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## **24 Years in Rwanda, A Closer Look at What Happened Under Kagame**

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### **Citation**

Diallo, R. E. (2024). *24 Years in Rwanda, A Closer Look at What Happened Under Kagame*.

Version: Not Applicable (or Unknown)

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Downloaded from: <https://hdl.handle.net/1887/3765233>

**Note:** To cite this publication please use the final published version (if applicable).

MSc Thesis

Political Science - International Organisation

**24 Years in Rwanda, A Closer Look at What Happened Under Kagame**

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Word count: 9826

Date of submission: 10.06.2024

First reader: Dr. Agha Bayramov

Second reader: Dr. Karolina Pomorska

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## **Abstract**

This study investigates the dual developments of Rwanda's political and economic evolutions over the last 24 years, under Kagame's presidency. A closer look is taken at the conditions and processes which have led to the current state of high economic growth, while lacking democratic rights and freedoms. Expanding upon the work of previous scholars, theories on both democracies and economics are used to answer the posed research question by means of theory-testing process testing. The latter include Foreign Direct Investments (FDI). The result of this research expands upon the body of research, focused on the current, rapidly progressing developments in Africa which has gained more international attention due to its recent rapid economic developments.

## 1. Introduction

Rwanda, a country in central Africa, tragically well known for its gruesome history, has grown to become one of the most rapidly growing African economies (IMF, 2022). Since gaining independence in 1962, Rwanda has obtained the nickname of being the ‘Singapore of Africa’ (Mugabi, 2020). While Rwanda can be accredited great progress and growth in many aspects, it cannot be ignored that the country currently sits at a 23/100 score on Freedom House, only having 8 out of 40 possible points for Political Rights (Freedom In the World 2024 - Rwanda, 2024). While the country has seen significant economic progress in the time since independence, political and democratic rights such as the freedom of speech or independent media have not made significant progress and are still observed to be lacking by human rights organisations.

The current president Paul Kagame, who was first elected in 2000, has been criticised for oppressing opposition members and significantly limiting the freedom of speech in the country (Muia, 2023). After amending the constitution to allow for it, Kagame announced he would be running for a fourth election period, possibly extending his presidency to almost 30 years (Muia, 2023). This thesis will investigate the developments of Rwandan economic and democratic processes, seeing if and how the two are linked and which explanations for the current developments could be possible.

To investigate this potential connection the following question will be guiding this research and will be answered: *What explains the dual and seemingly contrary developmental paths of Rwandan economic and democratic processes since Kagame’s first presidency in 2000?* More specifically focus will be placed on the ways in which the political domain and the economic

sector have come to their current states and how these developments can be explained. For the economic sector there will be a special focus on the inflow of FDI's. To uncover the mechanisms at play there will be an in-depth analysis of the current situation in Rwanda, as well as a reconnection to the developments of the last 24 years. This will highlight in which ways the more politically and the economically focused research is intertwined. The aim of this research is not only to better comprehend Rwandan developments, but also to lay a groundwork for future research aimed at understanding ongoing or possible future developments other countries on the continent might face, given the rapid growth and future prospective of Africa.

Following this introduction, a literature review and theoretical framework will showcase the standing of this research in the literature and describe the underlying theoretical concepts used to interpret the findings. Additionally, the methodology, namely process tracing, will be presented, and explained before the analysis section will present the research being conducted. To finalise, the findings will be presented and discussed, and the conclusion will constitute them into a larger context and present their possible implications for Rwanda as well as for other research projects.

## **2. Literature Review:**

Researching the ways in which countries change, develop and economically grow in the presence of globalization, can be very interesting for political scientists in today's rapidly changing world. While many studies have come to agree on common trends, such as an increase of international trade in the past decades, others focus on specific topics or the interplay of different factors including political and societal impacts. A major field of interest in past and current literature is the theme of democracy and democratic development.

While the topics of both democracy building and economic development have substantial and diverse bodies of work in their discipline, there is also an interesting overlap of scholars who focus on the interplay of both factors. Among those investigating this connection, most research specifically focuses on the effects that democracy, or the lack of it has on the economy.

Arguments in this field of study range from findings suggesting that for example corruption, as a sign of a lesser grade of a functioning democracy, can in certain scenarios be beneficial to economic growth (Shabbir, 2017) to those suggesting that the relationship between the two factors is less determining and in fact overshadowed by factors such as being an import dependent or mostly exporting country (Asiedu & Lien, 2011).

## 2.1 Foundational Studies

Generally, much research focuses on the ways in which countries with a low democracy index seem to grow economically and attract FDI, arguing that investors tend to be more inclined to follow economic, rather than democratic freedoms when choosing their locations (Mathur & Singh, 2011). Although there is a vocal body of research disputing this notion and arguing that democracy and economic prosperity follow a common linear path, one naturally being accompanied by the other, these works can be seen to have been especially prominent around the turn of the last century.

One example of this pattern of thoughts can be seen in the work by Quan Li and Adam Resnick, who found a relationship between increased democratic rights and FDI inflows to a given country (2003). Literature in this category is largely informed by statistical research and regression models, which give these findings the strength of being easily traceable. They also

allow for an easy comparison between different countries, regions or continents using numerical indicators over time (Mathur & Singh, 2011, p. 993). A potential shortcoming of this category of articles is the comparatively low number of feasible factors and influences considered in the research.

## 2.2 Recent Studies

In contrast to this previous group of scholars, those considering democratic development and economic growth as more separate entities, influencing each other, but not being wholly entangled, tend to also consider more factors which can influence a country's standing in the world.

An example of this is the focus on how demographic transitions impact the effects which a stronger or weaker democracy can have on the GDP (Khodaverdian, 2022). Similar arguments have been postulated about how investments tend to be made in countries which provide a higher degree of political liberties to the investors, despite the lower rate of civil liberties often present in these situations. An example for this correlation is the effect of more or less secure property rights a country offers. The degree of trust in these rights can lead to an influx or decline of FDI (Moon, 2015) (Adam & Filippaios, 2007). Considering the ways in which these scholars have incorporated several factors, their research can be seen as more comprehensive, since the use of statistical methods is expanded upon by the addition of more potential aspects to a given puzzle.

Following the same stream of thinking, which assumes political and economic developments as separate entities influencing each other, Holmes et al. make the argument that this

relationship is even more multifaceted. They propose that the chain of influences starts with a country's internal culture and institutions, which in turn help attract or repel international investors (Holmes Jr, Miller, Hitt, & Salmador, 2013). This relationship is further explained by highlighting the importance of economic prosperity for voter satisfaction and how it shapes the way in which politicians form relations with corporations to boost their popularity (Holmes Jr, Miller, Hitt, & Salmador, 2013, p. 541). Regarding autocratic regimes, the point is made that they often get involved in innovation efforts and entrepreneurship, which is why Holmes et al. come to the conclusion that autocratic regimes act as a repellent for Foreign Direct Investment inflows (Holmes Jr, Miller, Hitt, & Salmador, 2013, p. 541). A meta-analysis published in 2018 also argues that a country's FDI attractiveness is largely impacted by a multitude of factors including political developments and stability, resulting in a one-directional influence of the political system on the economic perspectives of a country (Bailey, 2018).

### 2.3 Expanding Upon Existing Research

Thus, it can be concluded from the existing literature that the relationship between political as well as economic factors such as economic developments and FDI inflows, can be divided into two categories. Within this division the more foundational works assume a higher degree of co-dependency and simultaneous natural development with neither precursing the other. The second category expands upon this by agreeing that the two realms do influence each other but removing the assumption of linearity. Instead, it is assumed that either factor can change independently, but that changes in one will over time lead to an adaptation of the other. These changes can be initiated by either category and in addition to this, can be both forward and backward developments. While this is the more applicable approach, it still leaves room for expansion and improvement.

Even with a more detailed and thorough focus on a combined effect of multiple factors on democracy and economic success, many of the studies mentioned above make use of statistical methods to analyse large data pools and investigate trends. One important outlier from this trend is the article by Holmes et al., mentioned above. Resulting from this, individual country profiles with detailed historic analyses seem to not receive much attention. But including historic perspectives alongside current trends and numbers allows for a more detailed understanding of the very basis of conditions and trends analysed for each country. This thesis aims to provide such a wide-ranging analysis using the example of Rwanda, a country in eastern Africa currently in a period of rapid economic growth (Kayihura, 2023), the interconnectedness of all three: the economic, democratic, and historic factors will be taken into consideration to explain the overall situation the country is currently in. To do so the question: *What explains the dual and seemingly contrary developmental paths of Rwandan economic and democratic processes since Kagame's first presidency in 2000?* will be answered, highlighting the different factors at play. Making use of a qualitative methodology and focusing on one country, rather than a group of countries, this thesis tests and applies the theories of mechanisms other scholars have developed in the case of Rwanda. The testing and applying of these theories in regard to a specific country and its developments, allows not only for these theories to be refined and confirmed, but also for a deeper and more detailed understanding of the circumstances which have led to the current state Rwanda politically and economically finds itself in.

### **3. Theoretical Framework**

To conduct the further research mentioned above, this section will provide an explanation of the underlying theoretical framework used to develop the hypothesis for this thesis' research and to classify and make sense of the findings. Starting with the different theories regarding democratisation as well as some of the main points of critique are briefly highlighted and explained. Following this, theories with a focus on FDI and the mechanisms connected to allocating and locating it, will be highlighted, and explained. Additionally, a justification for linking the two theories will be given and the leading hypothesis for answering the research question will be presented and explained.

#### **3.1 Democratisation Theory:**

Democracy as a model of organising society can in its essence be seen, not as a constant and predetermined state of being, but rather as a more open-ended process (Whitehead, 2002, p. 3). The concept of democracy has been thought of as a continuously evolving state, constantly undergoing reconsideration and revision, because the opinions of those in power are persistently influenced by impacts on domestic, regional and global levels, leading to consistent change within the system (Whitehead, 2002, p. 3). Those theorising about the state of democracies, have come to be divided into two main camps of thought, termed the maximalist and minimalist one. While they do not completely disagree on some of the fundamental characteristics of democracy, they have different understandings of the roles some of the key democratic features play in the system (Nwosu, 2012).

Maximalist democratic thinkers can be seen to follow one of the most famous and recognisable core principles of democracy, namely ‘government for and by the people’. This understanding of democracy largely focuses on the importance of elections, as these are seen to be the moments of opportunity citizens are given to voice their opinions and meaningfully influence the political trajectory of their city, state, or nation (Nwosu, 2012, p. 16). While this can be seen to capture the fundamental concepts behind democracy, a growing awareness of the fact that elections are not enough to signal democratic values, has shed criticism on the maximalist view. This stems from the fact that attaining consensus in any population is seen as near impossible, making compromises a critical component to building functioning democracies (Wiredu, 2007, p. 155). To specify this further, the critique is based on the increasing number of regimes which have found ways of including their citizens in elections, while not upholding some of the main democratic principles of freedom and fairness in the process. Elections under such circumstances can arguably be seen more as a tool for authoritarian governments to appear legitimate, rather than an opportunity for voters to elect a government of their liking (Nwosu, 2012, p. 16) (Teehankee & Calimbahin, 2020, p. 100).

In contrast to the maximalist and idealistic understanding of democracy, the minimalist view considers democracy as a situation in which it is the role of the people to produce a government forming the national executive (Nwosu, 2012, p. 13). While voters are still considered to have meaningful influence on political happenings, they are not seen as the core of democracy in the same way as maximalist thinkers do. A clear distinction is made between the ‘will of the majority’ and the actual ‘will of the people’. (Schumpeter, 1976, p. 269). This can be connected to the need for compromise mentioned above, as consensus has largely been deemed impossible in any given population (Wiredu, 2007, p. 155). Minimalists see that a government made by the people, will often fail to produce the outcome which is desirable to the people (Nwosu,

2012, p. 13). Another core feature of democracies which minimalist thinkers consider important is the existence of career politicians, in contrast to the notion of a 'government for and by the people'. It is pointed out that the effective management of a society requires people who make a career out of politics and who focus their lives on being successful in this profession, similarly to businessmen trying to master their career (Nwosu, 2012, p. 13).

In theorising democracies, Huntington has made the distinction between the legitimacy of a democratic system and the legitimacy of the rules the system produces. While he argues that the legitimacy of a democratic system depends largely on the procedures it utilises and the ability of voters to choose their rules through elections, the legitimacy of these rules, in his argument, is dependent on how they satisfy the expectations of the voters in the system (Huntington, 1991, p. 50). While the divide of legitimacy features in the case of democracies seems reasonable, little explanation is given to the ways in which the given characteristics and requirements are to be measured and quantified (Nwosu, 2012, pp. 13-14).

Referring to the critique of the maximalist interpretations of democracy, some thinkers have expanded this to include the critique of non-democratic elections, thus resulting in the emergence of the so-called pseudo-democracies in the early 21<sup>st</sup> century. These are states which are neither fully democratic nor authoritarian (McFaul, 2002). McFaul emphasises that simply holding elections and the protection of some civil rights, can no longer be seen to be the sole criteria for being a democracy, agreeing with some of the minimalist interpretations (McFaul, 2002). This research reiterates the emphasis of definitions and the role they play in determining what counts as a legitimate democracy and where the border to a pseudo democracy is.

Taking these concepts and points of critique into consideration, this thesis is built on a more minimalist-leaning understanding of democracy, emphasising the nuances of political systems and the need to systematically analyse the legitimacy of the overall system and the rules produced by (and for) the system. The existence of elections is not understood to be a sufficient indicator to classify a country as a functioning democracy.

### 3.2 Foreign Direct Investment Theory:

International investment flows and FDI's have also fallen subject to being analysed and theorised by scholars. These theories which aim to point out the foundations of the decision-making process concerning the allocation of FDIs.

Some scholars have observed that flows of FDI tend to be depended on several economic and societal attributes. Examples of these are strategic considerations, geographical distance, the state of institutions and society in the recipient country, the amount of bureaucracy, corruption and dominating culture (Bahoo, Alon, Floreani, & Cucculelli, 2023, p. 462). Considering the numerous factors which influence the decisions behind investment flows, the logic which grounds this assumption stipulates that FDI will be sent to places in which the net benefit based on these factors will outweigh the estimated costs of investment, which corruption can heighten for example (Bahoo, Alon, Floreani, & Cucculelli, 2023, p. 463). With this understanding it comes as no surprise, that multinational companies have been found to have preferences when choosing where to invest, based on the potential a host country shows and the potential risks it bears (Jakobsen & de Soysa, 2006, p. 385).

Another major theoretical branch in the field of FDI is the assumption that loss-avoidance strategies significantly impact the decisions being made around investing. Additionally, it has been pointed out, that strategies connected to loss-avoidance are often affected by differing interpretations made by the decision makers, making final outcomes less uniform and more difficult to predict (Clampit, Gaffney, Fabian, & Stafford, 2023, p. 3). These observations have shown that much of the attention of managers seems to be focused on apparent threats of loss, leading to more risk-prone behaviours being executed in the perceived stage of threat, in an effort to minimize losses (Clampit, Gaffney, Fabian, & Stafford, 2023, p. 3). Given these insights, it becomes clear that the distribution of foreign direct investments is a carefully considered and well thought through process, which incorporates many different facets.

Taking into consideration these factors which influence where FDI funds are allocated to, it is no surprise that countries which aim at attracting FDI are assumed to adapt to such needs to increase their appeal. One theoretical method of boosting attractiveness is the so called ‘capabilities-based approach’, as described by Prime. This approach consists of a deliberate and constant adaptation of domestic social capabilities, aimed at ideally meeting foreign investor’s needs (Prime, 2012, p. 140). By creating policies specifically catering the demands of investors, countries can actively try to attract more foreign investment (Prime, 2012, p. 140).

Foreign investments have long been believed to have significant influences on many domestic circumstances, such as economic growth, population growth and financial developments in a countries private sector (Olorogun, 2022, p. 2698). Understanding this positive relation is a key factor in understanding the efforts and ambitions of a country to adapt itself to best fit investor’s needs.

### 3.3 Connecting Democratisation and Foreign Direct Investment

While the theories on democracies and FDI's are not linked in their core and either can exist and be used in isolation, neither can explain a country's developments and changes fully. Seeing how countries all over the world have become more interconnected, some scholars have taken a closer look at the ways in which the two theories are more connected than initially expected. On the grounds of the dual nature of the research question, this connection and the simultaneous use of both theories will be of particular importance to this research.

Some authors have made observations in which democratic and stable states do a better job at attracting international investors and FDI's (Lacroix, Méon, & Sekkat, 2020). These observations have been explained by the fact that democracies have been assessed to bear less risks for investors, because of more stable and reliable property rights. Additionally, the greater policy stability resulting from a higher number of veto players involved in decision-making in democracies has also been found to attract investors (Li, Owen & Mitchell, 2018, p.495). These factors, as well as the added accountability imposed on politicians in states with a free and non-biased press, have all been shown to have an attracting effect on the inflow of FDI (Li, Owen & Mitchell, 2018, p.495). Taking these augments into consideration, the following hypothesis can be derived as a possible answer to the research question.

*H1: In the case of Rwanda, the developments of democratic and economic indicators are separate from each other, while they do interact, one cannot be observed to significantly influence the other. The developments can be explained through other mechanisms, such as a development towards a pseudo-democracy or an overall net-benefit seen for investments made in Rwanda.*

On the other hand, an alternative hypothesis derived from current literature and theoretical understanding, could be formulated in the following way:

*H2: In the case of Rwanda, the developments of democratic and economic indicators are interlinked, and can be traced back to each other, through mechanisms such as investor attractiveness, property rights and others. The form of government endorses the economic structure of the country and attracts FDIs by making Rwanda an attractive place of investment, which in turn legitimises the government.*

This second hypothesis is equally informed by processes and theories discussed by scholars. Interestingly, Li, Owen and Mitchell also mention an alternative scenario in which international investors would cherry-pick less democratic countries and bypass full democracies. This is explained by mechanisms which many democracies put in place to prevent the expansion of mono- and oligopolies, which deters those investors looking to take over large market shares. In a similar way protection measures for domestic businesses operating within democracies as well as higher standards of labour rights and higher wages might lead to an increase of attractiveness for investors in less democratic places (Li, Owen, & Mitchell, 2018, p.495).

While every country is impacted by both, domestic political as well as international economic processes, investigating this important intersection of topics should be granted more attention, as insights into defining and crucial insights can be gained. Combining the use of both Democratisation Theory and Foreign Direct Investment Theory allows for a deeper analysis of either developmental path as well as the ways in which these developments might have cross-influenced each other. As prospects of increasingly attracting foreign direct investments can have a significant influence on the policies proposed and passed by governments and

considering that the two theoretical bases have a considerable effect on the other, a more all-encompassing analysis offers further insight into a county's developments. Assuming this, answering the posed research question, and testing either hypothesis is made possible by analysing the proceedings of the last 24 years in Rwanda against the background of these two theories which each highlights differing aspects.

#### **4. Methodology and Research Design**

This section will give an overview of the methods used for knowledge production in this thesis, the justifications for the case selection, the data collection and interpretation and an operationalisation of the key concepts, a section on the limitations of the methods and data used will also be provided. The research conducted focuses on the intersection of internal political developments and economic factors including FDI and how these two domains have developed during the last 24 years in Rwanda.

##### **4.1 Case selection**

While the co-existence and continuous change of political and economic developments is by no means exclusive to Rwanda, the country was chosen for this thesis since it offers an interesting case study, as it has undergone significant and far-reaching changes over the last two decades. The country has, under Kagame, seen a significant decrease in democratic freedoms, while also increasingly attracting international investors and companies. Rwanda has become one of the fastest growing economies in eastern Africa (IMF, Foreign direct investment, net inflows (BoP, current US\$) - Rwanda, 2022). It will not be possible to generalize the results of this case study to Africa as a whole, or even to the countries within

East Africa. Still, research about and detailed analysis of one of Africa's most rapidly growing economies is hugely important in the light of an economically growing continent and the specific attention it gives to the dichotomy of economic growth vs. democratic decline. Given the current lack of country specific research about the intersection of democracy and economic prosperity, a closer and detailed look at Rwanda aims to contribute to the knowledge in this gap. Focusing on its history as well as the current developments of the country will allow for a specific and detailed answer to the research question. Additionally, while the exact conditions of all countries are individual, the main conclusions and answers this thesis presents, will give grounds for similar analysis of other countries and their situations, possibly furthering future research into international phenomena.

The timeline encapsulating the last 24 years, the time since the current President Paul Kagame was first elected to power, was chosen as the timeframe of this analysis. Within this timeframe the most noteworthy developments, based on impact, will be analysed to answer the posed research question. Choosing Kagame's presidential runtime as the unit of analysis was decided on the base that it offers a period long enough to account for the time it takes for policies to be implemented and their effects to manifest. As well as it eliminates the delays of progress and policy output a change of government brings with it. Additionally, as Kagame faces much criticism for his methods and extended time in office, the particularities of his presidency and the democratic rights developments in the nation can be contrasted against each other to paint a clearer picture of the state of democracy in Rwanda.

## 4.2 Data Collection and Method

To sufficiently test the two previously presented hypothesis, different types of data, including numerical indicators as well as government- and company statements, will be used to diversify the information and draw more robust conclusions. To find answers to both hypothesis regarding the democratic situation in the country, politically independent observer reports, such as those published by Human Rights Watch or Freedom House will be used among other sources. Additionally, facts and figures and articles provided by international organisations such as the African Union will be made use of. Using these reports, and peer reviewed articles on the topic, a rough timeline of Kagame's 24 years in power will be made regarding the democratic and political rights situation in Rwanda. Based on this timeline, conclusions about the developments of these rights over time will be presented. Furthermore, the timeline will be compared to the economic data and to information about the balance of payments provided by the World Bank. In addition to these resources reports and statements made by investors and by the Rwandan government, by the African Developmental Bank and other regional actors will be considered. To draw meaningful conclusions from the gathered data, the presented hypothesis will be tested by conducting theory driven process tracing by means of content analysis. This aims to expose or discredit some of the underlying mechanisms and assumptions mentioned in the theoretical framework (Collier, 2011).

## 4.3 Operationalisation of Concepts

Referring to the theoretical framework of this project, some of the major concepts making up the foundation of the analysis will be elaborated here again, since these definitions have a major effect on the meaning and understanding of the conclusions and results drawn from the project.

Considering the wording of the research question, the three major concepts to be investigated are, Democracy, Developmental Paths and Process (democratic and economic), these will be dissected and defined in the following section.

**Democracy:** As mentioned in the theoretical framework, the foundational understanding of democracy guiding this research is the minimalist-leaning one. This entails an understanding of the political system, which highlights the numerous nuances of different democracies. Following this, great emphasis is placed on the validity of the specific democratic system throughout time and the validity of the policies it publishes.

**Developmental Path:** Given the specific wording of the question and distinct context of Rwanda, the term ‘developmental path’ in this context refers to the transformation of either the democratic or the economic indicators over time. This change can be negative, positive, or neutral. Development in this context, is not to be confused with the concept of development of countries, often synonymous with growth and improvement.

**Process:** The democratic or economic processes are understood to be the more specific changes which combine to make up the ‘developmental path’ mentioned above. These processes are to be observed through changes in policies and legislation, and changes of economic indicators and other factors indicative of substantial change of either domain.

#### 4.4 Limitations

One major factor to consider when discussing the limitations of the presented research project is the fact, that the research will be conducted entirely from an outside perspective, by someone

who is not involved or connected to Rwanda and with the help of sources which don't originate in the country. Given the timely constraints of the research project, reaching out to, and conducting interviews or surveys with residents of Rwanda is unfortunately unfeasible, especially when considering the ethical and safety precautions which would have to be taken in advance to ensure participant's safety and anonymity. With awareness of these limitations, the research and results will be presented in a context of being an outsider's perspective. Also, with the knowledge that the data were taken from secondary, rather than primary sources. Despite this constraint, a chronological analysis of the dichotomy of economic and democratic developments in Rwanda can still be a valuable contribution to the current body of research, as the results will reflect the current state of knowledge surrounding Rwanda, available outside of the country, which can be an important piece of knowledge for other research projects.

## **5. Analysis**

As described above this section will analyse the developments of Rwanda's democratic and economic developments over the last 24 years. This will be done by employing the method of theory testing process tracing. To do so, each hypothesis will be tested and discussed in isolation before the following Findings and Discussion section will highlight their applicability and answer the research question based on these results. This analysis will systematically highlight the arguments and instances which, based on the theoretical framework, support each of the hypothesis, to ensure well reflected and reliable findings.

## 5.1 Applicability of Hypothesis 1

The first hypothesis assumes a non-causal relationship between the two domains of democracy and economy. Thereby it assumes that the two developed and evolved independently from each other or with minimal interaction. More concretely the hypothesis is:

*H1: In the case of Rwanda, the developments of democratic and economic indicators are separate from each other, while they do interact, one cannot be observed to significantly influence the other. The developments can be explained through other mechanisms, such as a development towards a pseudo-democracy or an overall net-benefit seen for investments made in Rwanda.*

To test this hypothesis, both the evolution of the democracy under the Kagame administration and the country's economic state are going to be described and explained individually. It is important to note, that this hypothesis assumes that both were not intrinsically linked. This analysis is conducted with the knowledge that complete isolation of either development is impossible and that some degree of influence of one onto the other is likely to have occurred during the last 24 years. The assumption is therefore made that this mutual influence cannot be seen as the driving force behind either development, but more as an inevitable condition.

### 5.1.1 Political Development

To begin with, the ways in which the government and the democratic rights in Rwanda have evolved will be examined. After Kagame took office in 2000 as interim president, his following presidential race in 2003 and his victory of the presidential elections were already characterised

and accompanied by reports of arrests of his opponents, which were conducted to enforce their withdrawal from the electoral race (Pauls, 2024). Being part of the Tutsi minority which was targeted during the horrific genocide in Rwanda in 1994, Kagame, who himself played an important role in the overthrow of the Hutu government as part of the RPF, still utilises these personal involvements as part of his larger personal justification for his power (BPB, 2023) (Goehring, 2017). Given the grave implications the genocide had and still has on the Rwandan population, framing oneself as part of the solution and the onset of recovery and a new era, while opponents were systematically suppressed, laid an early foundation for the style of rule which the country was heading towards. Under these circumstances and with an aggressive campaign for national unity despite unresolved ethnic differences and a strong focus on improving upon the nation's economy, Kagame was elected president for his first seven-year long term. A rough outline of the changes in Rwanda during the time between this event and the present can be founded on the Worldwide Governance Indicators published by the World Bank. It is important to note at this point that these indicators are merely used as such, and that they do not encompass smaller details on country's specific facets.

At first glance and by regarding 5-year intervals from 2000- 2022, Rwanda can be seen to have made progress on all indicators, depicting a general positive trend and developmental path. The value for the indicator "Voice and Accountability" for example has more than doubled, starting at 6.97 in 2000 and scoring at 22.71 in 2022 (Worldwide Governance Indicators, 2022). This indicator specifically captures many of the factors seen as important for true and functioning democracies, such as the extent to which people are empowered to elect their government as well as many rights, such as the freedom of expression, the right to free media and free association (Kaufmann & Kraay, 2023). Although such progress can be observed, it is notable that the scores are made on a scale of 0-100 units and that lower ranks indicate poorer

performance on a given topic. Based on the limited increase of 15.74 units from a low starting point in a time span of 22 years, this outcome must be observed carefully. Allowing for critical and opposing voices which contest and challenge the current authority, is seen as one of the main and most important characteristics of functioning and legitimate democracies (Kim, 2023, p. 439). Additionally, the president of Rwanda has not only the authority to appoint the prime minister, but can also dissolve the bicameral parliament, which makes the position very influential and powerful (Freedom House, 2024). By suppressing and preventing critical voices from the media and political debates, the regime, while elected, cannot claim to be democratically chosen or running a state based on democratic values and principles.

While analysing all available indicators would go beyond the scope of this thesis, a noteworthy positive development, which will be picked up in a later argument is the progression of a value of 30.85 to 70.28 on the Control of Corruption Indicator (Worldwide Governance Indicators, 2022).

It is worth mentioning the developments in relation to democracy and government during the time from Kagame's first days in office to the present, which can be seen as possible explanations for the disappointing scores the country receives on its democracy, include the following. Several recent elections in Rwanda, which have resulted in positive outcomes for Kagame's party with wins of up to 99% of votes, have been attended by international poll observers who were not able to attest that the elections met international democratic standards. This is specifically made apparent by the fact that many opposition candidates have not been admitted to elections as well as the documented repression and control of media (BMZ, 2023) (Freedom House, 2024). Reports about the murder of some journalists and opposition leaders lead others to flee the country while Kagame denies any personal involvement or any of his

regime (Pauls, 2024). Another major event initiated by Kagame, was the 2015 referendum which changed the constitution from allowing presidents to be able to serve for a maximum of 14 years to a new total of up to 31 years starting this year (Muia, 2023). With these changes, Kagame is set to run for his fourth term in this year's August elections (Muia, 2023).

While these developments can be seen as rather negative in terms of the democratic progress, an interesting note to make on Rwanda is the fact that since the year 2000 the percentage of women in parliament has increased from 26% to 61% in 2022, making it one of the few countries where the majority of parliamentarians are women (The World Bank, 2022).

On the foundation of these underlying conditions under which elections in Rwanda have been held for the last two decades and the persistence which Kagame displays to secure his grasp on power, Rwanda cannot be characterised as a fully functional democracy. Rather, following a minimalist interpretation of democracy and the understanding that holding regular elections and the protection of only some civil rights is not sufficient to qualify as a democracy, Rwanda seems to fit the descriptor of a pseudo-democracy (McFaul, 2002). Elections are held according to the constitutionally set timeframes. However, these have been adjusted to the leading parties benefit and additionally these elections cannot be interpreted as adhering to internationally recognized democratic standards, because opponents are systematically prevented from actively participating in the electoral process (BMZ, 2023). Rwanda's 'democratic' development in this regard can be seen to have swayed towards being an authoritarian and undemocratic regime trying to present itself as a democracy to the outside world to boost its legitimacy (Wahman, Teorell, & Hadenius, 2013, p. 26). Contrary to their intentions, the ruling party and president Kagame have achieved the opposite. Their methods of remaining in power

actively prevent the results of their ruling from being legitimate reflections of the wishes expressed by society.

### 5.1.2 Economic Developments

After the examination of the political developments in Rwanda and a look at how the current regime strives to evoke the appearance of being a democracy, this following section will focus on the developments in terms of economic indicators and how these have evolved in isolation from the political playing field during the last two decades.

One key factor driving the current economic landscape of Rwanda, and one that will form the focus of this section, is the inflow of investment the country receives in Foreign Direct Investments. Right before the turn of the century, the FDI inflows into Rwanda came in at 1,74 Million US\$ making up only 0.1% of the country's GDP, which saw a drastic increase to 18,5 Million US\$ (0.9%) in 2001 (International Monetary Fund & United Nations Conference on Trade and Development, 2024) (International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, & World Bank, 2024). Since then, these numbers have continuously increased and grown, with some variations over the years. While FDI investments in 2010 amounted to 216,193 million US\$, this number has almost doubled to 398,6 million US\$ in 2022 (International Monetary Fund & United Nations Conference on Trade and Development, 2024). These numbers showcase that foreign investors have continued to see potential and decided to invest in Rwanda, it is interesting to note to which extent the FDI percentage of the country's GDP has developed alongside these rising investments. While the investments have increased substantially, the same cannot be said about the percentage they make up of Rwanda's GDP, as this percentage has risen from 0.4%

in 2000 to currently 3% in 2022 (with a high of 3.8% in 2018) (International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, & World Bank, 2024). Rwanda has repeatedly been compared to Singapore concerning recent developments. It turns out that Rwanda's 3% of FDI in GDP is rather low compared to Singapore's percentage of the same coefficient which amounted to 30.2% in the same year and was last in the single digits back in 2008 at 7% (International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, & Bank, Foreign direct investment, net inflows (% of GDP) - Singapore, 2022) (Mugabi, 2020).

According to foreign investment theories, such an expansion is likely to have developed because the country offers and has over the last two decades increasingly done so, many tactical benefits for investors, making Rwanda an attractive place to move business to. As previously mentioned in the theoretical framework, Foreign Direct Investment Theory stipulated that investments are made based on a series of deliberations made on the basis of economic and corporate costs, such as, strategic assets, geographical distance, the state of institutions and society in the recipient country, or bureaucracy, corruption and culture (Bahoo, Alon, Floreani, & Cucculelli, 2023, p. 462). While some of these, such as a countries geographical position, are predetermined, other factors can be seen to change and adapt over time. Rwanda has made significant progress in some of the key categories. As previously mentioned, the country has made quite an advance in successfully reducing corruption, more than doubling the score of control over the issue (Worldwide Governance Indicators, 2022). The increased control over corruption is, according to theory, an attractive development, as it can significantly reduce the estimated costs of investments in a place. Rwanda also highlights itself as a convenient place for setting up or expanding business through its national Development Board. By propagating

characteristics such as the fact that Rwanda has an especially young and growing population, with 70% being under the age of 30 as well as the fact that many young professionals are bilingual, the country is displayed as an attractive and rising hub for investments (RDB, 2024). By doing so, the state of the society and culture are shown to be attractive and lucrative for investors which are also seen as significant and important considerations for investors when choosing their place for investments (Bahoo, Alon, Floreani, & Cucculelli, 2023).

This perspective is largely catered towards larger companies and businesses, as Rwanda's population is very unequal in terms of wealth distribution, with the richest 1% earning about 20% of the national income (Martin, Kamande, & Gielfeldt, 2022, p. 7). This inequality showcases how the upwards trends in economic developments cannot be generalized and projected onto all Rwandans equally.

The two distinct developmental paths of both the political as well as economic developments in Rwanda, showcase a country of duality and contradictions. While many fundamental rights of the people in the political sphere are minimized, the country has made great progress in terms of economic development and financial prospects, if not necessarily to the same degree as suggested in the comparison to Singapore. Adapting the fundamental understanding that these two developments have occurred and unfolded independently from one another, results in a perspective in which investors and businesses make their decisions purely based on profit orientation, with little regard for political environment or domestic freedoms. This conclusion additionally includes the understanding that due to this, the regime is relatively free in diminishing democratic voices and silencing opponents, as economic consequences are unlikely.

## 5.2 Applicability of Hypothesis 2

In contrast to the first hypothesis, this second one has a fundamentally different outlook and approach to the developmental paths Rwanda has undergone under Kagame. The second hypothesis, listed below, assumes a strong connection between political and economic developments, which have over time lead to the current state of both.

*H2: In the case of Rwanda, the developments of democratic and economic indicators are interlinked, and can be traced back to each other, through mechanisms such as investor attractiveness, property rights and others. The form of government endorses the economic structure of the country and attracts FDIs by making Rwanda an attractive place of investment, which in turn legitimises the government.*

To test how, according to the theory, the administration and political realm have influenced the economic landscape, as well as the vice versa, several examples will be presented and discussed. These are used as illustrations for the underlying mechanisms assumed under H2.

One of the most often mentioned ways in which FDI inflows and governments are linked, both in theoretical models as well as based on empirical studies, is the understanding that international investors tend to be drawn to those countries which make investments as easy and lucrative as possible. More specifically, arguments are made which mention that such favourable conditions are often present in those countries with poor governance as these usually tend to offer conditions for maximising profit and minimising red tape (Fuentes-Nieva & Nicholls, 2013). As mentioned in the theoretical framework, Foreign Direct Investment Theory posits that flows of FDI depend on economic and societal costs, such as, strategic assets,

geographical distance, the state of institutions and society in the recipient country, or bureaucracy, corruption and culture (Bahoo, Alon, Floreani, & Cucculelli, 2023, p. 462). Rwanda's government has made a noteworthy effort in many ways to significantly increase the attractiveness of their country as a place for international investment. Additionally, the Kagame administration's efforts of growing and improving the domestic market are also remarkable and will be examined further.

Since the end of the genocide the government has implemented various regulatory reforms to boost the domestic market and the attractiveness for outside investments. Some of these reforms included efforts to reduce corruption, improve the ease of setting up businesses and making investments (Bernatzki, Busse, & Hoekstra, 2022, pp. 2-4). By doing so, the government's aim, both in the past and currently, is setting up incentives for giving the country a chance as a business hub within Africa (Bernatzki, Busse, & Hoekstra, 2022, p. 2). Resulting from some of these reforms, significant effects have been made in some areas, such as the fact that Rwanda is often cited as being a great example of an African country in terms of both business and investment freedoms (Matfess, 2015, p. 188). This, in combination with the fact that Rwanda is one of the easiest places for entrepreneurs to set up and register their businesses, paints the picture of a modern country that is an attractive place to do business both internationally and domestically. The autocratic and restrictive form of rule which Kagame follows can be seen as being supportive of this, as the systematic repression of opponent's voices and subsequent 'brut' power approach to rule enables the government to push for these reforms. This is done while neglecting the needs and wants of the Rwandan population (Matfess, 2015, p. 191).

A different relevant way in which Rwanda has made an effort to become a favourable hub for investments in eastern Africa, is for instance, the highly connected airline RwandAir, which started operations in 2002 and which connects Kigali to 22 cities both within Africa, as well as in Asia, the Middle East and Europe (RDB, 2024) (RwandAir, 2024). A striking connection between the government and the efforts to connect Rwanda to the world via RwandAir, is the fact that the airline is government owned and operates under the leadership of the government (East Africa Law Society, 2024). In addition to the already relatively central position of Rwanda on the African Continent, the introduction and expansion of an airline, operating both continental as well as cross continental flights, sets Rwanda up as a geographically and economically central hub of Africa.

Paul Kagame has effectively framed Rwanda's economic success and the impressively rapid improvements the country has seen in this area since the 1994 genocide, as his personal successes. This gives him the opportunity to publicly take credit for these achievements and in turn legitimise his non-democratic methods of rule and remaining in power (Goehrung, 2017). Kagame is widely praised for effectively opening Rwanda's economy to the world and creating a 'new' Rwanda. This transformation has now put the country on track to rising from being a low/middle income country though above average income levels in these categories (Bernatzki, Busse, & Hoekstra, 2022, p. 2). Additionally, Rwanda is now recognised as a good partner in international cooperation, which is an image he himself maintains and makes use of (Desrosiers & Thomson, 2011, p. 429) (Matfess, 2015). By having pushed for and attracted many investments and businesses, Rwanda has achieved and sustained the status of a rapidly and consistently growing economy. The most recent example of this can be seen with the 7.6% growth rate recorded in 2023, which was reached despite the global trend of inflation which Rwanda was not exempt from, as the latest data shows a jump to 17.7% inflation measured in

2022 (Muthembwa & Van Leggelo-Padilla, 2024) (IMF, Inflation, consumer prices (annual %) - Rwanda, 2022). This consistent and high growth rate is now used by the government to further advertise and promote Rwanda as a business hub for profitable results (RDB, 2024). In a way, the constant push for new investors, leading to new influxes in numbers which are used to further advertise for the country, can be seen as a way of self-fulfilling prophecy set in motion by the Kagame administration and their Development Board.

This image of success and a strong and capable leader is not new to Rwandans. Kagame's predecessor Habyarimana equally promoted himself to Rwandans before he was killed in the assassination which triggered the genocide in 1994 (Desrosiers & Thomson, 2011, p. 430). Similarly, Kagame now frames the improvements in growth of the country as his personal successes. While these successes were achieved during his presidencies, this framing and perspective should not be taken at face value. Due to the current and ongoing political situation, people within Rwanda fear voicing their opinions and critiquing developments (Matfess, 2015, p. 191). This, combined with the limits on media paints a skewed picture of what information the population is given and how developments are perceived and put into perspective. The Kagame administration in turn benefits from this silencing, as it allows for the impression that the reforms and actions taken are welcomed by society as well as being in the countries best interest, despite the ongoing domestic issues regarding inequality and poverty.

Analysing the past two decade's trends in Rwanda with the perspective and understanding that the political and economic developments are fundamentally linked and have significantly influenced each other's progresses, paints a different picture from the one the first hypothesis does. A key feature of this understanding is the way in which the intentions of the investors and their role in the developments differ compared to those in the first hypothesis. Under the

understanding of an active involvement in the current affairs, investors here are no longer ignorant bystanders to the inequalities and mistreatments in Rwanda but can be seen to actively benefit and support the government in perpetuating these. In this case both the government and those investing in the country must be blamed for the human rights abuses and the silencing of the population, the government as well as the investors participate in and benefit from these practices. This in turn can be interpreted as an intrinsic motivation to continue their course of action to consecutively benefit from them while jeopardizing the rights and freedoms of the Rwandan population.

## **6. Findings and Discussion**

Following the analysis of the two hypotheses, the findings and discussion section will draw a conclusion on which of the two hypothesis is more applicable and explanatory of Rwanda's developments and will discuss the implications of these findings. While both hypotheses can be discussed logically independently and evidence and indications for either can be found, only one will be used to answer the research question posed at the beginning of this thesis. Namely the hypothesis which will be carried over into the following section is the second one, which assumes an intrinsic and far-reaching connection between both the political developments and the economic changes the country has undergone in the last 24 years. This hypothesis stipulates that neither of these factors would have developed to the current extend if the other had not simultaneously done so accordingly.

The second hypothesis is more applicable in the case of Rwanda for several reasons, such as the fact that the government of Rwanda has made an active effort to preserve its place despite the call for the improvement of democratic standards and using it to actively pursue policies

which attract international investors and businesses. These methods have led to a steady development of Rwanda's economic growth & FDI flows into the country and the regression of political rights and freedoms for most Rwandans. This can be traced back to an understanding in which the economic successes are strategically used by an autocratic government to justify the undemocratic means of rule, displaying some success to 'erase' other wrongdoings. This understanding can be seen as an expansion upon the academic theory of pseudo-democracies (McFaul, 2002). With reference to Rwanda this is the case, as not only the nation's autocratic rule and the existence of undemocratic elections are explained, but also a method of employing and maintaining these is given and considered. Additionally, considering the power and influence Kagame's administration has over the factors identified as being pivotal for investors decisions for or against investments, and the fact that the government has stated openly that a goal of theirs is to reform Rwanda into a new investment hub in Africa, it is unlikely that the lack of connection explored in hypothesis 1 can be applicable to the entirety of the last 24 years.

Understanding these cornerstones of Rwandan economic and democratic developments can make a useful base and tool for further research on Rwanda as well as for investigations of different countries around the globe, which have also seen economic growth alongside autocratic rule. While the explanation offered here will not apply to every country and each case is unique and needs to be treated as such, more research should consider both political and economic developments as not merely coexisting, but significantly influencing and shaping each other. Such an approach can improve academic work as it gives researchers the chance to explore the intrinsic links and uncover the ways in which both governments and companies deliberately risk a population's wellbeing for power and profit. The research question posed at the beginning can, given the discussions and evidence found, be answered by stating that the

seemingly contrary paths of economic and political developments in Rwanda can be explained as follows. Considering power and profit are the goal for both the government and investors and that democratic values are not strived for to begin with, they have been in a sort of symbiotic relationship in which both gain influence and profits while disregarding the wellbeing and freedoms of the local population.

As a result of its complicated history, interwoven present and unsure future, Rwanda is still a country of parallels and dichotomies. While the image of a rapidly growing country, led to success by a strong and dedicated leader, is pushed and reproduced, the reality within Rwanda is characterised by a lack of democratic freedoms and stark income inequalities within the population. While the developmental path the country has taken can partly be explained by looking at the intersections between political and economic processes, much more has happened in the country since the genocide ended. Therefore, an all-encompassing analysis would have to take into consideration many more factors such as the effects of these developments on individual citizens or the at times complicated relationships Rwanda has with its neighbouring countries. An additional important factor, which will forever be deeply connected to the history of Rwanda and will always shape parts of the country and its people is the lingering memory of the genocide and the suppressed but ongoing ethnic tensions which have not been resolved to this day (Desrosiers & Thomson, 2011, p. 433). In accordance with these limitations, the question of how the seemingly contrary developments in Rwanda occurred can still be answered considering the information displayed here and by considering the ways in which either factor influenced the other.

## **7. Conclusion**

By analysing, how the economic and the political developments in Rwanda have unfolded over the past 24 years with Kagame as the nation's president, this research has concluded that the two developments did not only evolve alongside each other but have significantly shaped and influenced each other throughout time. Rwanda has developed into an autocratically run 'pseudo democracy' benefiting from significantly large annual growth rates and steadily increasing inflows of Foreign Direct Investments. This conclusion confirms the second of the two hypotheses which were posed as the home base of this discussion. In Rwanda, many fundamental democratic freedoms, such as those of expression or uncensored press are heavily suppressed, resulting in a population pressured into silence while both national and international companies earn large profits in the country. Prospects for this year's upcoming elections assume Kagame to be re-elected, likely resulting in a continuation or amplification of the current situation, possibly resulting in more silencing and a tighter grip on power. Many Human Rights and Democracy Promotion organisations have voiced their concern of the ongoing political situation in Rwanda and the methods of ruling employed by Kagame. Given the history of the genocide and the lingering ethnic tensions persisting in society, some have also warned of a looming outburst of violence in the near future. In light of these observations and concerns, it is of the utmost importance for Kagame to allow for legitimate elections to give the population the chance to truthfully choose their leaders and find peaceful ways of solving the nations issues.

As mentioned above, these findings contribute to a larger body of academic work focusing on recent developments in terms of political and economic developments especially focused on African countries. By employing a qualitative methodology, a more detailed insight on

Rwanda's individual situation could be inferred, showcasing the importance of the intrinsic links between the government and investors and the impacts these can have on the population. Employing similar methods on a larger scale can help to uncover not only Rwanda's recent history but can be useful in the analysis of several other countries. Following this path should be seen as a chance for political scientists and those researching economics to come together and combine their discipline's insights in a meaningful and enlightening way, pathing the way for future research mutual understanding.

The international community should do everything in its power to condemn the current practices of President Kagame's administration and minimise further profits for his regime. This would allow the possibility for peaceful change into a functioning democracy and empower the Rwandan population with fundamental democratic freedoms. The economic structures and prosperity should be governed by a government working for the population's interests, with representatives being elected in a legitimate way. Reaching such a state would offer the country the chance to continue large parts of its recent economic success while freeing the population of the scrutinization of the current autocratic regime.

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