of market enhancing institutions and limited government does not contribute to the structural transformation of the economy. Instead, it argues that the institutional context of developmentalism is a condition for successful structural change because it allows for effective state intervention in the process of industrialisation, technological upgrading and fostering entrepreneurship in developing countries. This argument is based on the experience of the Developmental States in East Asia that achieved sustained high rates of economic growth and improved the welfare of the population.

Some have argued that the Developmental State is *sui generis* to East Asia (Onis 1991). The International Financial Institutions see no hail in the lessons of developmentalism for other developing countries. This paper will challenge this by analysing the institutional context of developmentalism in Rwanda as the determinant factor for a successful development strategy. It will consider what attributes of a prototype of a Developmental State are applicable to the Rwandan institutional context.

It concludes that Rwanda's historical institutional context and élite political identity allow the country to overcome barriers to developmentalism. While it complies to the conditionalities of the IFIs, the government takes on an entrepreneurial role to structurally transform the economy. The institutional context does reflect those of the East Asian Miracle countries – partly because the government intended it to do so. However, this development strategy does still face a number of challenge and only the future can teach us whether it will become an "African Miracle".

RELEVANCE TO DEVELOPMENT STUDIES

The field of Development Studies will benefit from a better understanding of how domestic institutions contribute to economic growth. According to the International Financial Institutions and the mainstream development discourse, market institutions and limited government are the appropriate set for growth. This ignores the transformative capacity that the specific institution of the Developmental State has had. The East Asian Miracle Countries may hold important lessons for other developing countries. This paper strives to contribute to the understanding of such possible lessons, and will consider whether the Developmental State is possible in Rwanda as well.

KEY WORDS

Rwanda, Institutions, Economic Development, Structural Transformation, Developmental State

The continent is too large to describe. It is a veritable ocean, a separate planet, a varied, immensely rich cosmos. Only with the greatest simplification, for the sake of convenience, can we say “Africa”. In reality, except as a geographical appellation, Africa does not exist.

Kapuściński [1998] (2001) ‘The Shadow of the Sun’

1 INTRODUCTION

> "Wealth", and "poverty", I answered. "One produces luxury and idleness and a desire for novelty, the other meanness and bad workmanship and the desire for revolution as well". (Plato *The Rebublic* Book IV 422a)

Why have some developing countries successfully achieved sustained economic growth and why have others failed to do so? This has been an ever puzzling issue in Development Studies; perhaps even more since the miraculous growth performance of the East Asian Newly Industrialising Countries (NICs).

The same question led to the emergence of the *political economy of institutions and development*; which aims to understand how domestic institutions contribute to economic growth. But the answer to this question is not yet in sight. According to Nelson and Shampat,

> there is a difficult road ahead before institutions can be weaved into a coherent theory of the determinants of economic performance. The term itself apparently means different things to different authors. (1999: 32)

In this paper two theoretical perspectives on this will be juxtaposed, namely a "conventional" explanation of institutions and development from the neoclassical paradigm, and an "alternative" Institutionalist Political Economy (IPE) approach (Chang 1994).

The conventional view on institutions and economic growth follows the 'market primacy' argument (Chang *op. cit.*) and therefore considers domestic institutions that enhance the functioning of the market as contributors to growth (see for example North in Harris et al. 1995). This view is promoted in developing countries through the conditionalities for financial aid by the International Financial Institutions (IFIs) (Kapur and Webb 2000). The consequence for the state in developing countries is essentially limited government intervention in the economy.

The growth experience of the East Asian Miracle challenges the conventional view. Several authors (see Amsden 1989, Evans 1995, Johnson 1982, Wade [1990] 2004, Woo-Cumings 1999 and others) have worked on the specific role of these *Developmental States* in fostering capitalist development through selective interventions in the market. This promises to hold important lessons for developing countries. The IPE approach embarks on this by studying what institutions allow the state to take on an entrepreneurial role for engineering structural change (Chang 1994: 306).

The World Bank however responded to this challenge with the East Asian Miracle report (1993) with the conclusion that the only lesson developing countries may learn from this is 'getting the basics right' (Page 1994). Not only did the Bank consider the selective interventions as ineffective, they also concluded that this approach would be confined to the East Asian context and would not be applicable to other regions – which justifies its continued attempt to downsize the developing state.

Considering the evolutions in this debate, it is interesting to examine a country with high sustained growth outside of East Asia and see how the institutional context of developmentalism contributes to the success of the development strategy. This paper will do so by conducting a case study of Rwanda. Rwanda has been experiencing a high growth rate for some years in a row, and does take the experience of the East Asian Tigers as an example for the structural transformation of the economy (GoR 2000: 25).

The objective of this research paper then is to make a contribution to the aforementioned debate by identifying whether the Developmental State institutions that led to high growth in other late developing countries are reflected in Rwanda.

Rwanda

Rwanda is a small, landlocked country in the centre of Africa. Its recent history is known for the massive genocide that occurred in 1994. Although Rwanda's economy was struggling before that, the genocide gave it a disastrous blow and the Gross Domestic Product (GDP) decreased with almost 60%.

After 1994, the transition government focused on reconstruction and reconciliation and it has been commended for its results. President Kagame is convinced of the need to *transform* the Rwandan economy from agriculture to the Information and Communication Technology (ICT) sector. A development strategy entitled *Rwanda Vision 2020* is written, in which the main aim is to turn Rwanda into a middle income country by 2020. The strategy has kicked off in 2000 and Rwanda has been enjoying high growth rates since. In the immediate post-conflict period Rwanda had an average growth rate of 10.7%, and although it slowed down in the period between 2003 and 2007 it recently improved again to an estimated real GDP growth rate of 11.2% in 2008 (CIA 2009). The Central Intelligence Agency ranks Rwanda's growth rate at number seven of the world (*ibid.*).

Rwanda is still a long way from being a developed country. The long-term development policies are aimed at the year 2020 and Rwanda is still one of the poorest nations in the world[1]. But most late developing countries received the analysis they deserved after they had achieved impressive development results, while the research of a "work in progress" might contribute to the insights into the actual workings of a Developmental State and whether Rwandan structures hold lessons for other developing countries. Therefore, this research will make this weakness into a strength by examining the following research question:

> *Do the institutional factors that shape the development strategy of Rwanda reflect the developmentalist conditions that led to structural transformation of the economy and high economic growth in other late developing countries?*

The following sub-questions have been formulated to guide the process of research:

1. *How is a high sustained economic growth achieved in the process of development?*
2. *What institutional factors allowed for a sustained economic growth rate in successful late developing countries?*

Methodology

This qualitative research is centred around the single case study of Rwanda. For the qualitative analysis of Rwandan institutions, a *prototype* of the Developmental State will be used as a methodological tool. Davis (2005) suggested the use of prototypes for scientific concepts in qualitative research. He writes that making a procedural minimum definition which explains the necessary and sufficient conditions for social phenomena can be limiting our understanding of them. He points out that these definitions are not based on a Weberian utopia (ideal types) but on empirical studies. Therefore, the Developmental State will be presented as a 'fuzzy concept' (*ibid.*) by describing a set of attributes that draws on analyses of East Asian Developmental States. The analysis of Rwanda will then not provide us with a "yes" or "no" answer, but rather allows for 'graded membership' of the concept (*ibid.*) This may be for example when only a number of attributes is present in the case study, which may provide us with new knowledge on developmentalism.

In order to build a broad knowledge foundation of the case; *triangulation* is applied so to provide date from three different sources. First, a reading of secondary literature on Rwanda and its historical, cultural, economical and institutional context provides a background framework through which the case can be understood. Second, content of government documentation is analysed in search of signs of Rwandan developmentalism. Third, primary data was collected in Kigali, Rwanda between 6-20 July 2009, by means of semi-structured interviews (5) with government representatives.

Scope and Limitations

This research was necessarily limited due to constraints in both space and time. The first important limitation is mentioned in the preceding paragraph, namely the fact that the Rwandan development strategy is only halfway through its implementation period. It is attempted to make this limitation into a strenght by taking it into account in the formulation of the research question.

Second, this paper only discusses the two theoretical perspectives on institutions and development mentioned above. One has to keep in mind that this leaves out other valuable contributions to the role of the institutions and the state in development, for example from a Marxist perspective.

The third limitation refers to the fact that this paper will not make generalisations about the genesis of the Developmental State in developing countries. This is a rather complex issue which deserves further (cross-case) research in the future.

Lastly, concerning the scope of the paper, two of the concepts used will be operationalised as follows. The understanding of "development" in this paper will be limited to *economic growth*, leaving out other important development indicators. The understanding of "institutions" will make use of the following definition:

> Institutions are systemic patterns of shared expectations, taken-for-granted assumptions, accepted norms and routines of interactions that have robust effects on shaping the motivations and behaviour of sets of interconnected social actors. In modern societies, they are usually embedded in authoritatively coordinated organizations with formal rules and the capacity to impose coercive sanctions, such as the government or the firms. (Chang and Evans 2000: 2)

Outline

The paper is structured as follows. Chapter two is a literature review on the different perspectives on the link between institutions and economic growth. This chapter aims to contribute to the existing literature on the Developmental State since this is often not rooted in a broader explanation of economic structures and growth. It argues that the institutional context of developmentalism is a condition for successful structural change because it allows for effective state intervention in the process of industrialisation, technological upgrading and fostering entrepreneurship in developing countries.

Chapter three then introduces the methodological tool for the analysis of this research in the form of a prototype of a Developmental State with seven attributes. The fourth chapter discusses the background of the case study Rwanda by focusing on aspects of path dependency in the construction of social and political identity and institutions. This chapter also provides a glance at Rwanda's economic structure. The fifth chapter then deals with the actual analysis of Rwanda by following the attributes of the prototype of the Developmental State provided in chapter three. The findings of this research will be brought together and summarised in the conclusions in chapter six.

2 POLITICAL ECONOMY OF INSTITUTIONS AND DEVELOPMENT

> Perhaps the oldest and most basic subject in the study of political economy is the relationship between governmental institutions and economic activity (Johnson 1982: vii)

This chapter will review the literature on the role of domestic institutions in achieving economic growth.

2.1 THE CONVENTIONAL EXPLANATION

> The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations. (Smith [1776] 1946: 1)

Economic Growth

Economic growth in general is seen as the result of an increase in aggregate output which leads to an increase in per capita income. An increase in output requires an increase in productivity because of enhanced efficiency, technological change or accumulation of the factors of production. Economic growth may not be synonymous to development, it is however an important condition for the rise of the welfare of a population, and it is therefore critical to think about what causes economic growth.

The conventional explanation of economic growth can be traced back to the seminal neoclassical Solow model, which sees the accumulation of capital as the main driver of economic growth (Solow 1956). This requires increased investment, which is seen as the result of increased aggregate savings. Solow explains long-run economic growth as the consequence of an increase in productivity. The labour force is assumed to be fixed and technological change is considered as an exogenous process (*ibid.*: 66). If these conditions apply, an increase in the productivity of capital will lead to economic growth.

Solow acknowledges that this theory depends on ‘assumptions which are not quite true’ (*ibid.* 65). In this case, the important assumed condition is that of *diminishing marginal returns* to both capital and labour. Capital and labour combined face *constant returns to scale*. Furthermore, it is assumed that access to information is perfect, and that all agents have access to the same technologies. Finally, it assumes that the market will clear in an equilibrium between supply and demand (with perfect competition between firms) which will then lead to perfect price competitiveness and an optimum allocation of resources.

The consequence for developing countries is important to mention here. Because investments are believed to work under diminishing marginal productivity, the impact of investment in developing countries would be larger than in advanced countries. This leads to the *convergence theory* which holds that the incomes of poor and wealthy countries will eventually converge.

The empirical evidence for this theory is however poor. The majority of the developing countries did not converge with advanced countries. The assumed flow of capital from advanced to developing countries did not occur (Lucas 1990). The free access to technologies for developing countries can be questioned as well. The Solow model was then criticised from within neoclassical economics.

The attempt to improve the existing models of growth from within the same set of assumptions led to a model of economic growth in which technological change is incorporated into the dynamics of growth; the so-called endogenous growth theory. This model sees technological change at the heart of economic growth (Romer 1990). The production of new technologies is then considered as an endogenous process: it 'arises in large part because of intentional actions taken by the people who respond to market incentives' (*ibid.*: 72). The important conclusion of this theory is that it first formulated a policy advice for economic growth: public policy should be aimed at the improvement of human capital[2]. Policy should further aim at fostering competition (market incentives); and free trade and openness because this will increase technological change and thus growth worldwide (*ibid.*: 98).

New Institutional Economics

Rather than focusing on policies, the New Institutional Economy (NIE) approach popularised by Nobel prize laureate Douglass North tries to shift attention to the set of *institutions* favourable to market functions and thus for economic growth. NIE alters the neoclassical framework somewhat by rejecting the idea of a *homo oeconomicus* operating in efficient markets. Instead, NIE argues that neither state nor market govern the organisation of goods and services (Harris et al. 1995: 1), but institutions do. Based on the Coarse theorem and the notion of transaction costs, North concludes:

> When it is costly to transact, institutions matter. And because a large part of our national income is devoted to transacting, institutions and specifically property rights are crucial determinants of the efficiency of markets. (North 1993: 2)

Institutions either contribute to- or hinder economic growth. NIE views the 'rules of the game'[3] - mainly on the rule of law, accountability, corruption and property rights - as central to the functioning of markets[4] and thus contributing to growth. In this theory, development is the result of long-term appropriate institutional change towards this aforementioned package (Harris et al. *op. cit.*). In order for these institutions to be beneficial, other institutions and organisations that hinder market functions must be altered or removed – referring to corruption and rent-seeking behaviour by the state[5]. NIE theorises the state as being "predatory by nature". Political (power) relations, incumbency, pressures from interest groups: all these things make politicians rule in their personal interests. This disturbs the functioning of markets and is therefore considered as an obstacle for development. North even points out that it is difficult to change the predatory nature of the state especially in developing countries because of path dependencies (North in Harris et al. 1995.).

Trade and Production

What we have missed so far is what economic activity will actually lead to growth in developing countries according to this paradigm. For this, the neoclassical view on trade and the consequence for production will be considered.

The Ricardian law of comparative advantage was the early inspiration for neoclassical economists to assume that all countries can benefit from international *free* trade because of different patterns of specialisation. Specialisation in the Ricardian model is based on only one factor of production, namely labour. Heckscher and Ohlin further elaborated on this, adding that a country gains from trade when they specialise according to their natural factor endowment (Ohlin 1933).

These form the theoretical underpinnings of the neoclassical export-led growth strategy. There are different interpretations possible of this export-led growth (De Melo and Robinson 1990) but the focus here will be on the view that dominates the IFI policy advice to developing countries. This holds – again - that market incentives ("the invisible hand") should dictate the country's economic activity. Free global markets induce competition, the optimum allocation of resources and investment; which government intervention could not accomplish due to its rent-seeking behaviour (Bhagwhati 1988). Developing countries, endowed with unskilled labour, are in this view best off *specialising in primary products*. In the current international division of labour, most developing countries are thus exporters of primary products.

Getting the Fundamentals Right

The dominance of neoclassical economic theory has impacted developing countries through the intermediation of the International Financial Institutions (IFIs). It formed the foundation for the neoliberal policy guidance to developing countries at the end of the 1970s after the debt crisis and the balance of payment problems that resulted from that.

Technically speaking, neoclassical theory considers price uncompetitiveness and excess demand as the cause for balance of payment deficits (Mohan et al. 2000: 26). To solve this; devaluation and contraction of domestic demand are seen as the appropriate policy vehicles (*ibid.*). With policy priorities that arise out of other neoclassical models, such as the pursuit of free trade and export oriented trade policies that allow for optimum gains of international trade, the World Bank and the International Monetary Fund (IMF) introduced the Structural Adjustment Programme (SAP) as the ultimate policy package for developing countries.

These policy packages sought a return to macroeconomic stability through reduced government spending, restrictions on the supply of money to reduce inflation, the removal of price controls and liberalisation of the exchange rate. Such a macroeconomic environment is assumed to reduce risk, improve transparency and therefore improve the rate of domestic savings and investment (which can be linked back to the Solow model of growth). Following the export-led growth thesis, developing countries are advised to 'simply open up their markets to imports and to export whatever products they can produce relatively cheaply in short term' (S. C. Smith 1991: 1).

The influence of NIE can be noticed in a more recent creation of policy packages, known as the Good Governance Criteria. After the failure of SAPs in the 1980's and the "aid fatigue" threatening the IFIs, they changed their narrative in blaming the institutional setting of developing countries as the obstacle for growth and development. This led to the introduction of governance related aid conditionalities like accountability, transparency, property rights and participation (Kapur and Webb 2000).

What are the consequences for the developing state? In short, they are limited to "getting these fundamentals right". The IFIs operate from the neoclassical view on the state as an 'organisation run by self-seeking politicians and bureaucrats who are not only limited in their ability to collect information and execute policies, but are also under pressure of interest groups' (Chang 2002: 540). This corrupt, rent-seeking beast cannot contribute to economic growth.

2.2 STRUCTURAL TRANSFORMATION

> Institutions and culture first; money next; but from the beginning and increasingly, the payoff was to knowledge. (Landes 1998: 276)

The dominant discourse of neoclassical economics is being reproduced in the development enterprise without any substantial success - the majority of the developing countries has not achieved a high growth rate or converged with the advanced economies. In order to challenge the dominant discourse, we should here consider what is *absent* in it[6].

Coffee, Cotton or Computers?

The first "absence" considers the role of the conscious development of a sector for industrial production. Already in the 1950's theorists have expressed their concerns about the limited benefits of specialising in primary products. Raúl Prebisch (1950) pointed out that the terms of trade for primary exporters would deteriorate over time due to the long term negative growth trend. Agricultural products are in general considered to be price inelastic: change in the percentage of the income will not lead to a change in the percentage of demand of the good. A structuralist model for economic growth would therefore be centred around effective demand.

There is an unequal relationship between industrial centres and agricultural centres in which the latter has considerably smaller scope for economic growth (which renders the convergence theory unviable):

> [T]here is also a persistent myth, which lies in the conception of the "spontaneous expansion" of the center out to the periphery. There is not and has not been such a tendency. Essentially the advanced industrial nations have developed their own

> domestic industry and the exchange of industrial goods among themselves. (Prebisch 1978: 38)

Kaldor (1957) pointed out an difference between the agricultural and manufacturing sector with important implications for economic growth; namely that the manufacturing sector is in fact not subject to diminishing marginal productivity but rather to *increasing returns to scale*, a notion that was based on Verdoorn's 1949 law of productivity growth of labour inside a firm as related to the rate of output (Hageman and Seiter in O'Hara: 1999: 1228). This explains his conclusion that growth in the manufacturing sector is related to overall economic growth, because agricultural output is not considered to have unlimited growth.

There is now considerable consensus that manufacturing activities have better prospects for earnings because it enjoys a positive growth trend (with better terms of trade), with higher productivity and better price stability (Akyüz 2005).

There is however considerable debate on how to *achieve* this. If we consider the dominant view discussed in the previous part; this would be the result of market incentives. However, as Akyüz (*op. cit.*) argues, entering the markets with a base of exporting primary products within the range of their natural comparative advantage would make this an 'uphill battle' which will not lead to structural transformation.

If we are to think about *how* to achieve structural change we should examine the success story of the NICs and the lessons of this East Asian Miracle on how to adopt

> a gradual and phased approach to import liberalisation, properly sequenced with the build up of a strong and flexible industrial and export capacity through a judicious combination of market discipline and policy intervention (*ibid*: 13)

Making Manufacturing Work

But before doing so it important to address permissive forces that make manufacturing to a success, namely (innovating) technology and entrepreneurship.

Simon Kuznets mentioned in his Nobel Prize lecture that '[a]dvancing technology is the *permissive* source of economic growth' (1973: 247). This places processes of innovation at the heart of the growth process. Innovations are facilitated by the emergence of modern science and technology (ibid: 249) and lead to exceptional high growth rates, increased productivity and structural transformation of society.

The works of Joseph Schumpeter highlight the role of the entrepreneur in the capitalist system driven by innovations. In this system, economic growth is the result of structural change in the economy and society; as the economy is not separated from the social realm (1961: 56). Growth is the result of a 'disequilibrium', in which innovations by entrepreneurs disrupt the status quo ('creative destruction'), which eventually allows the system to expand (McKee 1991). This transforms society by reorganising social relations. Innovations place a premium on the industrial sector, and thus allow for movement from agriculture to industry; which has its own social implications like urbanisation, et cetera.

The Visible Hand

The second "absence" is the potential of the role of state intervention in development.

First of all, let us consider whether the "rent-seeking" hypothesis which calls for limited government holds empirical grounds. Evans (1989) for example did so by examining the state in different developing countries. With this he challenges the neo-utilitarian view on the state as inherently rent-seeking and corrupt. He examines Zaïre as a *predatory* state and concludes that, contradictory to dominant beliefs, it is the *lack* of bureaucracy that allows for patrimonialism and corruption. In Japan, where the bureaucratic autonomy is embedded in society, the state behaves in favour of the development of the country and is effective in the implementation of its policies as well as an effective actor in the economy. From this light, we can consider how the state can contribute to the process of structural transformation described above.

In the early days of development economics a fundamental role was set aside for state intervention[7]. Gerschenkron for example wrote about the role of the state in creating an ideal environment for late industrialisation and development by removing 'obstacles' and creating things 'propitious' for the process (1962: 35). The late industrialising state can overcome the collective action problems that arise around investment due to a lack of capital by providing it as public goods. This thus challenges the idea of state intervention itself being an obstacle to development.

Institutionalist Political Economy

The alternative explanation of the role of institutions then considers them not to make state less predatory (constraining), but views the state as institution for growth itself (constitutive). Here the focus is on what institutions allow the state to assist in achieving structural transformation of the economy - which thus *does* emphasise productive capacity (Mkandawire 2001: 292).

Moving beyond the 'market primacy argument', Chang (1994) calls for an Institutionalist Political Economy approach towards economic development. Taking structural change as a requirement for growth, Chang expresses the importance of two different roles for the state. First, the state must play the role of an entrepreneur in development by formulating a long term vision for the future of the economy. In order to achieve this, state must facilitate the institutions required for the coordination of this vision. Second, the state is burdened with the important task of conflict management. Like Schumpeter already pointed out; the process of structural change can be one of trial and error in which certain groups might be (temporarily) disadvantaged. The state must ensure that its autonomy is not threatened by popular revolt.

Taking also into account the importance of technological upgrading, innovation, the composition of imports and exports, there is a more refined study of how state institutions might contribute to this. Chang and Evans embark upon such a study by examining the institution of the Developmental State:

> The developmental state is a classic example of how institutions make a difference to economic change ... and set these countries on a more dynamic path of industrial accumulation. There was no place in this [conventional] canon for idea that apparently hidebound mechanisms of bureaucratic governance might adapt themselves to the management of growth and they would be in turn be able to shift the worldview and incentive structures of what seemed to be a hopeless local entrepreneurial class. The developmental state, thus seen, is a clear example of the need for an alternative canon. (2000: 3)

3 THE DEVELOPMENTAL STATE

> This state takes the goals of long-term growth and structural change seriously, "politically" manages the economy to ease the conflicts inevitable during the process of that change ... and engages in institutional adaptation and innovation to achieve those goals. (Chang in Woo-Cumings [ed] 1999: 192)

The term Developmental State was coined by Johnson (1982) in his review of the role of the Japanese bureaucracy in achieving high growth. Later writings on other "East Asian Miracle" cases have formed a body of literature on the highest *sustained* economic growth of the past century (in Japan, South Korea and Taiwan most notably).

What the Developmental State in fact does is providing an entrepreneurial pragmatic vision for rapid industrial change which will lead to higher value-added production; then leading to a rise in incomes and expansion of the economy. The aim of the Developmental State is thus to create a successful capitalist system. It is however not an argument about industrial policy or state intervention *per sé*; for the impact of industrial policy very much depends on the *context* (or 'special character', Leftwich 1995: 400) of the state.

In the following chapter, a prototype of a Developmental State will be constructed. As mentioned in the introduction, this is a methodological tool (see Davis *op. cit.*: 61-91) that will be used for the analysis of the case study Rwanda.

The following attributes of a Developmental States are deducted from a literature review of several case studies of East Asian Developmental States in an attempt to get a full range of possible contributing factors to developmentalism. For each of them it is mentioned whether they were more important in certain cases, while others were maybe found in all cases.

A Prototype of a Developmental State

Throughout the years many efforts have been made to constitute a model of the Developmental State, and this paper makes the humble attempt to synthesize a great number of those into one prototype. This will lead us to work with the following seven essential attributes of developmentalism[8]:

a. Developmental Leadership
b. Economic Nationalism
c. Philanthropic Authoritarianism
d. Rational Bureaucracy
e. Selective Interventions
f. Human Resources
g. Deep Background

a. Developmental Leadership

Chalmers Johnson, in his seminal work on the Japanese economic bureaucracy, asked himself the question whether a Japanese model could be copied by other states. The answer was that they probably could, but the fundamental prerequisite would be a prioritisation of economic development by the government (1982:

314). This top priority has to guide all other decisions, and predatory or rent-seeking behaviour must be absent.. Developmental States thus 'lack pervasive corruption' (Leftwich *op. cit.*: 407) and are:

> distinguished by the character of their developmental elites ... associated with a small cadre of *developmentally-determined* senior politicians and bureaucrats, usually close to the executive head of government who was instrumental in establishing the developmental regime and its culture. (*ibid.*: 405, emphasis added)

The importance of leadership *committed to development* is underlined by the analysis of the role of President Park Chung Hee in the development process of South Korea (Evans 1995), the driving force behind the Korean development strategy. Evans points out that it is often one (or a small group of) individual that takes on the entrepreneurial role as pictured by Chang, thereby identifying a desirable niche sector for the economy to grow in, which will then allow for the envisaged transformation. This element emphasizes the agential approach of developmentalism.

b. Economic Nationalism

Such a developmental attitude does not come falling from the sky. According to Johnson (1982: 306) the élite must have political motive for nationalist development. Several of these motives have been pointed out, like a lack of natural resources, dependency and the need for trade, overpopulation, late development, or the existence of an external enemy or threat (Cumings in Woo-Cumings [ed] 1999: 62). These factors, especially the presence of military threat, allow the state to concentrate social control (Migdal 1988: 273).

This context moves the state into a position in which it must ensure *national* economic welfare in order to maintain its own position. Economic nationalism in this case then means that policies are aimed at maximising national economic gains and improving its position in the world economic system rather than striving for autarky or communism:

> This is not ideologically committed to self-sufficiency or public ownership, nor hostile to foreign ownership in and of itself. It does not seek the appearance of catching up, through either imitating consumption standards, or setting up showcase industries. It respects multilateral rules and arrangements, engaging in their design, negotiation and interpretation. But its aim is to build international competitiveness as part of a long-term national economic project founded on the development of national capabilities. (Gore 2000: 789)

I

c. Philanthropic Authoritarianism

The historical tie between developmentalism and authoritarianism as pointed out by some authors (see for example Cumings *op. cit*:) is a sensitive issue and has led to great debate. For this reason it is important to emphasise that not just any authoritarianism can be linked to economic growth. In combination with the previous two characteristics, we could better refer to it as philanthropic authoritarianism (or 'good-for-growth' dictators, Glaesser et al. 2004), in which the élite has no predatory objectives. A characteristic shared by many Developmental

States is that their élite and bureaucracy are fairly insulated from society (Evans 1995 calls this 'embedded autonomy') (see also Johnson 1982: 316) and therefore from any opposition that might interfere with the long term development planning.

Civil society is often rather weak in these states, by nature or 'crushed' by recent events (Leftwich *op. cit.*: 415), as is the judicial branch. Johnson (1982) pointed out that Developmental States often lack the *trias politica*, which means a lesser emphasis on rules and regulations and less "lawyerism" then in western countries.

Policies designed by the bureaucracy following the state leadership also do not meet strong resistance in parliament (Evans 1995). Senior civil servants often continue their career in the assembly and thereby ensure the persistence of state power. The same mechanism works when retired bureaucrats take seat in the board of one of the big businesses in Developmental States.

Philanthropic authoritarianism is a sensitive issue because it clashes with the western held value of democracy. Therefore it is important to refer to the source of legitimacy of Developmental States, which is rooted exactly wide social belief in the 'revolutionary' project and character of the government.

> The source of authority... is revolutionary authority: the authority of a people committed to the transformation of their social, political, or economic order. Legitimization comes from the state's achievements, not from the way it came to power. (Johnson in Woo-Cumings [ed] 1999: 53)

Since developmentalism often occurs under an external threat (see *b*) one may therefore conclude that the social contract in Developmental States takes the shape of an "unholy alliance" against deprivation, which justifies the strong state.

d. Rational Bureaucracy

Going deeper into the functioning of the Developmental State, one cannot forget the important role of the bureaucracy in achieving structural transformation. A prerequisite to this is the relative autonomy of the bureaucracy vis-a-vis social interest groups. That being said, one must add that certain powerful private actors are included in the policy making process and dialogue (Best 1990.). This forms the basis of the cooperation between public and private sphere (Public Private Partnerships, PPPs) that are essential for developmentalism.

The workings of developmental bureaucracy have often been referred to as "Weberian". Max Weber constructed the idealtype of a rational, professional, skilled and hierarchical bureaucracy to hold the authority (*Herrschaft*) to control modern society (Weber 1972). Meritocratic recruitment of bureaucrats then ensures that the "talented" join the bureaucratic force.

Some of these elements are indeed reflected in the functioning of developmental bureaucracies. One must however not overlook the history of political philosophy in East Asia, that has made its own contributions to East Asian bureaucracies. For the bureaucracy has a long history of being recruited out of a well-educated, higher social class[9] (Bor and Van der Leeuw 2003), which left its marks for the social status of current bureaucrats. Furthermore, the Confucian emphasis on morality and virtue (*ibid.*) cannot be overlooked in the functioning of the small bureaucratic élites in Japan for example.

In Japan for example this has translated to the situation in which the *samurai*, the élite, hold the positions in the higher ranks of the bureaucratic machinery (Johnson 1982: 37 refers to this as a 'governmentalized class'). Such an 'inner circle' allows for dense traffic and close cooperation between the ministries (Leftwich *op. cit.*). Most of them are educated in the same élite universities, together with the leaders of the big businesses mentioned above; creating strong networks.

e. Selective Interventions

Another controversial point about Developmental States concerns their selective interventions in the economy. Several different types of interventions[10] have been identified (rather than one model of industrial policy). Johnson pointed out that the interventions were 'market conforming' rather than market distorting (1982).

Public investment plays a central role in developmentalism, in a range from investment in infrastructure, health and education to ensure labour as a factor of production; to investments directed at sectors in an identified industrial niche. Government investment in Research and Development (R&D) is also deemed important[11] as an encouragement for innovation. Such investments aim at the upgrading of the production base into high-technology and thus are mechanisms for coordinating the government's long-term development perspective.

Others point out the impact of state control over finance as facilitating economic growth (especially in Korea, see Amsden 1989, Woo-Cumings 1999). The control over finance for investment through control over (development) banks for example played an important role for restructuring the composition of manufacturing. Amsden furthermore points out that subsidies and investment were not handed out recklessly: follow-up and penalisation in case of business failure were common practices too and these disciplined businesses.

Furthermore, it is often mentioned that Developmental States have practiced trade controls. Especially imports were limited by tariffs or quotas, while exports were promoted. The price mechanism was sometimes taken out of the market and controlled by the state in order to make national companies more competitive[12]. Specific support went to support of the conglomerates, or big businesses, like the *zaibatsu* in Japan and the *chaebol* in Korea.

But overall, the interventions in the economy differ from Latin American Import Substitution Industrialisation strategies or Soviet planned industrialisation. There is no ideological connection to the importance of state intervention; rather a pragmatic one. This means that the public and the private must come together and find a proper way of cooperation in Public-Private Partnerships; which is probably the hardest task of developmentalism (Johnson 1982: 309).

The state is not separated from the market. Rather, it aims to facilitate markets and competition. Evans (*op. cit.*) points out that while in the neoliberal state the government merely regulates; the Developmental State can take on the role of 'midwife' or 'husband' for private firms. Since these two roles focus on entrepreneurship, they have transformational capacity. The midwife state is involved with 'the emergence of new entrepreneurial groups and to induce existing entrepreneurs to take on more challenging endeavors' (*ibid.*: 80). This is less risky than the role of husband which, according to Evans,

> may be as simple as signalling the prospect of state support for firms that venture into more technologically challenging areas of the sector. It might be as complex as setting up state enterprises to take over riskier complementary tasks, like research and development ... it involves a combination of support and prodding. (*ibid.*: 81)

f. Human Resources

What if we do not assume all factors of production, but capital, are fixed? Developmentalism takes a long-term perspective and therefore also aims to improve the quality of labour in order to facilitate higher value added activities. The need for skilled workforce puts the premium on education and health. This translates into the improvement of primary education but above all, secondary and tertiary education. In Korea, illiteracy rates were quickly improved when primary school enrolment increased from 7.4 % to 50% (Amsden 1989: 222)[13].

Especially vocational education and technical studies like engineering are prioritised. The success of this becomes clear when we see that the percentage of Korean engineering graduates rapidly increased; something that gave Korea a competitive edge over many advanced countries. Such a focus is essential to facilitate structural change.

Universities can also become important for development in the way that they become a 'pocket of efficiency' (Evans 1989), or an engine for development because of the transfer of technology and knowledge to industries. Something like this happened with the Indian Institutes for Technology in Bangalore, or the Hsinchu Science Park in China (Pack and Saggi 2006).

g. Deep Background

'Why isn't the whole world experimenting with the East Asian Model to develop?' (Amsden 1994). For this we have to ask what the reason is why certain states do become developmental, and others do not. The attribute of deep background relates to the path dependent historical configuration that allows for the attributes mentioned above to come into place. This is however a rather grey area. Many ink has been spilled on this issue, and this paper does not have the illusion to find the "magical" answer.

Waldner (1999) mentions that low levels of élite conflict and a narrow state coalition are prerequisites for developmentalism. This relates to the argument that developmentalism was possible in East Asian countries because of their long history of Confucian politics and culture. It is also related to the state antiquity thesis, which claims that the capacity to

> mount an effective drive toward economic development, derives in part from a very long run historical processes giving rise both to early-state level institutions and to different potentials for growth in recent decades. (Bockstette et al. 2002: 347-349)

State antiquity contributes to development because of a better skilled public administration, slow transition versus catching-up, and a shared identity. This allows the state to pursue policies for economic development in the realms of industrialisation and human capital accumulation – but it is something many de-colonised states do not possess (*ibid.*).

This argument is often used to explain that states in Sub-Saharan Africa are "weak", "quasi", or even "fail" in their capacity to '*penetrate* society, *regulate* social relationships, *extract* resources, and *appropriate* or use resources in determined ways' (Migdal *op. cit.*: 4). Three effects of colonialism do hinder the configuration of a Developmental State. First, as Migdal points out, the expansion of world markets and imperialism by European powers often led to a fragmentation of social control in Third World societies. The existing power structures in colonised areas were destructed and the colonial policies implemented led to conflicting sets of rules in society, thereby creating divisions. Such a "divide-and rule"- strategy allowed the colonial power to stay in control with as little (human) resources as possible – but hindered political mobilisation and unification after independence. This impedes state leaders to act goal-oriented, for they are trapped in the dilemma between inducing political mobilisation and the risks this may have for their own survival (*ibid.*: 264). As history shows; the "politics of survival" have less successful outcomes than developmentalist politics.

A second possible heritage of colonial policies in "weak" states is *neopatrimonialism*; a form of state organisation in which politics becomes personalised by (life-long) leaders that are preoccupied with personal wealth (Potter in Allen and Thomas [eds] 2000: 286). This means they are predating the wealth of the country away from its people and hampering capitalism. Regimes like this are therefore referred to as 'predatory states' (Evans 1989, 1995) and build on traditions of clientship as used by colonial rule, especially in Sub-Saharan African countries.

A third reason would draw our attention to the fact that the borders drawn on the map of Africa during the Berlin Conference in 1884 hardly paid any respects to existing forms of social organisation and tribe structures, which in some countries made nationalism and state-building an impossible task.

From this light, both state antiquity and a narrow élite are not sufficient for a Developmental State. In order to "experiment" with the East Asian model, the élite must firstly *want* to do so. The élite must therefore have self-interest in the (economic) development of the country (economic nationalism). This means the developmental élite has a pragmatic rather than ideological approach to policy making. For the decision making and policy implementation to be successful contributors to economic growth, the state will surely benefit from other attributes mentioned above that grow over time – like an insulated and rational bureaucracy and public private partnerships for example.

It must be repeated here that a prototype is a 'fuzzy concept' that allows for 'graded membership' or border cases – and often these border cases 'are potentially most informative' (Davis *op. cit.*: 80). It will be refreshing to look beyond the usual determinism and consider the possible developmentalism in Rwanda. Mkandawire (*op. cit.*) writes that many claims about the nature of states and societies in Africa[14] rely on un-useful comparisons of African states in crisis and that in fact, the Developmental State is possible in Africa too – once one can look beyond the demonised features of "Africa" and looks towards the possibility of creative applications of elements of developmentalism.

4 RWANDA

> Ladies and gentlemen. Our subject is Rwanda. It is a small country, so small that on certain maps of Africa it is marked with only a dot. You must read the accompanying explanatory notes to discover that this dot, at the continent's very centre, indicates Rwanda. (Kapuściński [1998] 2001: 165)

The following chapter will introduce the historical configuration of political identity and institutions for centralised governance that form the context in which the current developmentalist élite got in the saddle.[15][16]

4.1 THE NYIGINYA KINGDOM

> It is essential to know the early history of Rwanda ... for modern Rwanda was built on the economic, social and political values encountered by the first colonials. (Vansina 2004: 3)

Rwanda was one of the few cases in pre-colonial Africa with a highly centralised, hierarchical administrative system, in which a king was attributed highest authority (Bäck 1981). The formation of this kingdom can be traced back as early as to the fifteenth century around the area of Lake Muhanzi, which 'had by the early nineteenth century become one of the most rigid and authoritarian systems of political and social exploitation in the intralacustrine region' (Mamdani 1996: 7). For the research in this paper it is important to consider the institutions that allowed for the creation of this *state* (*ibid.*) in central Africa.

Vansina (2004) describes both the ideological and instrumental institutions deployed by the Nyiginya dynasties to expand their powers. *Mwami* Ndori pioneered in this by building his legitimacy on ritual institutions, but most strategically, Ndori installed an army that institutionalised the use of coercion and violence as a foundation for administration (*ibid.*: 61). Material tools for governance were also important, and included the provision of food and housing and the loan of cattle to the clans (corporate groups, see next paragraph). This set of institutions contributed to a history of state-society relations of civil obedience and central government planning (Golooba Mutebi et al. 2003). Since every citizen had a duty in one of the social armies, this also contributed to the early unification of language (*Kinyarwanda*) and culture or nationhood (Mamdani *op. cit.*).

The bureaucracy of the kingdom functioned by means of a hierarchical division of society between the 'pastoralist aristocracy over a subject peasantry' (*ibid.*: 8; see also next paragraph), in which the first are known as Tutsi and the latter as Hutu. The bureaucrats were recruited from the élite class. Such a hierarchical organisation lent itself for the organisation into districts (*ibikingi*) on the sublevel. The districts were put under the control of local chiefs and subchiefs, who collected taxes. Around 1800 *mwami* Yuhi Gahandiro transformed this system, by installing one cattle and one land chief (Vansina *op. cit.*). Reyntjes (1987) points out that this 'triple hierarchy of chiefs' created a system of bureaucratic control. This allowed for forms of social organisation that ensured a greater authority for the *mwami* (Bäck 1981: 24). However, the authority of the *mwami* was not uncontested. There were interest groups that pursued power in the decision making process like for example the *abiiru*, who represented the most important strata of the country and were involved with the ritual institutions (Bäck *op. cit.*).

In the daily life, a system of clientship (*ubuhake*) was important in structuring social relationships too, in which Hutu peasants were made dependent of the Tutsi by signing lease contract (Verlinden 1996). *Ubuhake* thus led to a dispersion of the Hutu-peasants power and enlarged the political power for the pastoralist Tutsi (Reyntjes 1987). But it is uncertain when *ubuhake* became a dominant institution in Rwanda. As a tool for oppression it might only have become important in the colonial period, when it served the "apartheid" regime of the Belgians. *Ubuhake* was not a common practice in all districts, and sometimes also served the 'middle class' Tutsi to build friendship ties with the lucky few in the monarchical élite (Bäck *op. cit.*: 27). *Ubuhake* took different forms and shapes and were seen by others as a tool for social cohesion.

Banyarwanda

The strong separation between élite class and peasant class thus had implications for social and political organisation. It is in the realm of class that we come to discuss the division of the *Banyarwanda* (the Rwandan people). The population is made out of the pygmoid Twa people (1 %), the Tutsi (15 %) and the Hutu majority (84%) (CIA 2009). There is a debate on how these classes are constructed in relation to ethnicity.

In the structuralist-functionalist line of thought Rwanda was a 'sacred kingdom' (Bäck 1981); in which the authority of the king remained uncontested and in which social organisation was strictly divided between the three ethnic groups. This argument is put forward by post-war ethnographers who follow the migration theory; namely that the Twa were the first inhabitants of the region; then followed by the Hutu and much later followed by the Tutsi – who are said to come from the Ethiopian region. This implies that the three groups have distinct ethnic or racial backgrounds.

This distinction was used by the Europeans in the early 19th century to apply racial theories about the distinction of each ethnicity, based on their appearances and bodily features. The Tutsi were said to distinct from the Caucasian race; while the Hutu and Twa were categorised as negroes. Such a racist theory is referred to as the 'Hamitic hypothesis', claiming that everything that is somehow 'good' about the colonised areas come from Caucasian descent, which 'maintained the image of the Negro as an inferior being and it pointed out to the alleged fact that development could only come to him by mediation of the white race' (Sanders as quoted in Bäck 1981: 18). Such theories served as a justification for colonialism.

The migration theory was challenged by later authors from the constructivist school. These point out that since the Hutu, Tutsi and the Twa shared one language and culture they must have been living together for a long time. These authors do not question the very fact that three different ethnic or racial categories did exist on Rwandan grounds, but rather point out that social organisation occurred not only on the basis of race and descent.

Social organisation in Rwanda was after all linked to the economic organisation in society: the Twa people were forest dwellers and pottery bakers, the Hutu were land peasants and the Tutsi bred cattle. It was essentially cattle that gave the Tutsi their social status. But although the Tutsi tried to keep the Hutu from cattle accumulation, it was a possibility that could offer social "upgrading", or for the Hutu to become a Tutsi. This mechanism is known as *kwihutura* and proves that there was scope for social mobility (Mamdani *op. cit.*: 10). Marriages between Hutu and Tutsi also contributed to the ethnic blending. So also in this realm, no strict distinction between Hutu and Tutsi was existent (Bäck *op. cit.*: 20). This suits the finding that the divide Hutu/Tutsi/Twa was not so present in oral recounts from before colonialism (Mamdami *op. cit.*, Bäck *op. cit.*).

There is another Rwandan institution that does not fit the thesis that there is a strict divide between the Hutu and the Tutsi; namely the *ubwoko* or clan identity. Clan membership is of mixed origin, and is not fixed but fluid, because it is the result of changes in social relationships at the higher level (Newbury 1980). This indicates that there is a difference between class and ethnic identity.

The divide between Hutu and Tutsi class did lead to two different *identities*. The Tutsi were conscious of their political rule (Mamdani *op. cit.*: 14) and were excellent political organisers; thereby becoming a 'political' class (Reyntjes 1987). The Hutu on the other hand were conscious of their power struggle, of oppression and their subordinated position in society (Mamdani *op. cit.*: 14). The Hutu and Tutsi identity are social bipolar constructions and tend to enforce each other, and were further polarised during colonial reign (*ibid.*).

Black and White

In 1894, Europeans first entered Rwandan territory. This announced the beginning of a long period of colonial rule, first by Germany, then – with League of Nations/United Nations (UN) mandate – by Belgium from 1918 until 1962. Belgium ruled the territory of Rwanda through *indirect rule* (Reyntjes 1987: 73). While Belgian political élite initially announced that they would respect the indigenous institutions, Reyntjes reveals that they morphed these institutions into an extractive system with the 'mere use of political personnel' (*ibid.*: 74). Thus many of the pre-colonial state institutions were removed, like the triple chiefly authority, and the districts were reorganised and taxed were raised. The administrative reforms were weakly institutionalised and thus destabilised the regime after independence (*ibid.*: 95).

In order to maintain social control, they enlarged the social division between élite and majority. The Hamitic hypothesis played an important role in linking this class division to an ethnic division (Bäck *op. cit.*, Verlinden *op. cit.*).

The Tutsi were privileged by the Belgians, causing a distortion of social relationships. It is for example in this period that we can see oppressive clientelism. The enlargement of existing social divisions led to a system of apartheid in which the Hutu population was discriminated and therefore also impoverished. This allowed for the Tutsi minority to sustain their relative political autonomy, so the monarchy remained intact for example. But this social division began to change in the period leading to the independence in 1962.

4.2 INDEPENDENCE

When the leopard is gone, the cubs are eaten. (Rwandan proverb)

In 1957, Hutu intellectuals demanded democratisation in the Hutu-manifest (Verlinden *op. cit.*). This appeal for power occurred simultaneously with claims for independence in Rwanda made by the Tutsi élite as well as by the UN. The Belgians are less fond of the idea. Under the command of Colonel Bem Guy Logiest they started to shift political power from the Tutsi to the Hutu (Mamdani *op. cit.*: 15). According to Verlinden (*op. cit*: 23), the Belgians supported the Hutu-élite in this process out of embarrassment for the racism that they had used earlier. But another issue was the fact that the Hutu-movement called for slow democratisation while the Tutsi-élite called for a quick fix.

In 1959, several different political parties are indeed called into life. In the same year, the *mwami* dies. The Tutsi suspect the Belgians and the Hutu of conspiring and murder of the *mwami*. Massive violence erupts between Hutu and Tutsi and tenths of thousands Tutsi flee the country for the first time after large-scale slaughters. Belgian troops come to restore order and control, until independence. Several rounds of elections take place; from local chief level to national level, in which the Hutu party PARMEHUTU takes the majority over the Tutsi UNAR party. In 1962, Rwanda becomes independent.

After independence, the "democracy" turns out to be a one-party system with president Kayibanda in control. Social tensions rise in the poor country, and in 1973 General Habyarimana seizes power with a coup. Circumstances improved, ethnic tensions seemed softened and Rwanda becomes a *donor darling*, benefitting from foreign aid. But after some time corruption and regional inequalities rise, and the regime is severely weakened at the end of the eighties. Despite symbolic Tutsi presence in political society through the 'quota system' (Mandani *op. cit.*: 17) the Tutsi suffered from poverty and lack of access to education. From outside, large troops of fled Tutsi are ready to challenge the regime. In 1990, the Rwandan Patriotic Front (RPF) of Paul Kagame and Fred Rwigeme, in the form of a guerrilla army, enters the country, forcing political reforms and democratisation.

Genocide[17]

In the next four years, tensions rise between the different ethnic and social groups. The RPF holds contested control of northern parts of the country. The international community pressures Habyarimana's regime for democratisation. In

1993, the Arusha Accords are signed, announcing political inclusion of the Tutsi party. But with this, the anger of extremist Hutu is awakened. A small élite gathers to plan the eliminate the Tutsi.

After the attack on the airplane of president Habyarimana in April 1994, the genocide breaks out. Trained *interahamwe*, or killing troops, as well as the local population start with the murdering of more than 800 000 Rwandese, mainly the Tutsi. The RPF fights back hard, and announces victory in July 1994.

After the killings have been stopped, it becomes clear that the short period of war destroyed Rwanda in all its facets. An entire population is traumatised; almost all have witnessed or experienced violence and loss of family. Infrastructure was destroyed, as well as a part of the professional population, leaving a lack of doctors, bureaucrats, teachers and more.

The RPF takes seat in a transition government for National Unity, in which several political parties are included under the reign of president Pasteur Bizimungu. Kagame was vice-president until he is elected president after the resignation of Bizimungu in 2000 (see next chapter). The government focuses on reconciliation and the reconstruction of the justice system. The Rwandan prisons are overcrowded with accused *génocidaires* waiting to be trialled in the *gacaca* courts; a traditional form of participatory justice at the local level that was reinstalled after genocide.

Rwanda Vision 2020

After the transition period, the government of Rwanda (GoR) started working towards a structural transformation of Rwanda. A new constitution was formulated (GoR 2003) which introduced several reforms. The new flag, motto and seal of the Republic announced a brand new Rwanda on the exterior, and reflect the movement towards reconciliation and shared nationalism of the Rwandese people. English was recognised as official language and now replaces French in the education system[18]. Furthermore, the regional organisation of Rwanda was changed from a system of prefectures and communities to provinces, districts (*uturere*) and cells (*akagari*). Other institutions are transformed, like the legislative branch that is according to the 1991 constitution to be exercised by the President and the National Assembly (GoR 1991) and now to a Parliament consistent of two chambers (GoR 2003).

It is in the year 2000 that the Rwandan government started looking beyond the reconstruction efforts and formulated the long term *Rwanda Vision 2020* (GoR 2000). It is founded on the desire to 'fundamentally transform Rwanda into a middle-income country by the year 2020' (GoR 2000: 9); thereby alleviating poverty and improving the quality of life for Rwandans. This is related to the topic of structural change as discussed in chapter two:

> This [goal] will not be achieved unless we transform a subsistence agriculture economy to a knowledge-based society, with high levels of savings and private investment, thereby reducing the country's dependency on foreign aid. (*ibid.*: 3)

Structural change in Rwanda is pillared on the strengthening of a 'capable' (*ibid.*) state, the development of the private sector, human resources development and improvement of the infrastructure; which is especially important here because Rwanda is landlocked. After nine years, Rwanda can be commended for some of the results they achieved in the direction of the Vision 2020, but it is no where there yet. But '[t]he development experience of the East Asian "Tigers" proves that this dream could be a reality' according to the *Rwanda Vision 2020* (*ibid.*: 25). The next chapter will analyse the achievement and challenges of Rwandan development, and deal with the question whether Rwanda could indeed be considered a Developmental State.

Rwanda's Economy at a Glance

President Habyarimana's view on development in the 1970s was consolidating Rwanda's agricultural society. As Verwimp (1999) points out, his ideology centred around the traditional Hutu peasant identity. Rwanda's economy in this period depended heavily on the export of cash crops like coffee and tea, while domestic food production was neglected. Although this led to some growth spurts, the volatility of the prices of coffee and tea made the economy plunge deeply too – like when coffee prices collapsed in 1990 for example.

The disaster year of 1994 did not only bring human tragedy to Rwanda. It became an economic tragedy as well when GDP decreased with almost 60 %. In the post-war period 1996-2002 the average economic growth rate of 10,7 % (World Bank 2009) reflected the reconstruction efforts in the country. Although this is an exceptionally high growth rate, it is not yet an indicator of sustainable development. Collier and Hoeffler (2004) find that post-civil war recovery patterns often show higher average growth rates in comparison to countries that are not "under construction", but such a period of growth lasts only about ten years.

Indeed, growth in Rwanda slowed in the period of 2003-7 with an average of 5,6%. But in 2008 Rwanda had a real GDP growth rate of 11,2%, which ranked it the seventh country in the world (CIA World Factbook 2009, see also figure 1 in appendix B).

An analysis of the composition of GDP shows that almost 42% is due to the agricultural sector. Because agriculture in Rwanda had a strong subsistence character, the improvement of productivity in this sector had significant possibilities for productivity growth. The government supports the creation of associations of cooperatives for farmers to commercialise production (GoR 2006).

Still 90% of the population is employed in agriculture. Land in Rwanda is scarce and food production finds it hard to keep up with population growth. Despite the Government's ambition to be self-sufficient in producing food, it is not. Agricultural growth is strong but has not met its targets to provide the population with food and to reduce rural poverty.

Rwanda recognises the fact that agricultural productivity growth is limited, and is therefore in search of an alternative economic base (interview A). Rwanda's manufacturing base is however still very limited. According to the CIA World

Factbook 2009, 22.3% of GDP is the result of industries. The industries sector in Rwanda is mainly food and beverages (41%), mining (26%) and small chemicals and construction materials (GoR 2005). Especially the paints and beverages industries have been growing. But in general, Rwandan firms perform below their capacity (*ibid.*). Only recently has the industrial sector outside of the capital city Kigali started to develop. Financial capital, infrastructure and energy are still limited and constrain industrial firms to perform better (*ibid.*). In fact, overall the value added percentage of industry to GDP and especially manufacturing percentage of GDP have been declining the past years (see appendix B figure 2 and 3).

These figures show little of a process of structural transformation. In this light it is however important to look at Rwanda's performance in the services sector. This makes up 34.5% of GDP and as figure 3 in appendix B shows this sector has been growing. The services sector in Rwanda consists mainly of the financial sector (banks), tourism and ICT (see for example the rise in mobile phone subscribers in figure 5 in appendix B) – which is a priority sector for growth according to the government.

Rwanda today still belongs to the list of poorest countries in the world. However, there is some reason for optimism. The improvement made by Rwanda in different sectors (health, education, infrastructure) has been remarkable and at least made sure Rwanda 'caught up' with its regional competitors again (Bigsten and Yanagizawa 2006). It even outperformed its regional competitors on some terrains, for example with its outstanding high rate of investments (18 % of GDP *ibid.*). Rwanda's development strategy purposefully resembles some of those of the East Asian Tigers, and the analysis here will consider whether the institutional setting will match this in order to fulfil the necessary conditions for sustained economic growth.

5 AN AFRICAN GORILLA?

> Just as the Asian Tigers arose as export-led, middle-income economies in the 20th century, Rwanda wants to be become the African Gorilla in the 21st.[19] (Jeff Chu)

This chapter will consider whether the institutional setting of Rwanda after the recent political reform resembles the attributes of developmentalism.

5.1 A MAN WITH A PLAN

> Kagame is key to understanding Rwanda's transition from fear and division into exceptional African statehood. (Waugh 2004)

The "entrepreneur" behind Rwanda's development strategy is undoubtedly president Paul Kagame. Kagame was born in 1957 in a Tutsi family very closely related to the monarchical élite and therefore part of the political class, despite the fact that his father did not become a district chief. This relationship forced the Kagame family to move to Uganda after the first social upheaval breaks out in 1959. There, with the help of the political connections of his family, Paul Kagame joins the National Resistance Army (NRA) of Museveni against Ugandan dictatorship. According to Waugh (*op.cit.*), this should be considered as a crucial step in his life because much of his own political ideology is modelled after Museveni's thought.

Even though the NRA was financed by socialist and communist organisations in the context of the Cold War, it remained a highly pragmatic, revolutionary and grass-roots based organisation (*ibid.*: 25). This pragmatism attracted support from different social groups rather than just one - as was often the case in African revolution movements - making it less prone to counter resistance movements. Kagame was part of the inner circle of Museveni, in the intelligence unit of the NRA. After the NRA overthrew Obote in 1986 he became the head of the military intelligence.

Museveni replaced the colonial system of administration with the famous "no-party state"; based on the idea that western style democracy fosters instability among African groups and thus hinders the development of the country. Museveni's priority was with the economic development of the rural poor, and he emphasised the importance of access to markets and strengthening of local markets for development – thereby embracing the capitalist system (*ibid.*)

This model of development influenced the ideology of the Rwandan Alliance for National Unity (RANU), a Ugandan based organisation for the return of Rwandese refugees in which Kagame played an important role. RANU is later transformed into the Rwandan Patriotic Front (RPF). The RPF too tried to attract a broad base of support by advocating for issues of democracy, national unity, against dictatorship and against corruption rather than just focusing on Tutsi emancipation. This can be linked to the historical Tutsi identity as political élite. And indeed this strategy allowed for the RPF to gain the strength it needed to get involved in Rwandan politics, unlike earlier (Tutsi) resistance movements. The

RPF gained popularity by referring to the shared history of the *Banyarwanda*; claiming to be a "non-ethnical" party and creating a nationalist spirit. The leadership of Kagame certainly contributed too:

> Throughout its early history, both on and off the battlefield, the Rwandan Patriotic Front had gained a reputation for discipline, tight organization, superior strategy and strong ideology. Much of this has been due to the vision, leadership and training imparted by officers such as Fred Rwigyema up to October 1990 and particularly by Paul Kagame from 1990 onwards. (Waugh *op. cit.*: 147)

After the RPF victory in Kigali in July 1994 Paul Kagame remains the leading man of the RPF[20], despite the fact that Pasteur Bizimungu (a moderate Hutu) is made president of the transition government. The transition government aims for reconciliation of the Rwandan people, again by referring to their shared history of nationhood, which becomes their source of legitimacy.

In this period, Kagame further elaborates on his political philosophy. He concludes that imposing a western type of plural democracy will not suit the complexity of Rwandan society. It should rather be preceded by phases of politicisation of society, through political education and awareness campaigns for example (*ibid.*).

Kagame's vision for development is based on the social re-engineering of rural society (Ansoms 2008, 2009). It aims for a structural transformation of the Rwandan subsistence agriculture based economy into a modern, commercial and diversified economy. This means a professionalisation and increase of productivity in the agricultural sector; through rural resettlement policies and collectivisation for example; but also the goal of employing a substantial part of the labour force in other sectors. Kagame has identified the ICT sector in particular as a niche for development, by expressing the ambition to become the ICT-hub of Africa.

But the development vision reaches further beyond the economic horizon into issues of "civilisation" as well. The urban development of the capital city Kigali is high on government agenda's and includes a rapid modernisation and central planning for architecture. The exterior of the city must be up to Western standards, and for this reason plastic bags were banned, street vendors prohibited, slums destroyed (with alternative housing offered outside of the city centre) and must all citizens participate in a communal cleaning project once a month called *umuganda*. And Rwandans must never forget to wear shoes to the market if they do not want to end op in one of the overcrowded prisons (Ansoms 2009). According to Kagame, these things are important for attracting investment.

What is interesting to notice, is Kagame's view on the relationship between Africa and the developed world. He strongly opposes African dependency of foreign aid, and openly condemns the "African" attitude of sitting around waiting for help. Rather, he beliefs, Africans should take care of their own problems – including civil war and conflict. This view has given him a unique position within African politics and diplomacy, but also led to much criticism from Western scholars (see next paragraph).

In his vision, Kagame has taken the East Asian Tiger countries as an example. A government official of the Ministry of Economic and Financial

Planning (MINECOFIN) explained that the president often visits South Korea and China together with senior civil servants to study their development planning. Other policy makers are offered trainings and lectures on East Asian development in Rwanda (interview A). With this, he ensures that his development vision drips through the bureaucracy from top to bottom.

What becomes obvious now is that Kagame does not envisage a small Rwandan state with mere solid market-enhancing institutions. Instead, he sees an important role for the government to build broader foundations for the capitalist system to function. The role of the government is to facilitate a flourishing market economy; by strengthening both the private sector and academia:

> I believe that all nations must relentlessly build world-class knowledge institutions that create a robust stock of scientists and researchers, foster a dynamic private sector in which industries nurture innovative talents for prosperity creation, and establish professional public services managed by insightful policy makers ... which in turn permits a more rapid socioeconomic transformation ... The challenge on our continent is that each of the three players – government, business and the university – has yet to consolidate their roles into an interdependent relationship that links demand and supply of scientific and technological innovations on a scale needed to transform our societies. (Kagame 2008)

Indeed, it seems, Kagame sees the importance of a 'capable' state (GoR 2000) and building Public Private Partnerships (PPPs, see chapter three) for development.

But why is he so committed to the transformation of Rwanda? If one would contextualise his leadership, it first must be noticed that Rwanda being a landlocked, resource-poor and highly polarised country has an inherent pessimistic outlook for development. But Collier and O'Connell point out that exactly because of these limited possibilities leadership becomes 'resilient to policy errors and predation' (2004: 22). Second, there is the almost constant military threat from the violent *interahamwe* groups living just over the border in the Democratic Republic Congo (DRC). There, Hutu and Tutsi rebel forces still fight each other in an area that is almost for 80 % inhabited by Rwandan refugees. The fable diplomatic relationship with the DRC[21] has led to a situation in which Rwanda will do anything to avoid this conflict spilling over its own borders again (including entering DRC territory). But most of all, economic wellbeing will be deployed to keep internal security, (and to appease both Hutu and Tutsi returnees).

Embedded Authoritarianism?

This vision on development was first realised in the first years after the genocide. Internal reconstruction efforts were paralleled by the restoring of international diplomatic relations and Rwanda was commended for its development achievements. But in the years leading to the writing of the new constitution and the first elections, Kagame was criticised for being a wolf in sheep's clothing.

First, Rwanda's military pursuit in the DRC was not taken lightly in the international community – especially after the UN published a report which states that Rwanda participated and benefitted from illegal mining activities in the region

(UN 2002). But this did not damage Kagame's credibility as much as the critiques from his opposition before the 2003 elections. According to Reyntjes (2006); the RPF made a number of unilateral amendments to the Arusha Accords that were the basis for transition governance, which established the 'illusion of inclusiveness' (*ibid.*: 1105) and an abuse of power by the RPF. Already in 1995; government officials from the opposition resigned and went in exile to critique the style of governance of Kagame. He was being challenged both by Hutu-dominated parties that (in line with their political identity established in the previous chapter) demanded democratisation and liberation, but also by Tutsi genocide survivors that claim that the places in the élite are only opened to Anglophone returnees and who therefore feel excluded. The RPF fights back with claims about corruption against many members in parliament (all non-RPF); who are forced to resign between 2000 and 2003 (Waugh *op. cit.*). In 2000, the Hutu president Pasteur Bizimungu also resigns after similar charges. He was finally sentenced to 15 years (Reyntjes 2006).

The RPF eliminates all opposition by deploying chapter three from the constitution, which states that political organisations that base itself on ethnic ideology or challenge the stability of the country are not allowed (GoR 2003). Many of Kagame's enemies were removed from the stage because of 'creating division' in society (Waugh *op. cit.*). In the end, the power of the RPF was not really challenged because the social control created by the RPF was too strong and the exiled opposition movements too scattered (Rafti 2004).

Opposition in Rwanda did not come from civil society. This has traditionally been very weak in Rwanda, as civil obedience is valued highly and people are reluctant to even discuss politics in public (field notes author) (see also Goleeba Mutebi *op. cit.,* Waugh *op. cit.*). The media in Rwanda are highly politicised, with government directed newspapers, radio and television-channel; despite some attempts to challenge this situation (see The New Times, 11 July 2009). Even foreign media are censured, like when the broadcasts of the BBC in the Kinyarwanda language were banned because they were supposed to create division (BBC 26 April 2009). But as Waugh tries to remind us,

> The decision to prioritize security, social cohesion and political awareness over free expression and broad civil rights has numerous parallels in societies which have been thought of as successful and moderate in other respects and at other times in history. The early progress of the emerging Asian economies such as Malaysia, Taiwan and South Korea in the aftermath of World War II was partly achieved through decades of authoritarian rule, which was accepted by much of the population as a necessary sacrifice and only gave way to democracy some time after their economic and social miracles had been achieved. (Waugh *op. cit.*: 163)[22]

After the stormy waters became quiet again; Kagame was elected officially for the first time as the president of Rwanda in 2003 with 95 % of the vote. Whether this figure is completely reliable or not, Kagame does have legitimacy with a large proportion of the population because of the sense of security and economic progress he established (*ibid.*: 194).

5.2 MEN AT WORK

> [T]he construction of a "real" bureaucracy ... is a crucial development task. To accomplish this task, the institutionalization of meritocratic recruitment patterns and predictable career paths must be accompanied by sufficient resources to make careers in the state competitive with careers in the private sector. (Evans 1989: 582)

Who are actually implementing Kagame's philosophies? What is first to be said, is that the Rwandan government has diagnosed its own bureaucratic institutions as having 'weak capacity' (GoR 2000). The formulated goal of "good governance" for Rwanda means a professionalisation of this institutional setting. One issue is the lack of professional personnel – in spite of the fact that Rwanda aims for meritocratic recruitment of the offices.

The transformation of the military educational institute into the Kigali Institute of Science and Technology was seen by some as the creation of 'a university intended for the grooming of Rwanda's future élite' (Waugh *op. cit.*: 214). A representative of the Rwanda Development Gateway (RDG) confirmed that for example almost the entire Rwanda Information Technology Authority (RITA) depends on KIST graduates (interview B). Certainly, the creation of an élite university was deemed important in the East Asian development experience; for it contributes both to dense bureaucratic traffic as to constituting PPPs.

But a good university brings with it the risk of a *brain drain* (interview B, interview C). Another government official responded to this problem with two solutions. The first is that the renewed importance of Rwandan patriotism[23] does keep the élite in the country, or even brought intellectuals living abroad back home. The second involves offering financial advantages to bureaucrats, like tax incentives, a transport scheme, lower insurance fees and the possibility of continuing education (interview A). These benefits also emphasise the hierarchical division within the offices, which is rooted in a long Rwandan tradition.

Another point that is important for a rational bureaucracy is a low level of corruption. Despite the scandals the RPF went through in the years before the elections; Rwanda's civil service apparatus has always enjoyed a reputation of low corruption. The installing of a new Ombudsman in 2004 further contributed to that; together with the launch of a campaign to hand over suspects of corruption to the police.

These elements point out that there is a desire to create a strong Weberian bureaucracy, although it is not as strong (yet) as it was in the early years of East Asian developmentalism. But it is also important to consider its decision-making power with embedded autonomy. In this field, Reyntjes points out that the amendments made to the Arusha Accords by the RPF increased the executive power of the presidency vis-a-vis the parliament (2006: 1105), although this cannot be found as explicitly in the 2003 constitution. However, the government official from the MINECOFIN acknowledged that the Vision 2020 that guides all other Rwandan policy was written on the initiative of the president's office (setting the key priorities) while the process was led by the opinion leaders of MINECOFIN (interview A).

The process of writing the document included discussions with citizens and interest groups at the local level, but these were directed by the local government and the inputs of these groups can be questioned because of the weak tradition of civil political involvement. The same interview added that most of the policies designed by the ministries meet little resistance in parliament. This might me due to the crystallisation of the position of the RPF in parliament throughout the years; while at the same time the RPF is a major recruiting ground for political and administrative staff (Ansoms 2008). Political connections do matter, since it is mostly the English speaking Tutsi returning from the diaspora that are considered for important positions (*ibid.*).

What then remains to be discussed is the way in which the bureaucratic offices in Rwanda are organised. During the past years, Rwanda has re-organised its ministerial offices. Several ministries were re-named, re-located and had their organisation re-modelled after East Asian bureaucratic examples. The current list of ministries is provided in appendix D.

It would be impossible to analyse Rwanda's entire bureaucracy in this paper. However, a number of issues are important to note down. The re-organisation of Rwanda's ministries prioritised development as a cross cutting issue. This means every ministry has a department for development planning reporting to the department for development planning in MINECOFIN. This kind of traffic between bureaucratic offices was important in the East Asian development as well.

The previous section pointed out the role of the MINECOFIN in designing the country's development strategy. Other important ministries are MININFRA, MINEDUC and the President's Office (interview C). But Rwanda also created a number of para-bureaucracies after East Asian examples. These are even more insulated from pressure groups or parliament. A good example is the recently created Rwanda Development Board (RDB). The RDB is an independent office that takes on various tasks for development, from institutional strengthening and designing ways to make the bureaucracy more efficient and effective. It aims to attract investment and improving Rwanda's reputation and credibility abroad. It was purposefully designed after the Singaporean Economic Development Board after a visit there by Kagame and his team in 2007. The RDB certainly resembles its mission to identify economic opportunities and plan and execute economic strategies that lead to sustained growth[24].

5.3 WHEN IDEAS BECOMES STRATEGIES

> The central rational for Third Way industrial policy to force the pace of internal and external integration is not static teething problems facing newcomers; it is the need to build the firm-level capacity to master the "tacit" elements in technical knowledge, knowledge that cannot be embodied in machines, blueprints or instructions. (Wade *op. cit.*: l)

Rwanda commenced its development trajectory in the development-framework of the IFIs on which it financially depends. This means that they are in the Poverty Reduction Strategy framework. Rwanda reached the Highly Indebted Poor Countries completion point in 2005 and is currently in the Multilateral Debt Relief initiative of the IMF. At the same time, Rwanda tries to comply to the Millennium Development Goals (MDGs) of the UN. These 'obligations of international development' (GoR 2006a) do influence Rwanda's economic strategy, since it limits the scope for selective interventions (see chapter two). Despite the critiques to this paradigm, authors like Charles Gore (*op. cit.*) have pointed out that it is virtually impossible to "delink" from the IFIs. For this reason, an appropriate Southern response must be maintain a sort of macroeconomic framework *plus*. Rwanda certainly seems to try so.

Overall, Rwanda seems to comply to the proposed market institutions and policy adjustments. But the ideology that guides Rwandan development planning differs greatly from the conventional one: rather than downsizing the state, Rwanda aims for a strong state.

> Concerning the industrial policy, two approaches coexist: one is favorable to the Government intervention, allowing remedying the market deficiencies, to the externalities and to the uncertainty. Another one is opposed to the government vertical measures which should not interfere in the free market laws. With its economic liberalism policy, Rwanda is strongly committed to respect the free market functioning. However, the Government is bent on playing its own role of facilitator and would like to put in place a favorable environment for the economic growth and the free competition. (GoR 2006a)

This dualism has led to two types of market conforming government policies[25].

The Government as Facilitator

Evans (1995) pointed out that an important element of midwifery and husbandry in government economic policies is the facilitating of markets. Rwanda aims to do so in several sectors.

First, improving the country's *infrastructure* is expected to benefit the productivity of local firms as well as Rwanda's overall competitiveness. Since Rwanda is landlocked and has a limited domestic market it is essential that it improves its accessibility for the regional and international market. Furthermore, to enhance welfare in rural areas it is necessary to improve internal transportation as well (interview C). For this reason, the MININFRA is concerned with the construction of transport networks. A number of "big projects" are aimed for, like a railway from Dar es Salaam to Kigali, an oil pipeline from Kampala to Kigali and the creation of a new airport. These projects receive government support since it suits its goal of becoming a transport hub in the region (interview C). However, these are expensive projects and not all finances have been arranged for yet.

A second responsibility of MININFRA is improving the access to water and energy resources. Rwanda subsidises the prices of fuel to keep these stable and affordable. However, this is expensive and Rwanda aims for environmentally sustainable solutions for its lack of resources and water. To do so, KIST for example developed a method to extract biogas from human wastes. This is currently applied at large-scale in the country's overcrowded prisons, with the potential to use it at other places like remote rural villages as well. Furthermore, Rwanda together with a team of experts in a PPP is researching the possibility to extract (more) methane-gas from Lake Kivu. It is expected that the amount may be increased, even up to a level where Rwanda might export energy (interview C, Watkins and Verma 2008).

The government of Rwanda also functions as a facilitator in the area of *human resources* development. Rwanda is in the "green zone" in its progress to the MDG for universal primary education by 2020. Its illiteracy rate in 2006/2007 was 74 %, while primary school enrolment was 90% (GoR 2007: 31). The primary school completion rate doubled from 2000 to 2006 from 22% to 52%. Rwanda Vision 2020 however aims for secondary and tertiary education to expand as well.

While secondary education remains in red, the admissions to tertiary education have greatly improved (*ibid.*). The prioritisation of tertiary education by the government can be seen in figure 7 in appendix B, which shows that the government spent much more on tertiary education than on secondary education in 2006.

It is an integral part of the wish to transform Rwanda into a knowledge based economy. Within that same wish, technical studies like engineering as well as studies in the ICT sector are highly prioritised - for example through scholarships (interview D). This is a follow up to the prioritisation of mathematics in primary education. However, a shortage of qualified personnel in the vocational sector is identified and currently the government focuses on Technical and Vocational Education and Training as well (*ibid.*, see also Watkins and Verma *op. cit.*).

The government of Rwanda also regards the health of the population as a priority. A healthy labour force is required for its development. In the MDG related topics, Rwanda especially made progress on reducing child mortality rates and combating diseases like HIV/AIDS and malaria. Health services have greatly improved. The government of Rwanda also controls the prices for medications and medical consults so to keep these accessible for the population (WTO 2004).

The Government as Promoter

Here it is important to take a more specific look at the economic policies of the government of Rwanda. The EDPRSP tends to focus mainly on poverty reduction policies, for example with the rural development program *Vision 2020 Umurenge Program* (GoR 2007). In order to eradicate rural poverty this programme aims to create off-farm employment by using the community to take on public works (*ibid.*).

The Growth flagship in the EDPRSP programme justifies policy interventions that facilitate the transition to a knowledge-based economy and society. In its attempt to improve Rwanda's technological base, President Kagame has urged to increase the public budget for R&D from 1.6% to 3% of GDP. Through the support of KIST and the Centre for Innovation and Technology Transfer (CITT) the government also induces technological autonomy[26]. Through this, both KIST and CITT become centres for technology transfer. The government then supports private actors in adopting these technologies (GoR 2007: 51). The government prides itself for example in the success story of *Maraba* coffee, a cooperative of coffee producers which improved its production and quality through access to ICT as facilitated by the government (interview A).

The government aims at fostering business and entrepreneurship in the private sector by being 'catalyst – stimulating economic activity and private investment' (GoR 2000). In this, the provision of Business Development Services is important. This paid off according to the World Bank Doing Business Report 2009, which announced Rwanda as top global reformer of the year.

Rwanda focuses on the transformative potential of services. The government mainly prioritises ICT, financial services and tourism for growth in the next years. By improving the opportunities for luxurious eco-tourism Rwanda aims at tourists with a high budget which has potential for growth. Furthermore, Rwanda hopes on becoming a regional hub for financial services through strengthening of the banking and insurances sector, 'just like Singapore' (interview A).

Rwanda still has a very weak manufacturing base and hardly exports any manufactures. Industrial policy therefore aims at improving growth of industrial production from 7.6% to 12.5% (GoR 2006a). It does so by promoting increased production, promoting value-adding before export, by setting up industrial zones and by promoting substitution of imports by Small and Medium Entreprises (SMEs) (*ibid.*, 2006b) This is all related to products in the low-technology range, since Rwanda still has a lack of access to modern technologies.

The government has supported the innovation of food-processing technologies in CITT and KIST, which has led to new bread-baking techniques for example (interview D), which benefits the local economy but hardly improves Rwanda's competitiveness.

Rwanda´s government thus sees government support for specific industries as important. It intervenes in the industrial structure by ´picking winners´ and by channelling market forces to work for the interests of winners (GoR 2006b). This industrial policy is complemented by the competition policy and trade policy. According to the WTO (2004), manufacturing is the most protected sector of Rwanda's economy. While Rwanda aims to be an open trading country and strives towards compliance to WTO, EAC and COMESA regulations, it does want to protect its domestic firms from unfair foreign competition (GoR 2006c) in order to safeguard the welfare of both consumers and entrepreneurs. The promotion of Rwanda's competitiveness occurs in all ministries (GoR 2006b). The competition policy names a number of vehicles to do so, for example by establishing PPPs for the consultation on marketing and prices, especially for 'sensitive goods' (GoR 2006b).

In its compliance to the IFI framework Rwanda does aim at liberalisation and privatisation. But in 2004 Rwanda still had 41 private companies in all sectors. According to interview A, the government will not privatise when this is bound to be ineffective or damaging to the welfare of the population. The government will therefore not privatise public utilities company *Electrogaz* (interview A). And with the same argument, the government re-nationalised *Terracom*, a telecommunications company; since its progress after privatisation was seen as too slow (Farell 2007).

Government control over finances should also be addressed. First, Rwanda controls the prices for a number of products of which the government claims they face market failures. These include electricity, water, petroleum, public transport and medicines, but also sugar, rice and cement (WTO *op. cit.*). But further price controls or subsidies are limited.

Levels of public investment have risen, although Rwanda's financial resources are limited. Investment to the productive sectors occur in concordance with private actors through PPPs. The total amount of domestic investment has increased greatly, see figure 6 in appendix B. The Banque Rwandaise de Développement (BRD) serves the mission of being the government's financing arm by providing long-term (10 years) credit to businesses. The trade policy emphasises that the requirement for loans for businesses must be relaxed (GoR 2006b). However, the BRD is only for 56% owned by the government which means that it is not fully controlled by it.

These elements of the economic policy show that Rwanda is creating a context for selective interventions. It is however a more difficult task to grasp the extend and potential of Rwanda's selective interventions. It is a nascent practice of which the results are hard to measure. The government does not provide much details on the specific practices of promotion.

5.4 IS ALL THAT GLITTERS GOLD?

> [A] Developmental State is not to be deified into some kind of omnipotent and omniscient leviathan that always gets what it wants. (Mkandawire *op. cit.*: 291)

This paper aimed to answer the question whether the institutional context in Rwanda resembles those of the Developmental State. The research has found each of the seven attributes of the prototype used present in Rwanda, however to varying extends. Simultaneously, Rwanda has been enjoying a high growth rate -

although no correlation between the two was established here. It is interesting to see that although the political will and identity to achieve structural transformation may be rooted in Rwanda's particular history, a number of the attributes are being deliberately modelled after East Asian examples. It is of course to early to conclude on whether an actual structural transformation will take place, but Rwanda's experience may hold valuable lessons for both other developing countries and the IFIs that guide their policies. But a cautionary note must be made here.

According to Ansoms, Rwanda's development ambitions are naive (2008, 2009). She argues that the ambition for the re-engineering of rural society projects the identity of the political élite on the rural population, without consulting them. The 'physical, ethnic and mental gap between their worlds' (Ansoms 2009) make these plans prone to failure. She perceives the process of transformation as damaging subsistence farmers. For example, while poverty has been reduced, the targets were not met and inequality actually increased (*ibid.*).

Actually, this is anticipated by the "transformation-literature" and it is why the IPE approach emphasises that the role of the government is to mediate conflict. But it is uncertain how the government intends to take on such a role. Ansoms writes that the government has no vision for alternative employment (*ibid.*). However, the problem according to this research is not so much a lack of vision but a lack of resources to meet this vision.

The role of the government as conflict mediator is also threatened by the fact that despite its language of reconciliation and nationalism for the Rwandan people, tensions between Hutu and Tutsi still persist. Reyntjes (2006) warns that the authoritarianism by the RPF and the exclusion of Hutu from politics may lead to structural violence again. In the same light the situation in the Kivu-region can threaten the fragile peace equilibrium Rwanda has at this point.

Not all that glitters is gold, but not all those who wander are lost. It is interesting to see how *Rwanda Vision 2020* will translate itself into its future reality.

6 CONCLUSIONS

An African Miracle?

A conventional explanation of domestic institutions that contribute to economic growth would emphasise small states and big markets. This is rooted in neoclassical theory of growth, trade and production and is "exported" to developing countries through the IFIs framework for international development. This approach was criticised in this essay by demonstrating what is absent in this discourse, namely the importance of structural transformation of the economy and the role of the state in achieving this.

The Institutional Political Economy approach suggests a more appropriate set of state institutions that make structural change a success. From this perspective, the state must take on constitutive roles as both entrepreneur and conflict mediator to successfully manage for growth (Chang 1994). Chang and Evans (*op. cit.*) pointed out that the Developmental State, based on the East Asian Miracle experience, is a classic example of how institutions contribute to structural change.

Considering the success of the NICs, it is relevant to see whether this could apply to other developing countries too. This research has therefore analysed whether this institutional context of developmentalism is reflected in Rwanda – an interesting case study because of its recent growth performance. To do so, seven attributes of a prototype of a Developmental State were constructed and examined for their presence in Rwanda. The use of a prototype of the concept of Developmental States in this paper was useful because rather than making a statement about "necessary and sufficient conditions", it allows to conclude on Rwanda's graded membership of the prototype for each attribute separately.

The analysis has shown that Rwanda's specific historical context has provided a *deep background* that shaped institutions that allow for centralised governance and control, and has created an élite with 'political will' (Short 2008) for economic development, despite the legacy of colonialism.

The government's ambition for structural change builds on traditions of political planning. Civil obedience, a weak opposition and a weak parliament have given President Kagame and its RPF a rather insulated position in society, in which the development ambitions can be translated to policy implementations without much resistance. This is related to *philanthropic authoritarianism*. Kagame and its inner circle take on the role of development entrepreneur committed to a strong economic performance, showing *developmental leadership*. This "political will" may be an expression of *economic nationalism*, since the incumbency of the élite is threatened by the fragile post-genocide social context, extreme poverty, a lack of resources and a slumbering conflict in the Kivu-region.

Rwanda still has a rather weak *rational bureaucracy*. It aims at meritocratic recruitment, but is hindered by a lack of skilled personnel and a lack of resources and is therefore inefficient. Its recent reorganisations aim at the insulation of the bureaucracy and at increased bureaucratic traffic, but it is really too early to conclude on this.

The government's role in the economy is twofold. It aims at facilitating the requirements for higher productivity by investing in *human resources* and providing infrastructure. This has led to improvement in terms of education, health and transportation possibilities.

In its role as promoter we can see some *selective interventions* in the economy, although Rwanda does value compliance to the international development framework as highly important. The government specifically focuses on services as a sector for growth, especially ICT, financial services and tourism. The government furthermore supports entrepreneurship and SMEs. It wishes to increase industrial production by protecting it against foreign competition, by promoting cooperatives and by "picking winners". It supports the development of technologies for the transformation of the economy. But not much data is available on *how*, or even how successful, Rwanda is in doing this. Recent data on the composition of GDP indicate that Rwanda's manufacturing base is still very weak.

The research question of this paper already acknowledged that it is too early to conclude on Rwanda's structural transformation. What it can answer however is whether Rwanda's present institutional context reflects the conditions of the Developmental State. This research has shown that Rwanda does reflect all seven of the attributes, albeit to different extends. The developmental leadership is largely influenced by the personal leadership of Kagame, which is not a continuous factor. Its authoritarianism is criticised for inciting tensions between Hutu and Tutsi and may therefore not contribute to development but rather damage it. Lastly, the selective interventions in the economy especially seem to be weak spot, since it may not be substantial enough to achieve structural transformation. It is still too early to conclude on a possible "African Miracle". But Rwanda is an interesting case to follow the coming years.

NOTES

[1] According to the CIA World Factbook 2009, Rwanda ranks 213 of the world

[2] The absence of human capital in developing countries is given as an explanation for the "failure" of the convergence theory, see Romer *op. cit.*: 99

[3] Glaesser *et al* (2004: 272), referring to a number of influential authors on the subject, point out that there is now an 'intellectual consensus' about a such a role for the government and institutions in the economy

[4] Note that this excludes dimensions of production and competitiveness in international trade. Moreover, very little is known on how institutions like these come to life and how they change over time (Chang and Evans 2000).

[5] Harris et al. (*op. cit.*: 5) point out that NIE is instinctively 'anti-interventionist'

[6] See Foucault on the importance of absences in a dominant narrative: [1972] 2002: 28.

[7] See for a comprehensive overview Chang (in Woo-Cumings [ed] 1999: 182-3)

[8] These elements are not exclusive but rather complementary of each other.

[9] A bureaucratic position was only available to the gentlemen, the *junzi*, who had enjoyed special political education. Legitimacy of Asian bureaucracies, like that of early African bureaucracies, relied on rituals in the field of dance, music and knowledge of history.

[10] Although of course some critics claim that these interventions were not directly related to the economic performance, like the World Bank East Asian Miracle Report of 1993. However due to limited space this paper will not touch upon that particular debate.

[11] Evans (1995: 146): Korea even spent up to 2% of GNP per year in R&D

[12] Amsden (1989) in her analysis of South Korean developmentalism calls this 'getting the relative prices wrong'; a term that plays with neoliberal catchphrase of 'getting the prices right'.

[13] Amsden does point out that while education was important for the development of Korea, it was a 'passive' agent for development. Upgrading education levels can also lead to social upheaval, as many are initially underemployed or even unemployed.

[14] Mkandawire mentions and challenges the following reasons that are often referred to in order to prove that developmentalism in Africa is a *contradictio in terminis*: '(a) the dependence, (b) the lack of ideology, (c) the 'softness' of the African state and its proneness to "capture" by special interest groups, (d) lack of technical and analytical capacity, (e) the changed international environment that did not permit protection of industrial policies, and (f) the poor record of the past performance' (*op cit.* 294)

[15] Before the history of Rwanda is to be explained, it is important to create awareness on the reliability of the claims made in the following chapter. There are no written sources that date back until the early days of the Rwandan kingdom. Instead, all sources used in this paper on their turn rely on the oral traditions that kept Rwandan history alive; but sometimes tend to lean towards the 'élite side of the story'.

[16] A map of Rwanda can be found in appendix A

[17] The context leading to the 1994 Rwanda genocide is very complex, and despite extensive documentation it remains without a consensus. To describe these events would be to write a separate paper within this one, and for this reason I chose to leave it out.

[18] Some consider the use of European languages and geopolitics to be closely related in Rwanda. However, this is not directly relevant for the discussion in this paper and will therefore be left out.

[19] This article can be retrieved at http://www.fastcompany.com/magazine/134/special-report-rwanda-rising.html accessed 16 September 2009

[20] Fred Rwigyeme was killed in the 1990 military intervention in North Rwanda, leaving Kagame as the leader of the RPF

[21] The relationship between the DRC and Rwanda is rather complicated and this paper has not enough resources to elaborate on this.

[22] Such a statement suits the transition paradigm of democratisation. Reyntjes (2006) however questions whether such a transition paradigm is empirically valid, especially in the case of Rwanda, since no progress towards democratisation has been made since 1994.

[23] What was not discussed in the interview is how this newly trained élite is part of the English speaking Rwandan intellectuals, educated in Uganda. A few years ago, English was recognized as a third official language and is the language now used in higher education. Rwandan educated élite often speak French and thus have less access.

[24] [Online available]
http://www.edb.gov.sg/edb/sg/en_uk/index/about_edb/vision__mission__.html accessed 1 November 2009

[25] The WTO for example replies to this by saying that the role of the government in the economy is too large

[26] This has been criticised by Watkins and Verma (*op. cit.*) because they think Rwanda could gain more from effectively adopting existing technologies. But Rwanda aims at balancing the use of foreign and autonomous technologies (interview D

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Appendices

A. Map of Rwanda

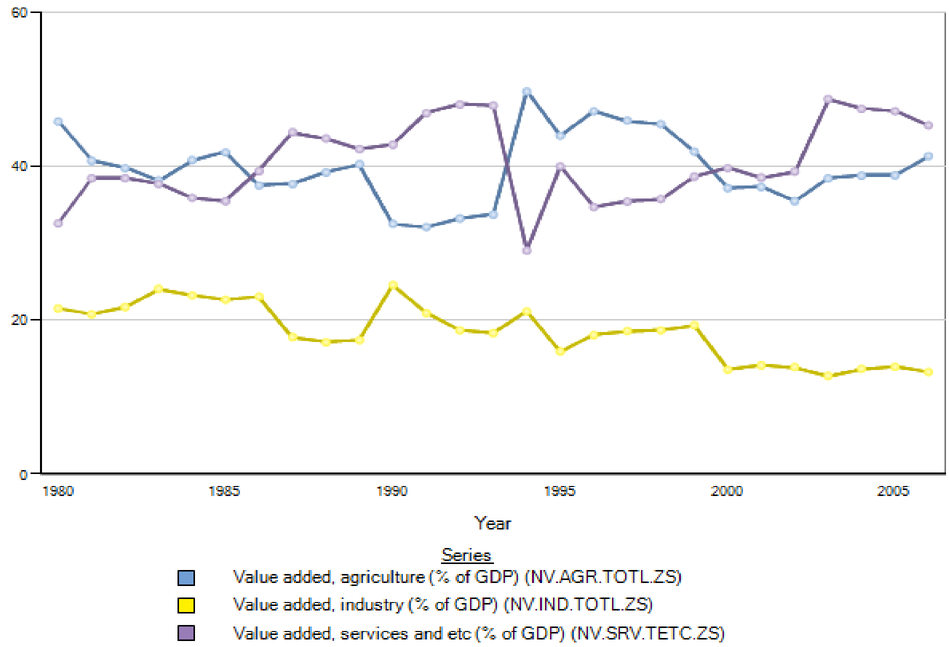
Source: CIA World Factbook 2009

B. Graphic representations of the economic structure of Rwanda

Figure 1: Real GDP growth Rwanda 1970-2008

Source: Calculated with World Bank African Development Indicators 2009

Figure 2: Value added agriculture, services and industry as percentage of GDP in Rwanda , 1980-2006

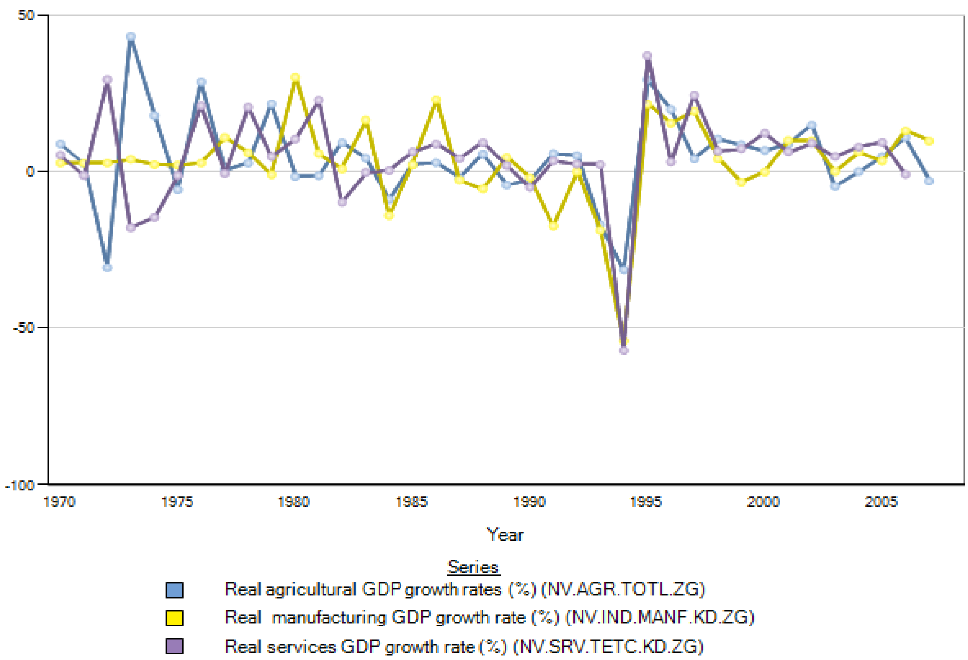


Source: Calculated with World Bank African Development Indicators 2009

Figure 3: Manufacturing percentage of GDP in Rwanda, 1980-2006

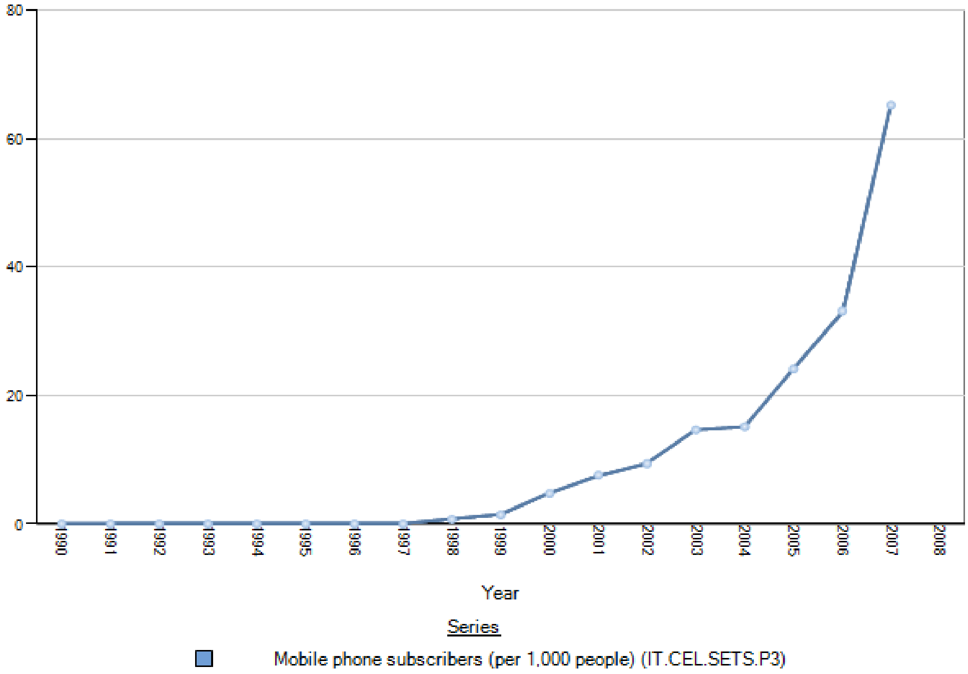
Source: Calculated with World Bank African Development Indicators 2009

Figure 4: Real growth of agriculture, manufacturing and services GDP (%) in Rwanda 1970-2008



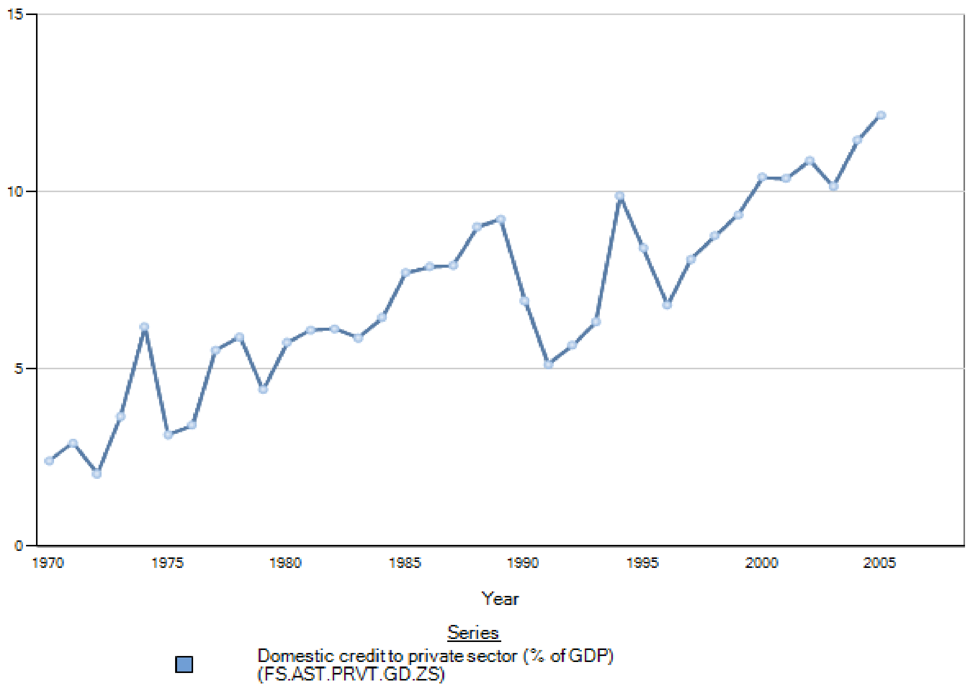
Source: Calculated with World Bank African Development Indicators 2009

Figure 5: Mobile phone subscribers per 1000 people in Rwanda 1990-2008



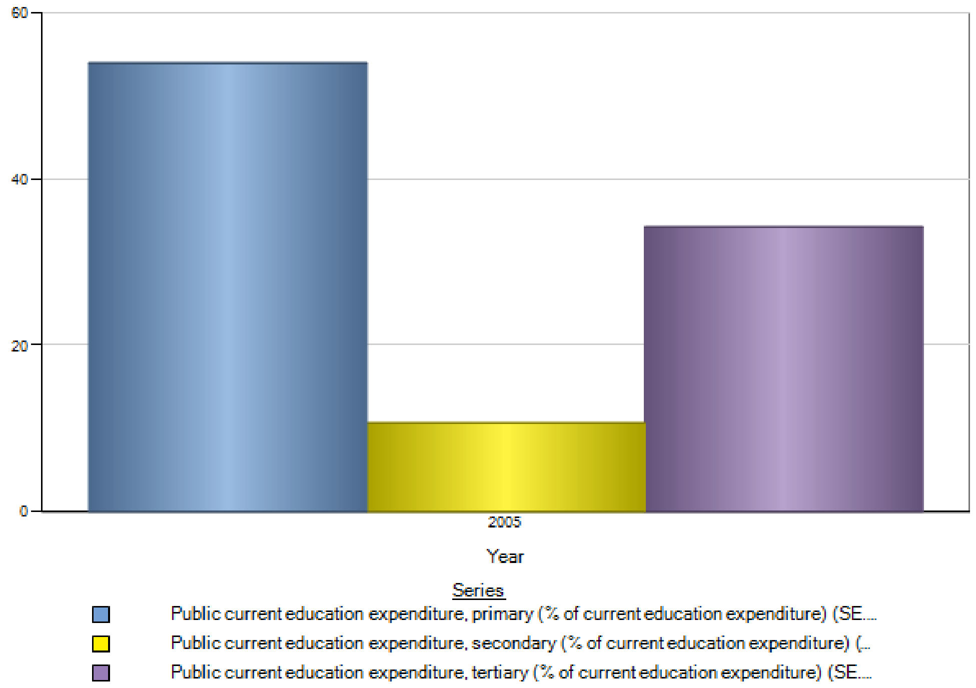
Source: Calculated with World Bank African Development Indicators 2009

Figure 6: Domestic contribution to private investment in Rwanda 1970-2008



Source: Calculated with World Bank African Development Indicators 2009

Figure 7: Public education expenditure (%) for primary, secondary and tertiary education in Rwanda 2006



Source: Calculated with World Bank Development Indicators 2009

C. Interviews in Rwanda 6-20 July 2009

Interview	Department	Function	Name
Interview A	Ministry of Economic and Financial Planning	Director of Development Planning	Andre Habimana
Interview B	Rwanda Development Gateway	Director	David Rurangirwa
Interview C	Ministry of Infrastructure	Personal Assistant to the Minister	Théoneste Mbanda
Interview D	Kigali Institute of Science and Technology	Rector	Abraham Atta Ogwu
Interview E	Rwanda Development Board	Deputy CEO Human Captial & Institutional Development	Déogratias Harorimana

D. **List of Rwandan Ministries**

The Ministry of Finance and Economic Planning
The Ministry of Education and Scientific Research
The Ministry of Local Government, Good Governance, Rural Development and Social Affairs
Attorney General Offices/ Ministry of Justice
Ministry of Health
Ministry of Agriculture and Animal resources
The Ministry of Infrastructure (MININFRA)
The Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (MINICOM)
The Ministry of Lands, Environment, Forestry, Water and Mines (MINITERE)
Ministry of Public Service and Labour (MIFOTRA)
The Ministry of Internal Security (MININTER)
Ministry of Foreign Affairs and Cooperation (MINAFFET)
Ministry of Defence
Ministry of Gender and Family Promotion
The President's Office (special ministry for STI)