

Comparing the economic development of Rwanda and Burundi

Two neighbouring countries, worlds apart.



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Bachelor Thesis – Political Science

Specialisation: International Relations & Organisations

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Supervisor: Dr. F. de Zwart

Date of submission: June 18, 2018

Word count: 8254

Economic development in Rwanda and Burundi: Two Neighbouring countries, worlds apart

Rwanda and Burundi, countries situated in the African great lakes region are often called the 'false twins of Africa' (Breackman, 2011). The countries are called this way, because they share the same ethnic groups and have both been colonized by Germany and later Belgium. Not only do they share the same ethnic and historical aspects, they have both experienced violence, genocide and civil wars, because of ethnicity. However, these two small neighbouring countries differ immensely when it comes to economic development and how they deal with the recognition of ethnicity post-conflict. While both countries have completely different approaches how they included or excluded ethnicity in their constitution and government policies, Rwanda seems to be doing much better on the economic front than Burundi is (Gilbert, 2013, P. 422).

A well-known theory that is frequently used as a benchmark to explain economic growth, in African countries specifically, is the theory of Easterly and Levine (1997) that they have presented in their article, *Africa's growth tragedy: Policies and Ethnic divisions*. Easterly and Levine argue that the more ethnically diverse a country is, the less a country will grow economically. This factor of ethnical diversity is the major cause for Africa's poor economic performance according to Easterly and Levine (Alesina & La Ferrara, 2005, P. 771).

Easterly and Levine measure this ethnic diversity as the probability that two randomly drawn individuals from one unit of observation, the country, belong to different groups. This means that the more ethnic groups can be found in a country, the higher the probability that that two randomly drawn individuals belong to different groups, resulting in ethnic diversity. This also means that when there is a small number of ethnic groups in a country, the probability that two randomly drawn individuals belong to different groups is lower, and cannot therefore be called ethnically diverse according to Easterly and Levine (Alesina & La Ferrara, 2005, P. 771-772).

Rwanda and Burundi share the same limited number of ethnic groups; Hutu, Tutsi and Batwa. According to Easterly and Levine (1997), this would then mean that the probability that two randomly drawn individuals belonging to different groups is low and the countries can therefore not be called ethnically diverse (CIA World Factbook, 2018ab).

A theory that may be more fitting to explain the difference in economic growth between these countries, considering that the recognition of ethnicity is incorporated into both countries' institutions, is that of Acemoglu and Robinson (2012) that they have presented in

their book, *Why nations fail*. Acemoglu and Robinson (2012) namely argue that economic growth is associated with the type of institutions present in a country and that economic growth usually occurs in countries with inclusive political and economic institutions, while extractive political and economic institutions typically lead to economic stagnation and poverty in a country (Acemoglu & Robinson, 2012, P. 91).

Since ethnic recognition and economic development are the two variables on which Rwanda and Burundi differ, it would not seem wrong to think that a combination of these variables can explain why there is a gap between the economic growth in these countries.

The thinking that ethnically-based politics is linked to exclusivity and the denial of ethnicity in politics is linked to inclusion is not expected to be seen here, because recognizing all ethnic groups would mean more inclusion for these groups in politics. According to Abbink (2011), a similar pattern was to be expected in Ethiopia after the political transition to ethno-federalism in 1991. The aim of this transition was that when politics was organized in line with the different ethnic groups, this would result in inclusive, non-discriminatory, issue-based politics for the federation as a whole (Abbink, 2011, P. 598).

However, Ethiopia has become the vivid example that expected inclusive participation through ethnic-based politics does not always work in reality. Even though ethnic-based federalism was one of the core principles instituted by the post-1991 government in Ethiopia and the identities of previously non-dominant groups were constitutionally recognized and thought to stop the political dominance of a single ethnic group. The federalization, along ethnic division, has resulted in an increasingly authoritarian and extractive governance model, neglecting political liberties, respect for human rights and economic equality (Abbink, 2011, P. 596-597).

This reversed expectation of ethnized politics is exactly what can be seen happening in Burundi and Rwanda as well. The sharing of power under ethnic groups would have been expected to make the participation in politics more inclusive in Burundi, while in reality this ethnic power sharing has resulted in the discrimination and marginalization of minority groups, making institutions much more exclusive and extractive. In Rwanda, the non-recognition attitude towards ethnicity would have been expected to make participation in politics more exclusive, but in reality, institutions and participation in Rwanda are much more inclusively organized. This is partly caused by the promotion of a common national identity in the constitution that guarantees equality and non-discrimination, and because the division of power is mainly based on competence and merit (Gilbert, 2013; Vandeginste, 2014).

If further evidence can be found that the attitude towards ethnicity - either the

recognition of ethnicity or the denial of ethnicity - determines the type of institutions that are formed in a country, the theory of Acemoglu and Robinson can be used to explain the relation between the type of institutions and the difference in economic growth that can be seen between Rwanda and Burundi. In order to verify if the recognition or denial of ethnicity can explain the difference in type of institutions in Rwanda and Burundi and confirm the theory of Acemoglu and Robinson about economic growth and institutions, the following research question has been formed; Why is it possible that two neighbouring countries, Rwanda and Burundi, that share a similar history and ethnic composition have different outcomes in economic development and how does the difference in ethnic recognition influence the economic growth of these countries in particular?

In order to answer the central question of this thesis, the qualitative case study method will be used in combination with a most similar systems design using data from journal articles, books and reports from different organizations like the World Bank, through observation and secondary document analysis.¹ The method and design are chosen because the two cases that I chose as the objects of research are as similar as possible, except with regard to the phenomenon that both Rwanda and Burundi have incorporated ethnicity into their constitution in different ways and the fact that Rwanda and Burundi differ immensely when it comes to economic development. It is these effects that I am interested in assessing in this thesis (Anckar, 2008, P. 389).

To assess these effects, the thesis is organized as follows; first, the conceptualization and operationalization of inclusive and extractive institutions will be described in detail according to the theory of Acemoglu and Robinson (2012). After this the similarities between Rwanda and Burundi will be explored in order to establish more historical context in chapter 2, followed by how the attitude towards ethnicity is incorporated in the constitution and government policies in chapter 3. In chapter 4 and 5, evidence will be presented to prove that ethnic recognition has led to extractive institutions in Burundi and that the ethnic denial has led to inclusive institutions in Rwanda. After this, the mechanism that Acemoglu and Robinson (2012) describe in their theory is then linked to the economic performance of both countries in chapter 6 and 7, to explain how the type of institution present have caused either economic growth or economic stagnation.

¹ It should be noted here that attaining the exact same data for both Rwanda and Burundi was challenging, due to the limited amount of data to be found on Burundi on some matters, because of the ongoing conflict in the country. This has made the comparison between countries more limited in some places.

1. Economic growth and institutions

To find out if the recognition or denial of ethnicity influences the type of institutions that are formed in Rwanda and Burundi, the types of institutions must be described in more detail. The definition and operationalization that Acemoglu and Robinson (2012) discuss in their book is chosen to do this since these types of institutions, either extractive or inclusive, are the core of their theory about the relationship between institutions and economic growth. Their theory is based on the idea that institutions influence behavior and incentives and can therefore forge the success or failure of a country (Acemoglu & Robinson, 2012, P. 44). In short, they argue that economic growth is associated with inclusive political and economic institutions, while extractive political and economic institutions typically lead to economic stagnation and poverty (Acemoglu & Robinson, 2012, P. 91).

The general mechanism that Acemoglu and Robinson (2012) include in their theory is that inclusive institutions provide an unbiased rule of law, which ensures property rights for the population. These property rights make sure that the belongings of the population are not taken from them, creating economic incentives to produce and make investments, which in turn facilitates sustainable economic growth. In order to understand how this mechanism works in more detail, the way Acemoglu and Robinson (2012) describe inclusive and extractive economic and political institutions must be further elaborated on.

Inclusive economic institutions are institutions that allow and encourage participation of the population in economic activities that make the best use of their skills and enables them to make the choices that they wish to make (Acemoglu & Robinson, 2012, P. 74). To be inclusive, economic institutions must secure private property, a fair rule of law, permit the entry of new businesses and allow people to choose their careers. It must also make provisions for public services that provide a level playing field in which the population can exchange and contract. Nevertheless, the enforcing of property rights is one of the most important characteristics of inclusive economic institutions. Only the ones with these rights are willing to invest and increase productivity since these rights guarantee them that their property will not be taken away from them without any reason. If the majority of people in society are guaranteed all of these rights then these inclusive economic institutions can foster economic activity, productivity growth and economic prosperity (Acemoglu & Robinson, 2012, P. 74-75).

The secure property rights, the rule of law, the provision of public services and the freedom to contract and exchange all rely on the state. The state is the institution with the coercive capacity to impose order, enforce contracts between private parties and prevent theft

and fraud. The degree of coordination that is needed to provide all of these things on a large scale can only be guaranteed by a central authority. The state is therefore inevitably intertwined with the economic institutions, as the enforcer of private property rights and contracts, rule of law and often as the key provider of public services, like health care, public infrastructure and education (Acemoglu & Robinson, 2012, P. 74-75). Political institutions that are sufficiently centralized, pluralistic and can provide all the necessities mentioned above are referred to as inclusive political institutions. However, when either of these conditions fail, they refer to the institutions as extractive political institutions (Acemoglu & Robinson, 2012, p. 80-81).

These extractive political institutions concentrate power in the hands of a narrow elite and place few constraints on the exercise of this power. The economic institutions that can be found in the countries with extractive political institutions are often structured by the elite to extract resources from the rest of the society. The authors argue that these extractive economic institutions are naturally accompanied by extractive political institutions. This relationship introduces a strong feedback loop where political institutions enable the elite controlling political power to choose economic institutions with few opposing forces. This also enables the elite to structure future political institutions and their evolution. The extractive economic institutions that are suggested to be naturally accompanied by extractive political institutions, in turn, enrich the same elites to consolidate their political dominance and their economic wealth (Acemoglu & Robinson, 2012, P. 81).

The consolidation of power, economic wealth and the extraction of resources from the many to the few, do not create nearly as much economic incentives as inclusive economic institutions in combination with inclusive political institutions do. Where inclusive economic institutions create inclusive markets, extractive economic institutions create the opposite and this does not give people the freedom to pursue the calling in life that best suits their skills. It also fails to provide a level playing that can give them this opportunity and does not enforce property rights, which protects belongings and earnings from being taken from the alleged owner. This makes for little to no incentives to startup businesses and increase productivity when the resources are going straight back to the elite in power (Acemoglu & Robinson, 2012, P. 76-77).

Technological enhancements are almost always the supporter of sustainable economic growth, because these technological improvements are what enables people, land and existing capital to become more productive. It is therefore that inclusive economic institutions promote technology and education as the so-called engines of prosperity. Education is intimately linked to technology because in schools, at home and on the job, is where skills, competencies and the

know-how of the workforce are learned and acquired. Ultimately, a low education level is often caused by economic institutions that fail to create incentives for parents to let their children go to school and also by political institutions that fail to build, finance and support schools (Acemoglu & Robinson, 2012, P. 77-78).

Economic growth and technological change are usually accompanied by something that Acemoglu and Robinson call creative destruction, which simply means replacing the old with something new. Fear of this creative destruction process is often at the root of the opposition to inclusive economic and political institutions and it is mostly the elite in power under extractive political and economic institutions that form the opposition against this process and see creative destruction as a threat to their economic and political power (Acemoglu & Robinson, 2012, P. 84-85).

Nonetheless, the economic and political institutions are not always static, they are prone to change when a critical juncture occurs. Acemoglu and Robinson describe a critical juncture as a major event or confluence of factors that can disrupt the existing economic or political balance in a society. They compare a critical juncture to a double-edged sword that can cause a sharp turn in the trajectory of a nation. It can break the cycle of extractive institutions in a country and enable more inclusive ones to emerge or it can intensify the emergence of extractive institutions (Acemoglu & Robinson, 2012, P. 101).

The type of institutions countries have, can therefore be influenced by an important event in time that either enables a completely other type of institutions to emerge or to intensify the current type of institutions (Acemoglu & Robinson, 2012, P. 101). How Rwanda and Burundi chose their constitutions to be led by their attitude towards ethnicity after the civil war in Burundi and the 1994 genocide in Rwanda, can therefore in my opinion be seen as a critical juncture that has influenced the type of institutions that were formed in these countries. From this on out, these types of institutions have controlled whether economic success can be seen in a country or not.

Before this thesis continues to show if the difference in ethnic recognition between Rwanda and Burundi can explain the difference in the type of institutions and the mechanism underlying the theory of Acemoglu and Robinson (2012) can explain how these types of institutions can explain the occurrence of either economic growth or stagnation, the similarities between the countries are explored. This is done in order to show why it is relevant to find out what causes the difference in economic development and clarify the historical context.

2. Similarities between Rwanda and Burundi.

As mentioned in the introduction, Rwanda and Burundi share quite a few characteristics and similarities. First of all, both countries have got a similar ethnic composition, where the Hutu make up 85 percent of the population, the Tutsi make up 14 percent of the population and the Twa or Batwa make up just 1 percent of the population (CIA World Factbook, 2018ab).

Continuing with the historical similarities, both countries have experienced colonialism, they were first colonialized by Germany from 1897 to 1916, but after the first World War, they were joined as one territory called Ruanda-Urundi by Belgium as part of the mandate under the League of Nations (Vandeginste, 2014, P. 264). They both gained independence on 1 July 1962 and since gaining their independence both countries have been dominated by mono-ethnic single-party regimes that have permitted discrimination and genocidal ideologies to exist.

Coup d'états were used in both countries to obtain changes in the political leadership, with the consequence of a turbulent political history where the power of the state was in hands of one single ethnic group at the time, the Hutus in Rwanda and the Tutsis in Burundi (Daley, 2009, P. 167). According to Daley (2009), leaders from these specific ethnic groups have systematically prevented people belonging to the other ethnic groups from accessing state institutions and resources, and discrimination and repression have resulted in uprisings and conflict.

Both countries have experienced a violent transition of regimes following the failure of democratization processes in the early 1990's and the mobilization of ethnicity in politics was a major driver of internal armed conflict (Vandeginste, 2014, P. 263). In Rwanda, this resulted in a civil war led by the RPF movement in October 1990, which ended in July 1994 when this same movement defeated the government forces and Hutu militia and stopped the genocide which cost lives of many Tutsis and Hutus. Respectively, civil war in Burundi started after the assassination of Hutu President Ndadaye on 21 October 1993. Burundi was the scene of civil war for nearly fifteen years, resulting in hundreds of thousands of deaths during clashes between the Tutsi government forces and Hutu rebel movements. After these bloody conflicts, both countries started to change with the implementation of new constitutions and both countries incorporated the recognition of ethnicity in different ways.

The attitude that the two countries have towards the incorporation of ethnicity and ethnic groups is very different when you compare them to each other. Even though they share the same ethnic composition of Hutu, Tutsi and Batwa people, how they treat ethnicity could not be more different. To find out if the recognition or denial of ethnicity produces either

extractive or inclusive institutions, it is important to understand how both countries handle ethnicity first. (Vandeginste, 2014, P. 266).

3. The recognition of ethnicity and institutions

As mentioned, both countries have implemented new constitutions after they went through major periods of ethnic conflict and war. After long transition periods, Rwanda attained a new constitution in 2003 and Burundi in 2005. They both have had very different approaches to how they addressed ethnicity in these new constitutions, from the absolute ban on the use of ethnic markers in Rwanda to a carefully crafted ethnical power sharing agreement in Burundi (Gilbert, 2013, P. 417). To see if the attitude towards ethnicity - the non-recognition in Rwanda and the recognition in Burundi - have contributed to the totally different kinds of institutions in both countries, we need to take a closer look at both of their new constitutions.

First Rwanda, in contrast to the close link between ethnicity and constitutionalism prior to the Rwandan constitution of 2003, the new constitution rejects any mention of ethnicity. In its preamble written after a nine-year long transition period, the government is determined to eradicate all ethnic division. It also aims at promoting national unity by the exclusion of any concept of ethnicity (Gilbert, 2013, P. 418). Consequently, this resulted in article 126 which notes that public servants shall be recruited and promoted on the basis of merit and competence (Vandeginste, 2014, P. 269).

The strongest element in the constitution supporting the non-recognition of ethnicity in the constitution of the country can be found in article 54 which prohibits the association between ethnicity and political parties, and in short states that political organizations are not allowed to be based on race, religion, ethnic groups and more that may provoke discrimination of minorities. The reason behind this philosophy is that any reference to ethnicity may create division and goes against the policy of unity and reconciliation in the country. Not only does the constitution ban any recognition of ethnicity in political parties, association or religious groups, it also expresses the strong favor of equality and non-discrimination in Rwanda.

To sum up, the new constitution supports any official policy as long as there is a total eradication of anything having to do with ethnic identification and is no threat to the unity of the country (Gilbert, 2013, P. 418-419).

Where Rwanda chose for a complete eradication of the recognition of ethnicity in its political and legal affairs that are included in its constitution, Burundi moved towards a whole different design of ethnical recognition. They have opted for power sharing with the aim of

establishing a political and legal balance between the ethnic groups that live within the borders making Burundi's 2005 constitution a framework that is based explicitly on the recognition of ethnicity and minority rights (Gilbert, 2013, P. 422).

The preamble of Burundi's 2005 constitution establishes the protection and the inclusion of all the ethnic, religious and cultural minority groups that live within the border. It also affirms the need for a change in the justice systems and better national security for all who live in the country, including ethnic minorities. In the first article of the constitution, it is claimed that Burundi is an independent and sovereign, secular, democratic, unitary republic, that respects its ethnic and religious diversity. However, the main focus of the constitution is about how the power sharing arrangement and therefore the recognition of ethnicity actually works according to the technical aspects.

The arrangement guarantees the proportional representation on national and local level to all ethnic groups that live in Burundi. It also prescribes that the National Assembly should be composed of 60 percent Hutus and 40 percent Tutsis, these quotas are also used in the administration of Burundi. The smallest ethnic group, the Twa (Batwa) community are given three seats in the National Assembly and three seats in the senate (Gilbert, 2013, P. 422-423).

This institutionalized ethnicity as criteria for participation in politics is completely different than the approach of Rwanda, where merit, integrity and competence are the criteria for everyone, independent of which ethnic group they belong to (Vandeginste, 2014, P. 269).

4. Rwanda, ethnic amnesia and inclusive institutions.

Where the policy of the eradication of ethnicity in the constitution in Rwanda would have expected to decrease the inclusion of minority groups. The new constitution as the result of a nine-year transition period, in contrast, aims at promoting national unity by the eradication of ethnic, regional and other divisions (Gilbert, 2013, P. 418). Besides the policy of national unity being based on ethnic amnesia, the inclusion of the whole population is also promoted by citizenship referred to as 'Rwandan-ness' (Vandeginste, 2014, P. 269).

This policy based on ethnic amnesia and the integrationist view centered around civic identity have resulted in legislative elections that are based on proportionality, in which regional origin and representativeness are considered to be irrelevant electorally. Proportionality in this case refers to the electoral system in which the number of seats of a particular party reflects the number of votes that are won, it does not refer to the ethnic or regional representation as it does in Burundi (Vandeginste, 2014, P. 270).

A quota for the composition of parliament has also been written into the Rwandan constitution, promoting even more inclusion of minority groups. Of the eighty members in parliament, twenty-four of them must be female, one member is chosen by the national youth council and one member is chosen by the national council of persons with disabilities. In addition to this, Rwanda takes pride in favouring power-sharing and seeking solutions through consensus and dialogue. The power-sharing in the Rwandan context means that the president and the speaker of the chamber of deputies do not belong to the same political party. It also refers to the rule that one political party, even if it has achieved a majority in the chamber of deputies, cannot claim more than half of the ministers in cabinet in the coalition government. This meaning of power-sharing in Rwanda has nothing to do with Burundi's ethnic power-sharing agreement (Vandeginste, 2014, P. 270).

The political institutions in Rwanda can be called pluralistic according to the definition that pluralistic power must be distributed broadly in society and subject to constraints (Acemoglu & Robinson, 2012, P. 80). The distribution of power spread broadly in society can be seen in the decentralization policy. The decentralization policy has distributed power to the lower levels of government and has helped to democratize leadership and create platforms for groups, like youth and women, which had been excluded from governance in the past (Rwandan Ministry of Local Government, 2012, P. 6).

The rule of law and good governance were both points included in the Rwanda Vision 2020, a report that outlines the long-term development path of Rwanda. It states that the country is committed to being a capable state, characterized by a rule of law that supports and protects all its citizens. It also states that the state will ensure good governance, meaning a state that is respectful of democratic processes and to the rule of law. The overview report assembled by the HIIL institute (2012, P. 11) states that when it comes to the rule of law, there are certainly some positive trends to be seen in Rwanda. These trends entail a positive policy towards corruption, which is almost unheard of in Rwanda. It also argues that the justice system has made impressive steps towards improvement and so does the infrastructure of courts and tribunals, with laws and regulation available on the internet in three languages. The fairness of criminal trials and the access to justice are positive trends that can be seen in Rwanda as well.

Political institutions are called inclusive according to Acemoglu and Robinson (2012, P. 80-81) when the institutions are sufficiently centralized, pluralistic and can ensure necessities like an unbiased rule of law and property rights. The policies in the constitution and institutions that were shaped by the ethnic amnesia attitude in Rwanda have succeeded in providing a

central authority and a pluralistic state with the capacity to ensure the necessities like an unbiased rule of law, an effective judiciary and property rights. Institutions in Rwanda can therefore be called inclusive. How these inclusive political institutions that were formed have influenced the economic growth in Rwanda is further elaborated on in chapter 6.

5. Burundi, ethnic recognition and extractive institutions.

Even though it is evident that Rwanda and Burundi have very different institutional characteristics when it comes to ethnicity, the power-sharing agreement after the Arusha accords would have been expected to contribute to more inclusion of minorities in Burundi, as was mentioned in the introduction. In reality, this is not the case, since the power-sharing agreement has resulted in the discrimination and the marginalization of ethnic minorities (Abbink, 2011, Gilbert, 2013; Vandeginste, 2014).

The power sharing arrangement which was negotiated during Burundi's peace process may have saved the pluralistic nature of the elections, but has also fallen victim to these same pluralistically natured elections. This happened when the dominant party CNDD-FDD obtained an overwhelming majority win in parliament and from there on out controlled most of the instruments needed to establish a hegemony or rule of their own (Vandeginste, 2011, P. 315).

The 2015 election crisis, caused by the controversial third term win for the Burundian president Nkurunziza, has led to criticism towards the ethnic quotas that the Burundi government works with in their institutions. The Hutu population are unhappy by the overrepresentation of the Tutsi, while the Tutsi argue that ethnic affiliation often outweighs merit, although in practice it is not just ethnic affiliation, but also the loyalty to the ruling party (BTI Country Report 2018).

This resulted in President Nkurunziza and his immediate entourage effectively governing the country in what can be called an authoritarian kind of way, without any check and balances and where democratic inclusive institutions are hollowed out by a small ruling elite as well as the military (BTI Country Report, 2018, P. 7). The power-sharing framework has thus been unable to prevent a one-party government from happening, causing fundamental issues like an even greater gap between rich and poor, gender inequality, corruption, clientelism and oppression to become reality in Burundi (BTI Country Report, 2018, P. 16).

The characteristics that fit extractive institutions have become more evident because of this. Acemoglu and Robinson call institutions extractive when power is concentrated in the hands of a narrow elite that tries to consolidate this power. These extractive institutions are not

sufficiently centralized, pluralistic and cannot provide necessities like an unbiased rule of law, property rights and an effective judiciary for example (Acemoglu & Robinson, 2012, P. 80-81). Even though the CNDD-FDD makes it seem like they are the central authority, the way the party is controlling the state institutions at all levels with an iron fist, democratic efforts, political consensus, pluralism and respect for human rights, that were incorporated into the constitution all have ceased to exist (BTI Country Report, 2018, P. 3).

Where trends in Rwanda were heading towards a positive direction when it comes to the rule of law, Burundi is still far from reaching positive trends in general. Burundi is called one of the most corrupt countries in the region making it no surprise that the government and the services that they provide are often under the suspicion of cronyism. This suspicion is confirmed by procedures that are usually conducted in a non-transparent way and the taking of bribes by government officials which is often reported (Index of Economic Freedom, 2018, P. 125). According to the anti-corruption civil society organization 'Transparency International' in their corruption perception index of 2017, Burundi is ranked 157th most corrupt out of 180 countries. (Nininahazwe, February 2018).

The judiciary, of which Acemoglu and Robinson (2012, P. 329) argue can undermine the balance of power in the system that protects against anyone from taking too much power in hands and ensures the continuity of pluralistic political institutions, is set up as a separated institution that should be operating independently from all other organs of the state in Burundi. However, judicial appointments are made by the government and the president and increasing political pressure is exerted on the judicial system. In general, the judiciary that should be independent of the Burundi government bends completely to the will of the executive power (BTI Country Report, 2018, P. 12-13).

Furthermore, there is an increasing politicization of the courts, because of the extreme political response from the courts against the opposition and politicians that show minor support for the current government. Members of the lower levels of the judiciary system are poorly equipped and trained for their function and the entire judicial system is prone to cases of corruption. The recent decision of the Burundi government to withdraw from the Rome statute, has too made the provision of justice a distant prospect for many Burundi citizens (BTI Country Report, 2018, P. 13).

Inclusivity of politics causes voices and demands of minority groups to be included and considered in decision making in parliament, but if we look at Burundi, this is certainly not the case. Even though women have had the right to vote and to be elected since the beginning of elections in 1961, politics in Burundi have traditionally been overwhelmed by men, with the

exception of one female minister between 1993 and 1994. The role that women play has been traditionally limited to the domestic sphere and therefore their political participation has been minimal (UNDP, 2014, P. 6).

Since the democratically elected government came in to power in Burundi in 2005, the government did implement a decentralization process in the hope of increasing the social cohesion, improve local governance and strengthen the infrastructure and public services in rural communities. This was done because most conflict was caused by the marginalization of these rural communities, where power both political and economic was in hands of the urban elites. However, with the CNDD- FDD controlling all levels of state-institutions, the efforts of the 2005 government have been eradicated. (The World Bank, 2014; BTI Country Report 2018).

The challenges that include the absence of institutions that are critical for a democratic transition, the lack of property rights and the biased rule of law. As well as the lack of free press and many violations of human rights within the border, all contribute to the phenomenon of extractive institutions in Burundi (Ndimurwimo & Mboa, 2014, P. 1097).

6. Inclusive institutions and economic growth in Rwanda.

The denial of ethnicity in the constitution and government policies that Rwanda has adopted after the 1994 genocide have led to institutions that can be called inclusive by the standards of Acemoglu and Robinson (2012). In order to test if their theory, in which economic growth can be achieved by institutions that are inclusive, the mechanism underlying this theory must be applied to the case of Rwanda.

Sustainable economic growth can be attained if the inclusive economic institutions allow and encourage the participation in economic activities by the population that makes the best use of their skills and enables them to make the choices that they wish to make (Acemoglu & Robinson, 2012, P. 74).

The enforcing of property rights is a crucial in creating economic incentives, because when property rights are secured by the government, the population is given the incentives to invest their money and increase productivity, without their property being taken away from them (Acemoglu & Robinson, 2012, P. 75). In Rwanda, the law protects and facilitates the acquisition and the disposition of all property rights (Index of Economic Freedom, 2018, P. 349). Investors involved in commercial agriculture, which makes up a huge part of the

economy, have leasehold titles and are able to secure their property titles. Foreign investors also have the rights to own private property and acquire real estate, which attracts foreign investments (The Rwanda office of investment affairs, 2017).

Next to property rights, inclusive economic institutions must also permit the entry of new businesses and allow people to choose their careers, as well as make provisions for public services to provide a level playing field, making it more attractive for people to exchange and contract (Acemoglu and Robinson, 2012, P. 75-76).

Over the last couple of years, Rwanda has implemented several reforms to make it easier to do business in the country, which has especially impacted the small and medium sized enterprises. Among these reforms are the improvement of the construction permit process, the online payment of taxes and the progress tracking of applications for permits through email and SMS (Mwai, November 2017).

Rwanda is making big leaps in the provision of public services, especially in health care and education. These two provisions are important for economic growth to be seen because when someone is not in good health, they are not fit enough to work. Without sufficient education, people are not given the opportunity to reach their vocation in life and the unknown skills and talents of a large number of individuals may be missed, when they could have been the next Albert Einstein or Bill Gates (Acemoglu & Robinson, 2012, P. 78-79).

Over the past 15 years, Rwanda has built a near-universal health care system that covers more than 90 percent of the population, financed by tax revenue, foreign aid and voluntary premiums scaled by income. It is not yet as perfect as the health system in Denmark, but access to health care has improved substantially and the financial burden it imposes on Rwandan people has declined. This improved health care has resulted in more than 97 percent of the infants vaccinated against several types of diseases, like hepatitis B and Polio, as well as a drop in infant mortality by almost three-quarters since 2000 (Porter, July 2017).

Looking at the investment in education, Rwanda is one of the top-performing countries in Sub-Saharan Africa. Thanks to efforts made by the government and its partners, like UNICEF, the country has even achieved Millennium Development Goal two; access to universal primary education, with an enrolment of almost 98 percent. When it comes to gender equality in education, the education system in Rwanda has the highest participation rates in East-Africa and the girls' enrolment on all school levels surpasses that of boy's enrollment (UNICEF, 2018).

Creative destruction and technological change too is a needed for sustainable economic growth, because this is what enables people and existing capital to become more productive

(Acemoglu & Robinson, 2012, P. 84-85). In Rwanda, this is seen by targets that are set for improving the access of electricity and the telecommunications network through the country. Rwanda is targeting 100 percent access to electricity by the year 2024 and based on the data of the government of Rwanda, current national electrification rate has reaches 41%, still leaving over seven million people lacking in the access to electricity (Power Africa, March 2018). By working together with the private sector in implementing the electricity strategy, focus will be on the increasing competition within the private sector reducing costs and improving the supply of technology on the market (Rwandan Ministry of Infrastructure, 2016, P. 1).

The government has also made big investments in the telecommunications network across the country, which attracts more electronic commerce and business process outsourcing. The percentage of people carrying mobile phones has even increased from 6 percent in 2006 to 45.2 percent in 2011 (Crisafulli & Redmond, 2012, P. 9-10).

The state does not just intertwine in infrastructure and telecommunications, there is a major focus on agriculture as part of Rwandan's development too. Several modern farming techniques have been introduced to local farmers, including new irrigation techniques and machines like tractors and ploughs. Besides new techniques, the government also subsidizes fertilizer and distributes it through the private sector networks, supporting both farmers and private sector businesses (Crisafulli & Redmond, 2012, P. 135-136).

The property rights, easier access for businesses to the market and the facilitation sufficient healthcare, education and technology all are the result of the inclusive economic institutions that can be found in Rwanda. These inclusive economic institutions are determined by the inclusive political institutions that were formed after the new constitution was adopted in 2003 and explain the economic success that is seen in Rwanda over the last couple years. This transition towards more inclusive economic institutions that generate economic development, especially the growing economic freedom and the enforcement of property rights, attract more foreign investors to Rwanda that see opportunities in the growing economy, securing Rwanda of economic growth in the future to come (Sipangule, March 2017).

7. Extractive institutions and poor economic performance in Burundi.

The state is inevitably intertwined with economic institutions, as the enforcer of private property rights and contracts, rule of law and often as the key provider of public services like healthcare and education. The state is the institution that has the coercive capacity to impose order and enforce contracts between private parties. However, the degree of coordination that is needed to provide all these crucial aspects on a large scale and facilitate economic growth can only be guaranteed by a central authority (Acemoglu & Robinson, 2012, P. 74-75).

This central authority that needs to provide property rights, rule of law and public services cannot be seen in Burundi at most. The poor economic performance that is seen in Burundi at the moment and over the last couple years might be caused by this. To determine if the extractive institutions, which includes insufficient central authority, can explain the poor economic performance, the mechanism that Acemoglu and Robinson argue stops countries from achieving economic growth must be tested.

Since the crisis that broke out after the 2015 elections in Burundi, the capacity of the state that needs to be able to enforce law and order, regulate economic activity, provide public goods and facilitate the private sector has left a lot to be desired for. Essential provisions that create economic incentives are not seen nearly as much as in Rwanda.

The enforcement of property rights might be one of the most important provisions that must be made by the state to create economic incentives for people to invest, increase productivity and trade (Acemoglu & Robinson, 2012, P. 75). Nevertheless, the lack of the enforcement of property rights provided by the government has made it necessary for people and businesses to step into the informal sector. Although private property can be registered, it is vulnerable to armed banditry and there is a risk of the government claiming or seizing it without question (Index of Economic Freedom, 2018, P. 125).

Next to the insufficient securing of property rights by the government, the access of businesses to the market is made more deterring by the overregulation and inefficiency of administrative activity. This makes obtaining electricity, paying taxes, attaining permits, enforcing contracts and registering property a tiresome and complicated process, which does not at all contribute to further economic incentives to trade and invest. While the financial sector in the country is dominated by banks, less than one percent of the entire population has access to loans, which could have been used to start businesses with. (Index of Economic Freedom, 2018, P. 124-125).

Where Rwanda does provide basic public services which Acemoglu and Robinson argue are a must for political inclusive institutions in order to achieve economic prosperity on the long-term. The providing of basic public services, like access to electricity and good infrastructure that crucial for trade, is not as rewarding in Burundi. As is the quality of health care, which is still insufficient. Access to health care is mostly constrained by the lack of resources and the high costs of the services. To fix the high health care cost and the growing malnutrition problem that the country faces, money is the most important factor. Yet this is a continuing problem since the financing for health care has been cut back with 54 percent since a budget decrease in 2016 (World Food Programme, 2017, P. 7).

Thanks to foreign aid, many primary school in the rural communities have been either rebuilt or expanded. The quality of these schools on the other hand is still very low and teachers in the primary schools are still underpaid and underequipped to teach properly. This results in frequent teacher strikes and many boarding schools closing, mostly due to lack of resources that are provided by the government. After the constitutional crisis in 2015 and the financial withdrawal of donors that followed this crisis, the government has made it clear that they rather cut down the education budget than to negotiate with donors (BTI Country Report, 2018, P. 10). However, it is not all bad in Burundi, there is some progress in improving primary school enrolment and almost 97 percent of the children are enrolled in primary school, boys and girls alike, the completion of this primary level, nevertheless, is falling short on set targets and only 32 percent of all children complete secondary education, in which boys outnumber girls 10 to 7 in ratio (World Food Programme, 2017, P. 6).

Fear of creative destruction and technological change is often at the root of extractive institutions, because it endangers the economic and political power of the current elite. This could be the reason why public infrastructure like the provision of electricity and energy lacks behind Rwanda. In Burundi, about 99 percent of the rural households use biomass for cooking, for which firewood is by far the dominant source of energy. The resulting deforestation and indoor air pollution are worsened by these inefficient technologies. Regardless of this, the potential of renewable energy in the country is considerable, but largely unused (Energizing Development, 2018).

Despite the energy sector being one of the key sectors of the countries' economy, only 1,8 percent of the population has access to electricity and the majority of electricity is consumed in only two cities. In order to improve the energy sector, the country needs projects to develop its energy potential and the increasing technical problems that keep appearing in the electricity grid (Fortune of Africa, 2018). The research expenditures are very low and largely

externally financed, making modern research and development activities practically non-existent in Burundi (BTI Country Report, 2018, P. 27). This might also be the reason why there is almost no innovation and investment in renewable resources, even though this could put the country on the map economically and environmentally.

The reclining openness to foreign investment makes it unattractive for foreign companies and businesses to invest in Burundi's economy, even though investors now mostly stay away because of the conflicts, investors also stay away because of the great public debts that makes up 47.2 percent of the GDP of Burundi, which has increased to 26.7 percent of the total output of the GDP (Index of Economic Freedom, 2018, P. 124-125).

It is therefore clear that the capacity of the pluralistic state, that must be able to enforce the rule of law, property rights, economic incentives for people to trade and uphold contracts, and facilitate public services to take care of the population is very weak in Burundi. Without all these factors, economic incentives are not created for people to invest and increase productivity. Creative destruction, technological advancement and property rights are not facilitated by the extractive economic institutions, which inarguably leads to the poor economic performance that can be seen in Burundi.

8. Conclusion.

To conclude, surprising economic growth in Rwanda and poor economic performance in Burundi can be seen in Africa's Great Lake region, even though the countries share borders, a geographical lay-out, historical background and ethnic composition. This is caused by the type of institution – inclusive institutions in Rwanda and extractive institutions in Burundi – that were formed this way by the denial of ethnicity in Rwandan politics and the recognition of ethnicity in Burundian politics.

Although the recognition of ethnicity in Burundi and the denial of Ethnicity in Rwanda was expected to have resulted in more inclusion of ethnic minorities in Burundi and exclusion of ethnic minorities in Rwanda, just like Abbink (2011) expected to happen in Ethiopia when ethno-federalism was set-up to stop the exclusion of ethnic minorities. The recognition of ethnicity in Burundi is believed to have intensified the already extractive political and economic institutions in the country after the critical juncture of the civil war, rather than breaking the cycle of extractive institutions and enabling more inclusive ones to emerge (Acemoglu & Robinson, 2012, P. 101). Consequently, the denial of ethnicity in Rwanda is

believed to have broken the cycle of extractive institutions after the critical juncture of civil war and the 1994 genocide and has enabled more inclusive institutions to emerge (Acemoglu & Robinson, 2012, P. 101).

To explain the difference in economic growth, the theory of Acemoglu and Robinson (2012) was chosen over the theory of Easterly and Levine (1997), because ethnic diversity of which Easterly and Levine (2012) argue causes poor economic growth, is not evident enough in Rwanda and Burundi, with just three different ethnic groups. The theory of Acemoglu and Robinson (2012) was also chosen because the recognition of ethnicity has been incorporated in several important institutions, like the constitution.

In short, the mechanism in the theory of the authors entails that inclusive political institutions take care of an unbiased rule of law, that secures property rights. The property rights create economic incentives for the population to produce and make investments and when this continues, economic growth and prosperity are the result. However, when there is a bias rule of law and the property rights are not ensured, the population are not given the incentives to produce and invest. This usually indicates that the political and economic institutions in a country are extractive.

In Rwanda, the inclusive political institutions that were formed by the denial of ethnicity, take care of an unbiased rule of law, secure property rights and facilitate public services. This has created economic incentives for people to invest and increase productivity, resulting in economic growth.

In contrast to Rwanda, the extractive institutions that were held in place by the recognition of ethnicity after the civil war in Burundi do not contribute to an unbiased rule of law. The bias rule of law, together with insufficient property rights and poor facilitation of public services does not motivate people to make investment and to increase their productivity, resulting in poor economic growth.

To sum up, evidence can be found that the type of institutions that were formed after the critical juncture of the civil war in Burundi and the civil war resulting in genocide in Rwanda, were the result of whether ethnicity was recognized in both countries. The type of institutions – inclusive institutions in Rwanda and extractive institutions in Burundi – in turn can explain the gap in economic growth confirming the theory of Acemoglu and Robinson (2012).

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