Bachelor thesis

Is Rwanda a developmental state? An analysis of economic policies and politics in Rwanda.

Abstract

Since the 1994 genocide, Rwanda had experienced consistently high economic growth. This could mean that Rwanda is a successful developmental state, which will sustain growth in the future. However, current growth could also merely be a sign of catch-up after conflict, while the country's authoritarian nature may undermine growth in the long run. In this paper I draw on Leftwich's concept of the developmental state and Acemoglu & Robinson's concept of economic growth under extractive institutions to investigate whether Rwanda shares more characteristics with a developmental state than with a predatory state. I argue that when comparing Rwanda to developmental states in East Asia and Latin America, the country cannot be considered a developmental state because the government is too dominant in the developmental policy relative to the private sector. Furthermore, the development board has not enough autonomy and there is a risk of elite capture. Besides that, there is no freedom of expression and repression is widespread. I argue that if Rwanda wants to ensure further growth that developmental policies should change to more inclusive ones.

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Introduction

On 29 May 2018 the Guardian (Waterson, 2018) writes that Rwanda's 30 million-dollar Arsenal sponsorship deal divides opinion. According to Kagame, this investment is needed to gain more economic benefits from tourism. 'Visit Rwanda' is visible on the Arsenal shirt sleeve this season and according to Kagame could lead to 300-million-dollar in revenues. The article represents the economic development Rwanda has gone through in the past 25 years. Since the genocide in 1994 the government has led developmental policies, and with success. With high economic growth rates, Rwanda is acclaimed for doing better than countries with more favorable conditions (Hasselskog, 2015, p. 154). Indeed, Rwanda has no valuable natural resources and was economically completely down after the genocide in 1994. However, critics see this deal as an example of a predatory state in which an autocrat decides to sponsor a football club of his preference. Others argue that the money spent on this deal could be spent in other ways to the benefit of many Rwandan citizens. Rwanda can indeed be seen as an autocracy according to the freedom house (2019).

Rwanda may or may not be recognized as an emerging developmental state and associated with the other developmental states. There is enough literature on the East Asian and the Latin American developmental states, but the literature on the African developmental state is not available in the same numbers. Moreover, in the literature the debate on Rwanda's status as a developmental state is still ongoing, but there has not been a direct comparison to the other developmental states in East Asia and Latin America.

This paper addresses the economic development of Rwanda and tries to determine if Rwanda is or can be considered a successful developmental state and, if that is the case, if the economic growth will be sustainable, as compared to, for example, the Asian Tigers. To answer this question this paper will give an extended overview of literature on developmental states within a larger theoretical framework questioning the relationship between democracy and development.

To determine whether Rwanda can be recognized as an emerging developmental state I draw on the concepts of Acemoglu & Robinson (2012) and Leftwich (2000). Acemoglu & Robinson introduce the concept of inclusive and exclusive institutions in order to predict whether a state can develop. Leftwich defines the developmental state as a strong state and argues that development and democracy do not go together. Building on these concepts I identify characteristics of either a developmental state or a state with exclusive institutions in which development will not last. The characteristics of the developmental state are a development-focused elite, market-conforming methods of state intervention, bureaucracy with a pilot agency and possibly redistribution through social services. The characteristics of the state with extractive institutions are political power in the hands of a narrow elite, resources which are extracted from the society, no technological innovation and low educational standards.

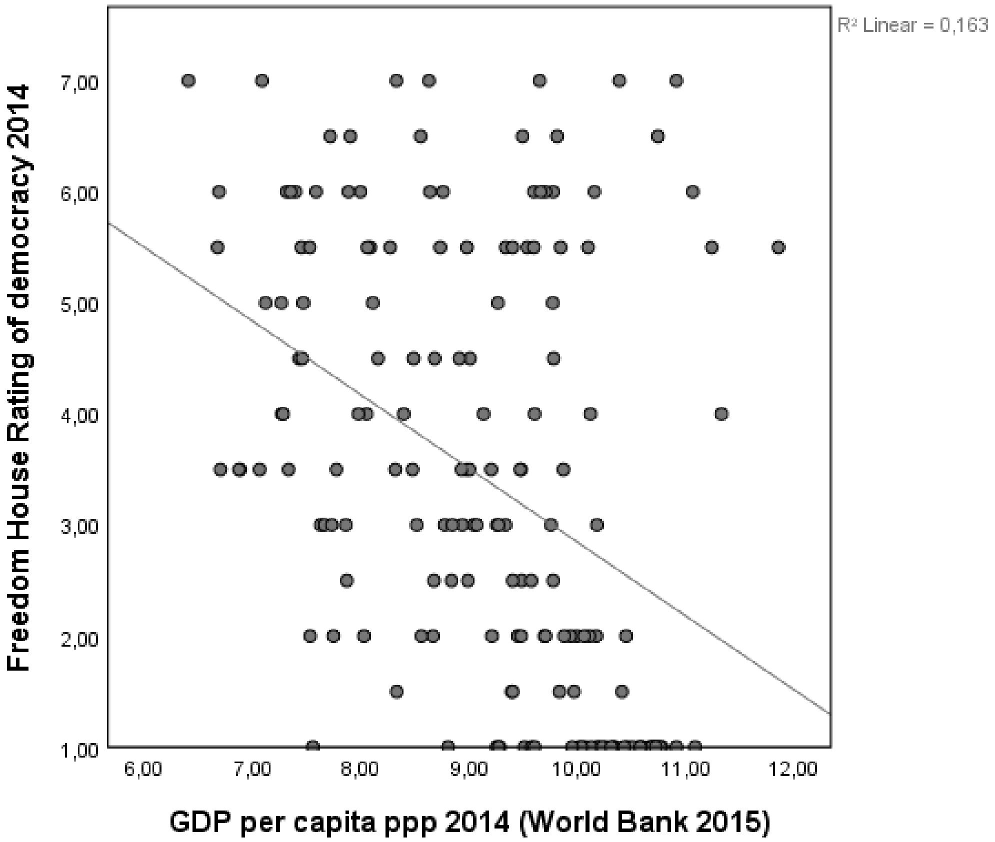
The main findings are that Rwandan economic development cannot be seen as sustainable at the moment and that the Rwandan developmental state is not the same as the East Asian and Latin America developmental states. The Rwandan government is more autocratic and more dominant in determining developmental policies and has control over the main enterprises in the Rwandan economy. As a result, the economic competition disappears and private growth wanes. Besides that, there are repressive laws interfering in the daily lives of the inhabitants and there is no freedom of expression. Moreover, Rwandan developmental policy does not contribute to inclusive institutions. The expectation is that, if the institutions do not become more inclusive in the future, then economic growth will slow down.

In the next section I will give an overview of the existing theories on the relationship between democracy and development, and the developmental state in particular. I also identify the key characteristics associated with the failure and success of states' economic development. In section 2 I look at Rwanda as the empirical case and I and analyze to what extent the identified characteristics are applicable to the country. In the conclusion I summarize the main findings and discuss the limitation of the study. I also formulate several policy recommendations.

Section 1: theoretical Framework

As graph 1 shows, there is a correlation between a higher GDP per capita and democracy. The indicator for democracy in this case is the mean of the two Freedom House variables, political rights and civil rights, in which 7 is considered not free and 1 is considered free. The graph shows a negative relationship, and hence a positive association between the degree of freedom in a country and its level of development. The direction of the effect is uncertain, however. In the literature, there are different explanations for this relationship.

Graph 1: Correlation between GDP and Freedom House Rating



Data from Pippa Norris: Democracy Cross-national Data, Release 4.0 Fall 2015

Lipset (1959) sketches one important relationship between wealth and democracy. He argues that in a wealthy society in which only a few citizens live in real poverty, in that situation citizens participate and the society develops as an inclusive one and moves away from irresponsible demagogues. A society in which there is a clear division between the mass and the small favored elite, however, can result in oligarchy or tyranny (Lipset, 1959, p. 75). For his research Lipset analyzed a wide range of socio-economic indicators for countries in Latin America and Europe and for English-speaking democracies. He found that, the more democratic a country is, the higher its level of development.

Lipset's modernization theory principally argues that economic development leads to democracy because high levels of education and literacy create a sustaining belief in democratic norms. Another reason that increased wealth leads to democracy is that wealthy societies have a large middle class which supports the democratic system and democratic parties, and opposes extremist groups (Lipset, 1959). A third explanation is that the general income level of a nation will also affect the bureaucracy, which is a condition for the modern democratic state. Higher wealth can affect the development of universalistic norms among civil servants and politicians and promote recruitment based on competence and performance rather than favoritism.

Diamond (1992) tested the modernization theory again by doing a recalculation using Freedom House data and GDP data. Based on these results Diamond (1992, p. 455) suggests a reinterpretation. He argues that in countries which are democracies sustained development leads to more legitimacy and stability. In countries where democracy does not exist development eventually leads to the establishment of democracy. However, it is difficult to predict at what point in a country's historical development the democratic movement will emerge. It is not just economic growth that is the most important developmental factor in promoting democracy. Nevertheless, Diamond (1992, p. 485) holds the position that development will ultimately support transitions towards democracy.

Przeworski and Limongi (1997, p. 165) formulate an important critique of the modernization theory. They argue that there are no grounds to believe that economic development breeds democracies as the casual power of economic development in bringing dictatorships down appears paltry. A few authoritarian regimes did develop into democracies because of economic development as predicted by the modernization theory. Yet most of those that did not develop economically eventually became democracies. So, no level of income predicts when the transition to democracy will occur. According to the authors, the only thing that can be concluded from the positive relationship between freedom house and GDP is the consolidation of democracy. If GDP per capita is higher than 6,055 dollars, a democracy will not collapse.

Acemoglu and Robinson (2012, pp. 73-78) then argue that democracies are caused by other factors than economic development. To explain the different development outcomes of democracies and non-democracies Acemoglu and Robinson use a historic-institutionalist perspective. According to Acemoglu and Robinson countries differ in their economic success because of their different institutions, the rules influencing how the economy works, and the incentives that motivate people. There are inclusive and extractive institutions. 'Inclusive institutions are those that allow and encourage participation by the great mass of people in economic activities that make the best use of their talents and skills, and that enable individuals to make the choices they wish. To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it must also permit the entry of new businesses and allow people to choose their careers' (Acemoglu & Robinson, 2012, p. 78). Inclusive institutions also pave the way for two other engines of prosperity: technology and education.

'Extractive political institutions concentrate power in the hands of a narrow elite and place only a few constraints on the exercise of this power' (Acemoglu & Robinson, 2012, p. 81). Economic institutions are then often structured by this elite to extract resources from the rest of the society. According to Acemoglu and Robinson there cannot exist sustainable economic growth in a society with extractive institutions. The case of China is explained as a catch-up growth and the expectation is that the economic growth will decrease. The economic growth is not sustainable since there is no technological innovation in societies with extractive institutions. Extractive institutions generate no incentives for innovation because innovation is not in the interest of the elite. The elite is afraid to lose the high position when innovation takes place.

Inclusive and extractive institutions are themselves created by society, by politics. Politics is a process by which a society chooses the rules that will govern it. When there is conflict over institutions, what happens depends on the distribution of political power in society (Acemoglu & Robinson, p. 79). So, the main question unanswered is why does the path of institutional change differ across societies? The answer in this question lies in institutional drift, which is largely the result of contingent factors facing societies (Acemoglu & Robinson, 2012, pp. 431-432). At historical turning points, these small differences, that have emerged as a result of institutional drift, may be the small differences that matter in leading otherwise quite similar societies to diverge radically. Vicious and virtuous circles may arise because of the path dependency. When there is a set of institutions it is hard to change these institutions because it is not in the interest of the elite. If a society has extractive institutions the elite gains power from this and loses power when changing the institutions, so these institutions will not be changed. If a society has inclusive institutions it is nearly impossible to change it to extractive institutions because civil society is powerful and will not allow it. Hence for Acemoglu and Robinson we have to study history to understand the nature of institutional differences leading to development and governance differences between countries.

In the literature the view has, however, also been raised that democracy is not always needed for sustained economic growth and development. The idea was introduced by Leftwich (2000, p. 155) and his concept of the developmental state: 'Developmental states are those states whose politics have concentrated sufficient power, autonomy, capacity and legitimacy at the center to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions of economic growth by organizing it directly, or a varying combination of both'. Democracy as such is not a precondition.

Leftwich (2000, p. 160) suggests that there are a number of major components of the developmental state model. These are: a determined developmental elite; relative autonomy of the developmental state; a powerful, competent and insulated economic bureaucracy; a weak subordinated civil society; the capacity for effective management of private economic interests; and an uneasy mix of repression, poor human rights, legitimacy and performance. These components cannot be supported by democracy, because democracy may be considered as conservative. That is, in the difficulties it faces in taking rapid and far-reaching steps to reduce inherited structural inequalities. For although new democratic governments or older ones may be committed to poverty reduction and promoting the welfare of the masses, it is often the case that radical and essentially non-consensual steps are necessary for this. The difficulty is that such steps could easily breach the formal or informal pacts that may have helped to bring democratization about in the first place. Democracy is the politics of accommodation, - and compromise at the center between different interests in society.

The profound dilemma is that, in laying the foundations for growth, non-consensual and non-democratic measures may often be essential in the early stages of development, and also to sustain democracy in the long run (Leftwich, 2000, p. 149). Land reform is a good example of this, since it is widely recognized that this can be an important condition for agricultural and rural development, for economic and social welfare of rural people and hence for democratic stability. But landowners in general do not consent to land reform. In consequence, democratic third-world governments have seldom been effective in overcoming such vested rural interests to achieve restructuring of rural wealth and power, which land reform is designed to bring about.

The term developmental state was originally used to describe the Asian 'Tigers' and primarily Japan, followed by Korea and Taiwan (Ferraro & Centeno, 2018, p. 5). In East Asia nationalism grew from imperialism and war and was the leading factor in the development. In China and North Korea this led to the development of communism and in Japan, South Korea and Taiwan to the developmental state. Japan was one of the first developmental states (Woo-Cummings, 1999, p. 7).

In *MITI and the Japanese Miracle*, Johnson (1982) examines the development of Japan through the observation of Japan's Ministry of International Trade and Industry (MITI). He argues that the state bureaucracy played a key role in steering development in partnership with the private sector. As such, the state took on a role between socialist and free-market oriented. According to Johnson there are three characteristics of the Japanese model.
The first element of the Japanese model is the existence of a small inexpensive, but elite bureaucracy staffed by the best managerial talent available in the system. The second element of the model is a political system in which the bureaucracy is given sufficient scope to take initiative and operate effectively. The third element of the Japanese model is the state's safeguarding of the private economic competition in society whilst having a supportive role to private sector development. The fourth and final element of the model is a pilot organization like MITI, which is small in size, has indirect control of government funds, think tank functions, vertical bureaus for the implementation of industrial policy at micro level, and internal democracy. The powers of the pilot agency must be distributed carefully without giving it control over so many sectors as to make it all-powerful or of so few as to make it ineffective (Johnson, 1989, p. 320).

In Latin America the developmental state emerged in a period after the East Asian development. The Latin American equivalent shares many characteristics but differs in the Weberian bureaucracy which is common in the Japanese model. (Ferraro & Centeno, 2018, p. 5). In the new millennium, the neo-liberal approach to development was being questioned in Latin America and in this framework 'new developmentalism' emerged (Trubek, 2013 p. 8). The 'new developmentalism' still pleads for a strong state and stresses the importance of public-private cooperation. State intervention is needed to structure the economic growth but the private sector should still be the motor of economic growth. New developmentalism differs with the developmental state in the notion of social policies. In the new developmental state weaker groups should be supported by the state in order to create more competition. New developmentalists stress that there is no model for development. Each state is different and it does not work to try to replicate the neo-liberal model in which economic growth will take place when the state does not intervene in the economy.

The ‘new developmental’ consensus has been associated with the rise of left and left-of-center governments in the region of Latin America, such as the Lula administration in Brazil (Trubek, 2013, p. 17). The new developmental state in Brazil engaged economic development through industrial policies with redistributive welfare policies. These policies are now an important part of the development agenda. The most important thing from the Brazil case is that development has taken place under a stable democratic regime (Prado et al., 2016, p. 374). However, Brazil is not fully democratic. They have free elections, an independent judiciary and democratic processes are institutionalized, but the accountability standards and participatory programs are missing in the developmental policies (Prado et al., 2016, p. 409).

So, the characteristics of the new developmental state are: the state as a coordinator of different institutional arrangements, the state as a director of investment, a coordinator of projects, promoter of innovation and new product development (as opposed to creating incentives to import technology through foreign investment), sponsor of productive foreign investment instead of a speculative one, and an increased intention on providing social services to those outside the market (Garcia, 2013, p. 347).

The explaining variables of economic growth from different developmental states are shown in table 1. These were identified from the literature overview. I used the definition of Leftwich of the developmental state and added to these characteristics the redistribution through social services from the new developmental state. I also used the characteristics found by Acemoglu and Robinson for a state with growth under extractive institutions.

With these characteristics I will investigate Rwanda. In the next section at first, I will give an overview and historical perspective of Rwanda. Secondly, I will investigate which characteristics overlap with the Rwanda development process. I will do this by looking at primary and secondary data. I will use reports from the government of Rwanda and reports from the IMF, World Bank and United Nations. My main objective is to determine whether development in Rwanda can be categorized as either growth under extractive institutions or growth under the developmental state.

Table 1

(New) Developmental State concept derived from Leftwich	1. Developmental elite whose duty it is to identify the industries to be developed. 2. Market-conforming methods of state intervention. 3. Bureaucracy without interference from vested interests with a pilot agency within the bureaucracy. 4. (Redistribution through social services)
State with extractive institutions derived from Acemoglu and Robinson	1. Political power in the hand of a narrow elite. 2. Resources are extracted from society by a small group of elites. 3. No technological innovation. 4. Low educational standards.

Section 2: empirical case Rwanda

Rwanda is a small country with 12,21 million inhabitants. Throughout history Rwanda always had a hierarchical and tightly controlled government. The hierarchy was defined by an ethnic class system. The Tutsis are 14 per cent of the population and the Hutus are more or less 85 per cent of the population. The Tutsis were cattle owners and had a higher hierarchy then the Hutus. The Hutus were primarily sedentary farmers. The colonial powers, Germany and Belgium, favored the Tutsis and deemed the Tutsis as the superior race. A revolution in 1959 switched the monarchical power, and for the first time the Hutus replaced the Tutsis (Mann & Berry, 2016, p. 126).

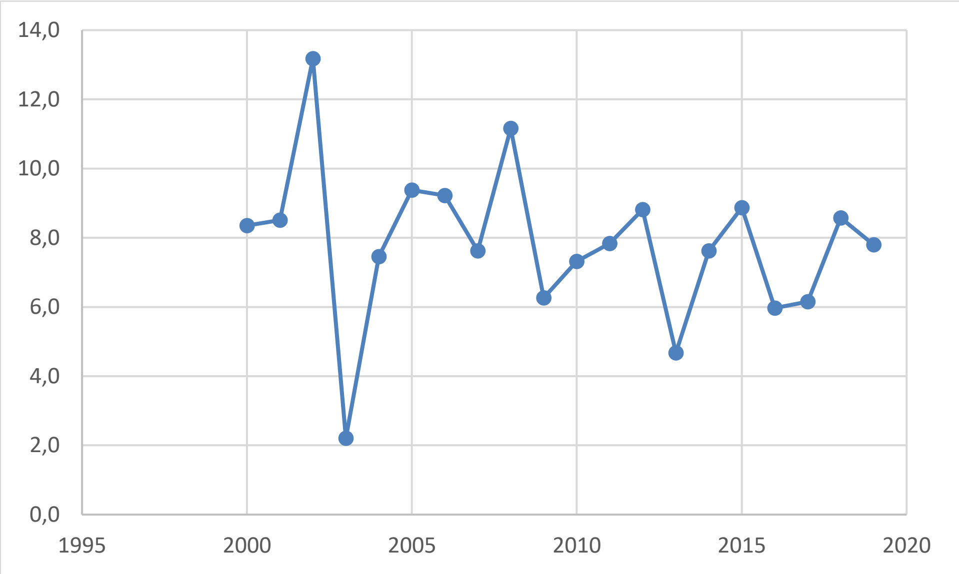
Many Tutsis were sent into exile during the 1959 revolution and many Tutsis fled to Uganda. In Uganda a guerrilla movement tried to overthrow the Ugandan President Obote and the Rwandan Tutsis helped in the process. The government of Uganda was overthrown with the Tutsis Kagame and Rwigame in leadership positions in the rebel army. This gave the Rwandans confidence for the possible overthrow of their national government. Kigame and Rwigame became part of a Rwandan diaspora network that sought to overthrow the Rwandan government to secure the repatriation of all Tutsi exiles. This diaspora network is now called the Rwandan Patriotic Front (RPF) (Mann & Berry, 2016, p. 126).

On 1 October 1990 the RPF started the military incursion in Rwanda and the RPF waged a low-level civil war in northern Rwanda. There was an international negotiation to establish a peace agreement, but on 6 April 1994 the Rwandan President's plane was shot as it landed in Kigali. The extremists within his party tried to fill the power vacuum and began to eliminate threats. This triggered the Rwandan genocide of 1994. During the genocide Rwanda was completely destroyed: the economy was devastated and between 500.000 and one million people were killed. The genocide ended through the RPF, they secured most of the country and stopped the genocide. The RPF implemented new structures of power to maintain the security. The RPF now had a core that believed that ethnicity is dangerous, violence is legitimate and that a strong state is necessary to maintain security. The Rwandans mistrusted the international community, stemming from the failure to end the genocide (Beswick, 2014; Mann & Berry, 2016, p. 126-128).

After the genocide around 2 million Hutus fled into the neighboring Zaïre. In August 1994 the elites of the Forces Armées Rwandaises (FAR) were either in exile, wanted for crimes or part of the control structure in the refugee camps. Rwanda has intervened twice in Zaïre (later DRC) to return refugees and to tackle militias in order to end the genocide. There are allegations that Rwandan political and military leaders are involved in supporting the Congolese rebel groups, but Rwanda has either denied or defended its activities. Defended their activities by the motive of prevention of genocide (Beswick, 2014, pp. 221-222).

Rwanda has grown economically since the genocide in 1994 as shown in graph 2. Rwanda is interesting to investigate because it could be the start of a developmental state in Africa. The economic growth generated needs to be investigated to determine if Rwanda actually is a developmental state and if Rwanda could add new insights to the developmental state framework. I will describe the economic growth of Rwanda on the basis of existing literature, reports of the World Bank and IMF and with economic data on growth and poverty and place Rwanda in the existing developmental state theories.

Graph 2: GDP per capita growth annual (%) per year in Rwanda



Source: World Development Indicators

1: Developmental Elite

According to Leftwich (2000) the developmental elite should be relatively uncorruptible and, quite small. Elites should be determined to bring development and should be nationalistic. Scholars widely agree that contemporary Rwanda is run by a small and resolute group of leaders (Samset, 2011; Beswick, 2011; Hasselskog, 2015, p. 163). The appointment of the government officials is done at a central level and the officials are centrally controlled (Hasselskog, 2015, p. 164). The presidency is strong and Paul Kagame's personal leadership style has been deemed 'to the point of ruthlessness' (Booth & Golooba-Mutebi, 2012, p. 15). The introduction of performance contracts (The New Times, 2012) underlines the developmental elite. Hasselskog (2015, p. 323) argues that the recent extensions of the system of performance contracts to the household level and the sense of discipline and competition among local officials further facilitates central management, and completes the chain of control and upward accountability. Interviews with local officials show that poor people who receive untied cash support have to comply to rules. For them, some practices are mandatory and there are penalties for non-compliance. The distribution of endowments is based on performance as well, someone who practices good farming activities will get higher endowments for example. 'It can thus be concluded that, in Rwanda, a small leadership group is trying, out of conviction and benevolence, to influence a larger population. Practices reflect social engineering tendencies of top-down, centrally controlled planning and implementation, based on assumed moral authority and a paternalistic sense of mission' (Hasselskog, 2015, p. 164). Booth and Golooba-Mutebi (2012) add that Kagame's regime expresses a political will, a long-term vision, rather than harboring narrow interests for short-term personal gain. The elites acquire a capability for managing rents in a centralized way.

Rwanda figures among the top 30% best performing countries in terms of the control of corruption. According to Booth and Golooba-Mutebi (2012) there is no evidence of direct profit taking by individual politicians or military leaders. According to most surveys', corruption is quite uncommon in Rwanda's public service at any level. The first explanation for this is that alleged corruption at high levels has been suppresses at regular intervals and this has shaped expectations most of the way down the chain of the public administration (Booth & Golooba-Mutebi, 2012, p. 392). Besides that, the link between the RPF and the big companies has made high-level political corruption unnecessary, because it gives Kagame and his immediate circle the necessary moral authority to enforce a zero-tolerance policy (Booth & Golooba-Mutebi, 2012).

Mann and Berry (2016, p. 135) state that the elite of Rwanda has a determination for development. From a nationalistic perspective the government is trying to erase ethnicity from the public discourse and promote one Rwanda for all Rwandans. The promotion of the Rwandan national identity is aimed to prevent future violence but it also allows the government to be representative of the entire population. The idea is that economic development, and overgrowing the past with the genocide, leads to a Rwanda for all Rwandans and gives the RPF the legitimacy to rule on its own.

2: Market conforming methods of state intervention

Rwanda outlined its Vision 2020 in 2000. The main goal set out in this development strategy paper is to transform Rwanda into a middle-income country by the year 2020 (Republic of Rwanda, 2000, p. 9). To achieve this objective, it was specified that gross domestic product had to grow annually by 8% in order to halve the proportion of people living in poverty. In early 2006, the Rwandan government started to elaborate a follow-up poverty reduction strategy paper, which became known as the Economic Development and Poverty Reduction Strategy (EDPRS) (Republic of Rwanda, 2011a).

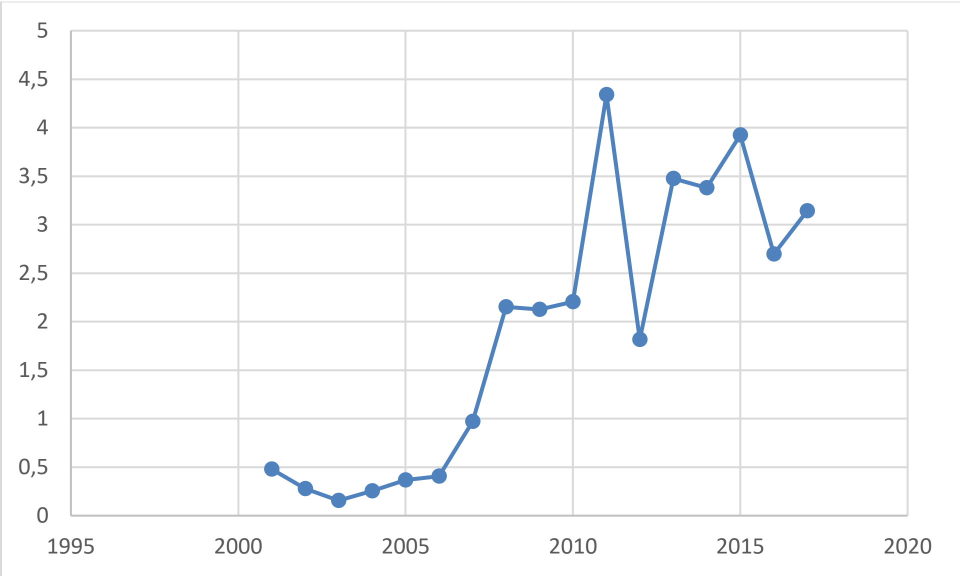
One of the pillars of Vision 2020 is the private sector-led development. For the development of Rwanda, the private sector should be the principle growth engine of the economy. This leads to the emergence of a vibrant middle class of entrepreneurs, which will help develop and embed the principles of democracy (Republic of Rwanda, 2000, p. 12). According to Ansoms and Rostango (2012, p. 434), however, the private sector-led development is not taking off as expected. A considerable part of the private sector is not private and is dominated by RPF led enterprises. The government has indirect stakes in three big holding companies. Moreover, the market competition is limited to larger firms and firms already in operation. Small players are confronted with tax regulations that disproportionately favors their large competitors and this impedes the entry of small players into the market.

Thomas (2018, p. 54) argues that 80% of the 47 big firms in agribusiness and manufacturing are controlled by foreign investors and a few by national local investors who tow the RPF-party line. The investments of the UNDP and the European Union stimulate the inequality of local firms between state-led or foreign firms by investing in the latter. Mann and Berry (2016, p. 131) found that the Tri-Star Company, in which the major stakeholders are Kagame's closest confidants, were awarded all road building contracts financed by the UNDP and the European Union. In addition, the government of Rwanda has done little or nothing to protect the rights of laborers against the big firms who can exploit low-skilled workers (Thomas, 2018, p. 54).

The strategic plan for the transformation of the agriculture outlines an operational framework for agricultural sector development within the EDPRS (Ansoms & Rostagno, 2012). The document focusses on agricultural modernization, intensification, professionalization and enterprise development. Ansoms and Rostagno (2012, p. 436) state, however, that it seems likely that the current rural policies are in favor of the large competitors and it pushes smallholders out of the agricultural sector. This leads to unemployment of unskilled workers for other sectors of the economy in a country where the livelihood of over 80% of the population depends on agriculture. So, there is a strong need for unequivocal strategies to accompany the transition from agriculture to other economic activities.

Gökgür (2012, p. 17) argues that the insufficient FDI is another problem in the strategy of the Government of Rwanda when comparing Rwanda to other developmental states. The FDI has risen since 2010 but still is not where it should be. He explains this by several explanations. One explanation for this is related to the promotion efforts of the Rwandan Developmental Board, which concentrates on attracting investors directly into the RPF-party firms. Another factor could be the absence of a level playing field for international investors and the lack of skilled workers in Rwanda.

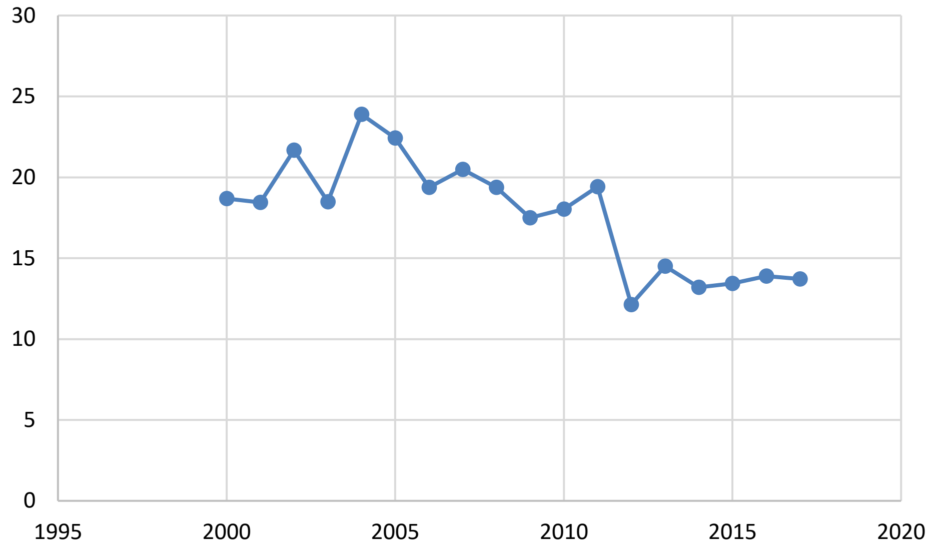
Graph 3: Foreign Direct Investment, net inflows (% of GDP)



Source: International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates.

The official development assistance (ODA) determines the Rwandan economy, see graph 4. The ODA has reduced since 2010 but is still at a significant level. The strategy outlined in Vision 2020 (Republic of Rwanda, 2000, p. 6) was to reduce the foreign aid dependency by developing effective strategies to expand the tax base and attract foreign investors. The goal was, for the government, to focus on private sector development that will be able to take up the challenge of transforming the economy into a knowledge-based society.

Graph 4: Net ODA received (% of GNI)



Source: OECD

The Vision 2020 is recently replaced by Vision 2050. According to the newspaper The Rwandan (Himbara, 2018), Rwanda was nowhere close to transforming from a poor country into a middle-income country by 2020. According to the IMF (2018, p. 12) the new development strategy (Vision 5050), which is being crafted, aims to achieve upper middle-income status by 2035. This strategy draws lessons from earlier strategies and supports a wide range of stakeholders, supports home grown initiatives; community-based solutions, effective use of technology and modernized institutional and legal frameworks.

3. Bureaucracy

The Rwandan Development Board (RDB) is a pilot organization in order to manage development. It was established as a permanent, independent national organ with administrative and financial autonomy (Behuria, 2018, p. 428). The RDB leadership is centrally controlled by the President of Rwanda and the board of directors includes ministers from relevant ministries. The goal of the RDB is to track economic development in Rwanda by enabling private sector growth. According to Behuria (2018) the RDB has concrete targets and no one is allowed to think creatively, outside the box. The equivalent of the RDB in Singapore, the EDB, was given more powers. The main mission of the RDB is to maintain the image of providing a facilitating environment for the private sector. The position of the agency leading the development strategy has not been achieved.

According to Leftwich (2000, p. 162) this development planning board should have real power, authority, technical competence and insulation in shaping the fundamental thrusts of development policy. The RDB in Rwanda does not have the amount of power as proposed by Leftwich. However, the country is managed technocratically according to Hasselkog (2015, 161). Major developmental tasks are reduced to technocratic management tasks, and devised expert solutions treated as objectively rational, so there is no need for a democratic process. With goals and targets stipulated in policies, plans and performance contracts, the focus lies on the end results. This focus sets goals and rewards are handed out if the results are achieved to encourage competitiveness among local officials (Hasselkog, 2015, 162).

According to the World Bank (2019, pp. 256-264) performance contracts have made a strong contribution to the culture of results, but these could be improved by adopting multiyear targets and focusing more on the outcomes rather than the processes. The performance contracts have also become instruments of centralized control at the expense of bottom-up initiatives.

The Rwandan leading party RPF has much power though and has influence over the bureaucracy and the concrete targets of the RDB. Samset (2011, p. 275) found that the RPF has a nearly complete dominance over the political system. The opposing Liberal Party stated that they are not to oppose the president, but to construct the nation. The two branches of state power that are supposed to check the executive, namely parliament and judiciary, have the same spirit of deference. The power of the parliament is limited, the power is concentrated in the hands of the president and its advisors. The judiciary was also circumscribed (Samset, 2011, p. 276).

Ansoms and Rostagno (2012, p. 433) add to this that there is also little room for dissent at the level of civil society. Consultation and participation of civil society in policy processes mostly takes the form of sharing information that should be passed on to local levels. The existing non-governmental organizations are financed by the Rwandan government and the government tries to co-opt all the umbrella structures to keep a handle on smaller organizations. Organizations and individuals that criticize government policies are expelled, or in the case of international NGOs, demobilized.

4. Redistribution through social services

The Rwandan government has documented a National Social Protection Strategy in 2011 (Republic of Rwanda, 2011a). ‘The main mission of the social protection is to ensure that all poor and vulnerable people are guaranteed a minimum income and access to core public services, those who can work are provided with the means of escaping poverty, and that increasing numbers of people are able to access risk sharing mechanisms that protect them form crisis and shocks’ (Republic of Rwanda, 2011a, p. 2). The social protection spending was found to be significant in 2006. Social protection spending is equivalent to 4 per cent of GDP, with about 2 per cent going to food aid (Ruberangeyo et al., 2011, p. 340).

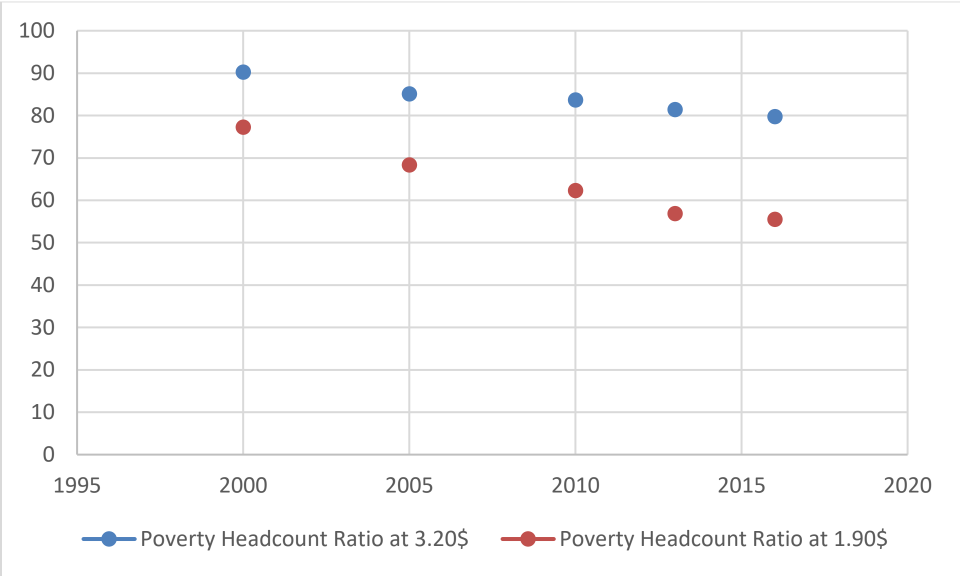
Since 2008 all Rwandans must be covered by a health insurance according to the law. Various health insurance schemes co-exist; they are complementary, each of them focussing on different population categories. This diversity enables every category of the population to access health care. Ruberangeyo et al. (2011, p. 345) found that the health insurance coverage was 97 per cent in June 2010. The community-based health insurance is based on solidarity and subsidization of the most vulnerable. The contribution to become a member is the same amount for everyone whatever their capacity to pay. On top of this, the government matches these funds to cover health-care costs at higher care levels. In order to receive health, the member must pay a small co-payment at the health-care facility.

Because some groups may not have access to housing, the Government provides shelter to the extremely poor and the vulnerable groups, such as returnees, genocide survivors and disabled ex-combatants. The Umurenge program is an integrated social protection programme to accelerate poverty reduction. Its purpose is to speed up the reduction of extreme poverty. The three main programme components are public works, direct support and financial support, which are underpinned by training and sensitization. The public works component provides work on community infrastructure projects. The direct support is for the extremely poor households whose members are unable to work. The financial support provides micro-credit in order to tackle extreme poverty and promote entrepreneurship (Ruberangeyo et al., 2011, p. 348-349).

Mann and Berry (2015, p. 134) think it is debatable whether these plans will succeed, because the population has grown and therefore more people live in poverty than ever before. Moreover, these social plans are accompanied by coercive instructions into citizens’ lives.

Inhabitants of Rwanda can for example get fines if they do not wear shoes in public or if they look dirty in order for the government to hide the true extent of poverty.

Graph 5: Poverty headcount ratio at 1.90$ or $3.20 a day (2011 PPP) (% of population)



Source: World Bank

A blog post on the website of the journal Review of African Political Economy (2018) controlled the poverty statistics of Rwanda and found out that the National Institute of Statistics of Rwanda (NISR) used the wrong food inflation data. This led to the wrong conclusion of the poverty rates, which had actually increased in contrary to what the NISR claimed. Moreover, the blog states that the World Bank has used these statistics despite they knew that they were wrong. So, the poverty rates could be higher than the data from the World Bank indicates.

5. Resource extraction by the narrow elites

At the first point I have already discussed the developmental elite so this point will be a combination of the narrow elite and the resource extraction by this elite.

Acemoglu & Robinson (2012) meant with the narrow elite characteristic that countries with extractive institutions often are led by a small group of elites. The small group of elites will try to gain more and more power to enrich themselves and does this by for example extracting resources from the society. The elite is also afraid of losing its superior position, and in order to tackle that, all civil society or people that gain relatively more power will have to be shut down.

According to Mann and Berry (2015, p. 136) the Rwandan government has a specific vision on what types of economic markets are acceptable. Rwandans who start a business selling vegetables or fruit on the roadside risk getting their inventory destroyed and thrown in jail. The public order cannot be undermined because the government of Rwanda wants a clean and secure country. Those who undermine the government of Rwanda's plans are not allowed in the 'free' market economy.

According to Beswick (2011, p. 1922) there are worrying trends in Rwanda's political development and security policies. The RPF contains Hutu members, but many prominent Hutu figures in the RPF led governments have left the party. Some joined opposition movements and other have been arrested, exiled or even assassinated. An example of this is that Kagame became president in 2000 after the Hutu president Bizimungu was imprisoned on charges of divisionism. Nwapi & Andrews (2017, p. 254) add to this intolerance of criticism that there are repressive laws that restrict free speech and that there are widespread arrests.

Booth and Golooba-Mutebi (2012) argue that the developmental patrimonialism through which rents are derived and accumulated are helping the state to achieve its developmental ambitions. Gökgür (2012) disagrees and argues, in line with the restricted political environment, that the Rwandan state lacks the requirements for presiding over a developmental political class. First of all, the political base of the RPF is too narrow in ethnic terms to be politically secure and to be found legitimate by a wide spectrum of the population. Secondly, the ruling party has limited bureaucratic capability for command and control. Third, and most importantly, the RPF is intolerant of any economically powerful private sector that could constrain the state. The state has thus become comfortable in expanding and relying on its own party-owned companies (Gökgür, 2012, p. 10).

Gökgür (2012, p. 23) argues that some critics go further and argue that although Rwanda might indeed have reduced corruption with its 'zero tolerance' policy, it might have prepared the ground for another form of corruption in the form of elite capture. This is the undue influence of the powerful elite in shaping institutions and policies, laws and regulations to their own benefit rather than in the interest of the rest of the society.

Rwandan elites have a history of resource extraction. In the Rwanda Congo conflict 'elite networks' practices are highlighted by an UN panel set up in 2001. The elite networks consisted of a small core of political and military elites, business people and rebel leaders and administrators. Members of these networks cooperated in order to generate institutional financial gain (United Nations, 2003). The RPA collected the mineral coltan from the DRC and was believed to be roughly the same as the equivalent of the official Rwandan defence expenditure. According to Reyntjens (2011, p. 139) the total of resources plundered in the DRC amounted to 6,1% of Rwanda's GDP. The Kigali economy was largely dependent on mineral and other extraction in the DRC.

6. No technological innovation

Technological innovation and economic growth could replace the old with the new (Acemoglu & Robinson, 2012, p. 84). New firms take business away from established ones. New technologies make existing skills and machines obsolete. The process of economic growth and the inclusive institutions upon which it is based create winners and losers in the political arena and in the economic market place. The losers of such a process are the leaders and existing elites in a society with extractive institutions, because they will lose their position to new firms and elites.

According to Acemoglu and Robinson (2012, p. 86) the powerful elite would not necessarily want to set up economic institutions that promote economic success, this extends easily to the political institutions. In an absolutist regime, the elite would not be interested in changing the political institutions to make them more pluralistic because this would dilute their political power and make it more difficult to structure the economic institutions.

In the Vision 2020 document (Republic of Rwanda, 2000, p. 20) science, technology and ICT is mentioned as one of the cross-cutting issues. For the development process to be a success Rwanda must embrace the future and exploit innovations in science and technology to complement its cultural strengths. The Republic of Rwanda (2000, p. 20) wants to develop technology through education and wants to develop the teaching of science and technology at secondary and university levels.

According to a report of the World Bank (2019, p. 188) on technological innovation of Rwanda, the country is in the early stages of building innovation. An effective ecosystem for innovation is needed to ensure this innovation. Rwanda moved from 112 to 99 in the Global Innovation Index and that makes Rwanda the best-performing low-income country. Rwanda can improve in some areas, especially in areas related to human capital and research and low levels of knowledge creation and technology outputs. Rwanda also has scarce links with foreign firms that could bring technological innovation, this could be improved as well.

According to Gökgür (2012) the technological innovation can take place because of the big influence of the RPF in the big companies in Rwanda, like Crystal Ventures Limited; Horizon Group Limited and the Rwandan investment group. The elite will not lose their position when technological innovation takes place in these companies, as follows from the theory of Acemoglu and Robinson (2012). The elite will not lose power if innovation takes place in companies controlled by those elites.

7. Low educational standards

In the Vision 2020 document (Republic of Rwanda, 2000, p. 13), education is part of the human resource development and a knowledge-based economy. Rwanda is committed to reach universal education for all. The emphasis will be on the field of technology, engineering and management.

Table 2

Education	**Situation in 2000**	**Target in 2010**	**Achieved in 2010**
Literacy level (% of the adult population)	48	80	70.7
Net primary school enrolment (%)	72	100	95.9
Primary completion rate (%)	22.3	n.a.	78
Growth secondary school enrolment (%)	7	40	26.7 in 2009
Teacher qualifications (%)	20	100	93.9
Tertiary education enrolment (%)	1	4	4.5% in 2009

Sources: World Bank (2011), IMF (2011), Government of Rwanda (2006).

As table 2 shows, the Rwandan government has invested massively in education. According to Ansoms and Rostagno (2012, p. 438) may the sudden switch from French to English as classroom language have affected the quality of the education, because many teachers nearly speak English. Besides that, Ansoms and Rostagno argue (2012, p. 439) that the government's reform of the system of study loans in tertiary education in October 2010 has affected some

24,000 students. Students are categorised in five categories based on their wealth. Study loans are only available for students in the poorest category. This means that a big group of students cannot afford to get tertiary education. The reality of young unskilled and unemployed youth is probably one of the most pressing challenges for the government of Rwanda in the near future.

According to the report of the World Bank (2019, p. 62) Rwanda lies behind on the school competition rate and needs to improve that in order to achieve the middle-income status. This could be improved by making education cheaper, by for example, not letting children pay for books and uniforms and trying to lower the opportunity costs for children. Children now have to give up on possible income in order to attend school.

Conclusion

The analyses of the variables show that Rwanda develops economically with a clear vision and a strong government who tries to pursue that vision. A developmental elite is in place in order to lead the development with a strong bureaucracy and market conforming methods of state intervention and even with the redistribution through social services. However, when comparing Rwanda to other development states, the developmental elite is different (Gökgür, 2012). The Rwandan Development Board has no autonomy from the RPF and is not strong enough to decide the developmental strategy like the developmental boards in the East Asian developmental states. In addition, the RPF is too dominant in the economy and therefore a level playing field does not exist. The party-owned business empire rules the economy of Rwanda and there is sufficient evidence to document that the Rwandan state is suffering from elite capture (Gökgür, 2012, p. 34). When elite capture takes place, the competition among large enterprises and the exclusive use of RPF-linked sub-contractors is absent and that discourages growth. Rwandan consumers are also affected negatively as well. The products and services provided by the party-owned enterprises are not enough for the population (Gökgür, 2012).

Besides that, the dominant strategy of the RPF discourages development as well. Repressive laws, no freedom of expression and interference in the daily lives of the inhabitants in order to hide the poor outlook of the nation will not create an inclusive basis for future development. The East Asian developmental states created some sort of inclusiveness throughout the developmental process by being transparent about the government policies and by having a developmental board with inclusive decision-making based on the interests of the society.

When not even a start of inclusiveness in the institutions is created, inclusive institutions will not develop. The technological innovation will be stopped if it possibly undermines the power of the ruling elite in Rwanda and the same will be the case for education. When more people than only a small group of elites will go to tertiary education then the elite will lose power and so education will not develop to its maximum in Rwanda. Besides that, the modernization theory does not have to be considered because long term economic growth will, as the results show at the moment, not take place.

The analyses show that Rwanda cannot be seen as a developmental state in the definition of Leftwich and Johnson when comparing it to the East Asian and Latin America counterparts. If Rwanda wants to become a developmental state, political elites quickly need to change their economic and political institutions from extractive into inclusive ones and they need to give the RDB more autonomy in the developmental process. The state-owned enterprises need to be privatised and in that way a level playing field should be accomplished. Thus, the economic growth which took place in Rwanda can at the moment not be seen as sustainable in the long term when the developmental strategy of Rwanda stays the same. The future will show whether the economic and developmental policies in Rwanda can adjust and show that Rwanda is indeed a developmental state with sustainable economic growth.

This paper adds to the theory on the developmental state that an autocratic nature of the state could be too dominant when determining the developmental policy. In future research on the developmental state, research should be focussed on the distinction between the developmental state as in East Asia and Latin America and the developmental state like Rwanda. Further research is needed in determining how far the autocratic dominance of the state could go in order to still be called a developmental state and still experience sustainable economic development.

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