



# Emergence of Africa and the Developmental state A case study of Rwanda

Abidjan , Cote d'Ivoire  
18<sup>th</sup> March 2015

Prof Herman Musahara



# Outline

- 1. Introduction 2
- 2. Developmental state: the concept 2
- 3. African emergence 3
- 4. Rwanda post genocide recovery and emergence 8
  - Leadership 11
  - Policy reform and institutions 11
  - Strategy and planning 12
  - Use of Aid 13
  - Modeling and Innovations 14
  - Private sector 14
  - Human development 14
  - Inclusive development 15
  - Governance 15
- 5. Conclusion 16




# Concept

- Capitalist developmental state..Johnson Chalmers..market driven, commitment to industrialization, cohesion of the state
- Competent bureaucracy, administrative guide, substantial economic and social goals, selective state intervention
- autonomy(Evans) institutional political economy(Leftwich) autonomous and effective bureaucracy, production oriented private sector and performance oriented governance (Meyns and Musamba )



## Overall features

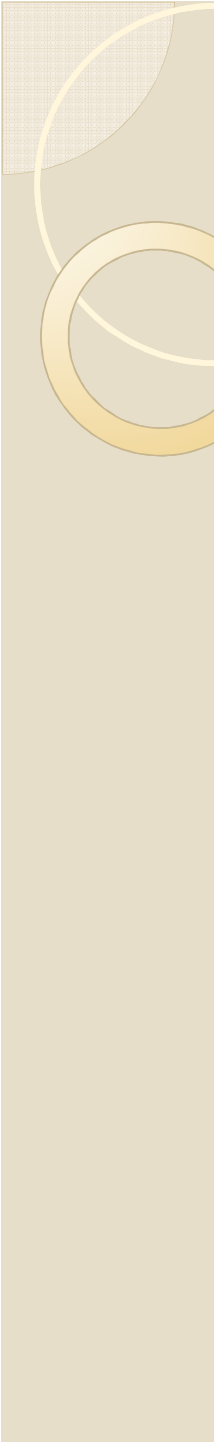
- **Priority to economic development as government policy**
- **Designing of the requisite instruments to oversee the policy mainly in form networks that are both formal and informal**
- **Utilization of new opportunities of trade and profitability**
- **Macroeconomic stability**
- **Institutions for law and order**
- **Effective administration of law and peaceful resolution of conflicts**

- 
- **Property rights and appropriate infrastructure for investment**
  - **Human development**
  - **State intervention in the process of development**
  - **Capable state, authoritatively, credibly, legitimately and in a binding manner able to formulate and implement its own policies and programmes**
  - **Development ideology, structure of institutions, norms and standards**
  - **Small, inexpensive ,professional ,efficient state bureaucracy with prestige and legitimacy and authority**



# Africa –developmental state?

- Conflict , clientelism, corruption, dark, poor, underdeveloped, false starts, Third
- 1960s-1970s Africanism, nationalism, strong state led actions but also single parties, military coups, fathers of nations
- 1973 and late 1970s collapse of commodity prices especially oil, imported inflation, B.O.P problems and indebttness

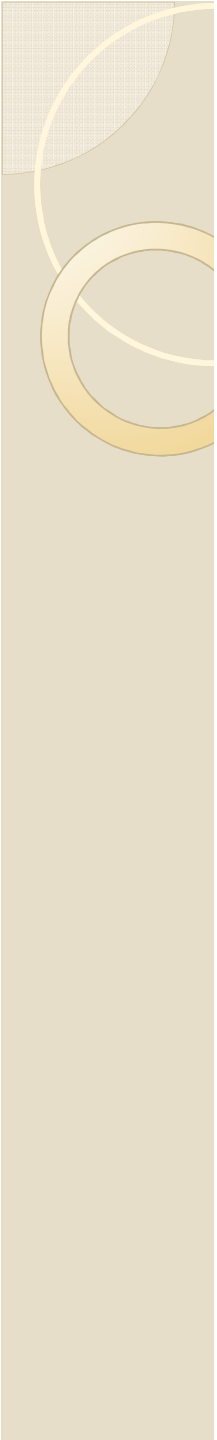
- 
- 1980s Neo liberal - structural adjustment programmes..prognosis is too much state intervention
  - More harmful than helpful ...basic services...markets could not answer every problem uniformly
  - 1990s PRSPs marked the importance of state intervention
  - 2000s MDGs commitment of state
  - 2015 SDGs dialogue



# Africa emerging

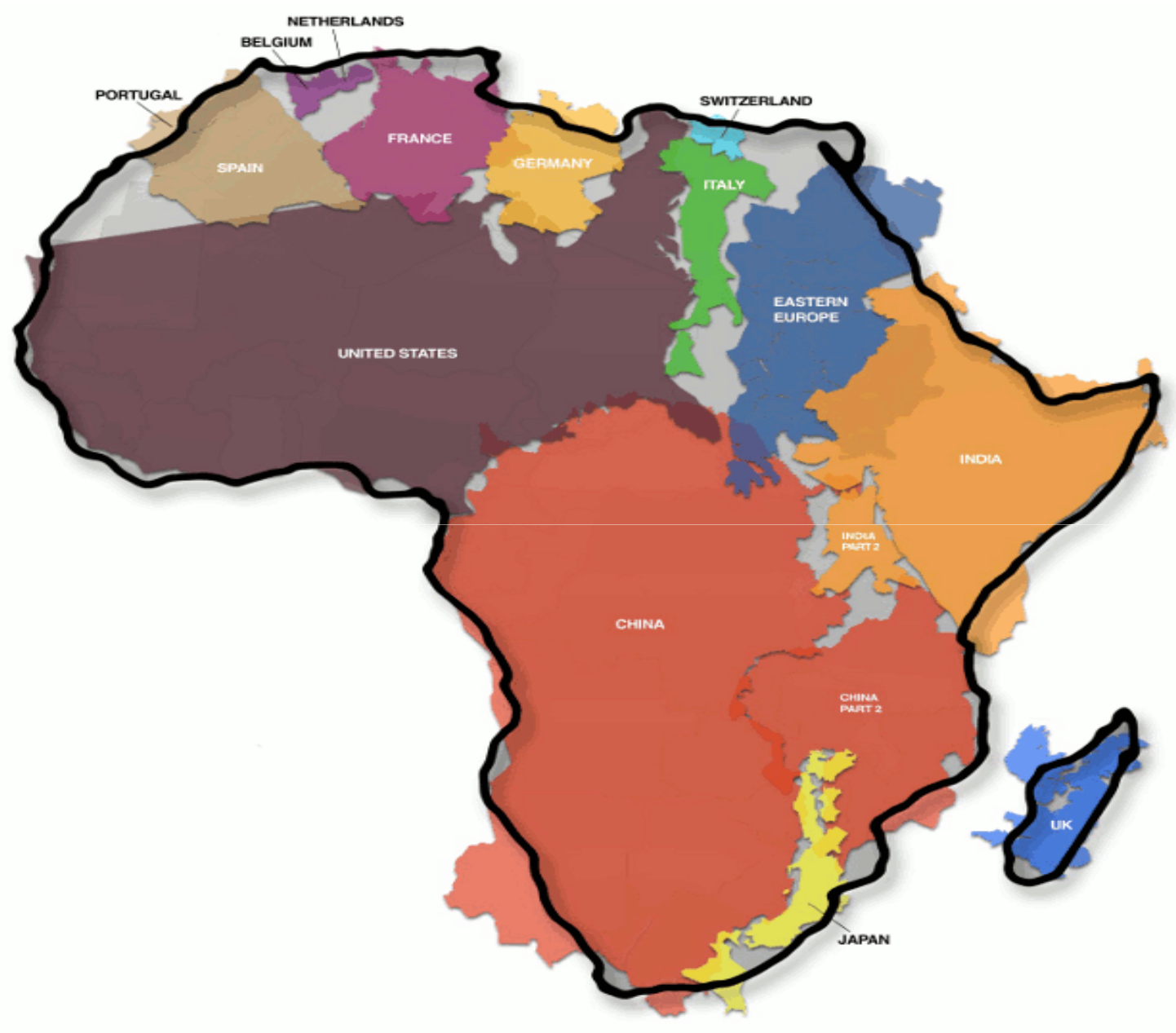
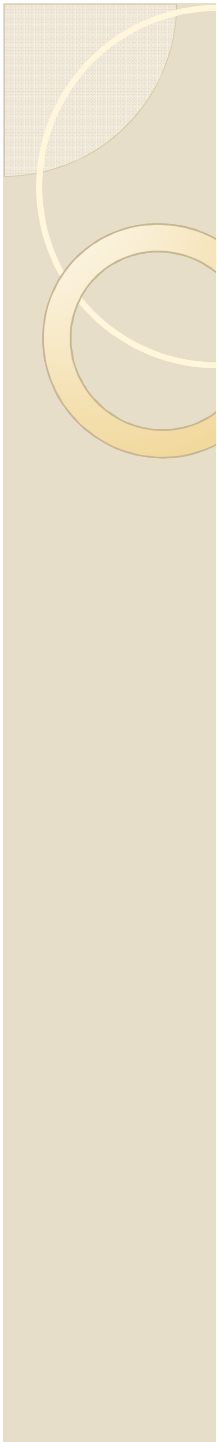
- Over the last 15 growth rates been good and recently fastest in the world
- UN Report (UN 2015) GP growth of Africa is expected to accelerate to 4.6 per cent in 2015 and 4.9 per cent in 2016
- World Economic Situation and Prospects 2015 LDCs in Africa will continue to exceed the global average with expected acceleration from 5.3 per cent in 2014 to 5.7 per cent in 2015 mainly due to an improving external environment.
- FDI in 1998 was USD 110 billion and rose to USD 554 billion in 2010(ACET 2014)
- If Africa was a country it would with per capita of USD 1500 classify as a middle income country.
- By 2050 Africa will have a larger and younger workforce than China or India.
- African will continue to transform its economies through exploiting land and natural resources, economic diversification, enhancing competitiveness, raising share of manufacturing, use of technology and reducing dependency on foreign assistance.



- 
- Contestations of the concept of developmental state in Africa apart, state led development in Africa which need not borrow everything from South East Asia (ECA 2013) will need to continue
  - Promote leadership and institutional structure for development
  - Learning from the failures of 1960 and 1970s to ensure the development effort does not fall
  - Avoiding predatory interests
  - Exploiting current gains in economic growth
  - Continuing to promote a democratic Developmental state
  - Moreover consistent to the Flying Geese paradigm (Kasahara 2013) Africa has the opportunity of sustaining the emergence as a regional phenomenon through the regional integration and pan African effort of the AU.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	3	4.2	13.8	5.2	10.9	18.3	20.7	22.6	13.8	2.4	3.4	3.9	5.2	6.8
Botswana	2	0.3	6.1	4.6	2.7	4.6	8	8.7	3.9	-7.8	8.6	6.2	4.3	5.8
Ethiopia	6.1	8.3	1.5	-2.2	13.6	11.8	10.8	11.5	10.8	8.8	12.6	11.2	8.6	10.5
Eritrea	-3.1	8.8	3	-2.7	1.5	2.6	-1	1.4	-9.8	3.9	2.2	8.7	7	1.3
Kenya	0.6	3.8	0.5	2.9	5.1	5.9	6.3	7	0.2	3.3	8.4	6.1	4.5	5.7
Lesotho	5.1	4.2	0.5	4.7	2.3	2.7	4.3	4.7	5.7	3.4	7.1	2.8	6.5	5.5
Madagascar	4.8	6	-12.7	9.8	5.3	4.6	5	6.2	7.1	-4	0.3	1.5	3	2.4
Mauritius	9	2.6	2.1	3.7	5.7	1.2	3.9	5.9	5.5	3	4.1	3.9	3.2	3.2
Mozambique	1.1	11.9	8.8	6	8.8	8.7	6.3	7.3	5.8	6.5	7.1	7.4	7.1	7.4
Malawi	1.6	-5	1.7	5.5	4.9	2.8	2.1	9.5	8.3	9	6.5	4.3	1.9	5
Namibia	3.5	1.2	4.8	4.2	12.3	2.5	7.1	6.6	2.6	0.3	6	5.1	5.2	5.1
Rwanda	8.3	8.7	13.5	1.5	6.9	6.9	9.2	7.6	11.2	6.3	7.3	7.9	8.8	4.7
Seychelles	1.5	-2.3	1.2	-5.9	-2.9	9	9.8	10.1	-2.1	-1.1	5.9	7.9	2.8	5.3
South Africa	4.2	2.7	3.7	2.9	4.6	5.3	5.6	5.5	3.6	-1.5	3.1	3.6	2.5	1.9
Swaziland	1.8	1.2	1.8	2.2	2.9	2.5	3.3	3.5	2.4	1.3	1.9	0.7	1.9	2.8
Sudan	6.3	6.5	6.4	7.7	3.9	7.5	10.1	11.5	3	3.2	3.5	-3.3	-10.1	-6
Tanzania	4.9	6	7.2	6.9	7.8	7.4	6.7	7.1	7.4	6	7	6.4	6.9	7
Uganda	3.1	5.2	8.7	6.5	6.8	6.3	10.8	8.4	8.7	7.3	5.9	6.6	3.4	6
Zambia	3.9	5.3	4.5	6.9	7	7.2	7.9	8.4	7.8	9.2	10.3	6.3	6.7	6.7
Zimbabwe	-3.1	1.4	-8.9	-17	-5.8	-5.7	-3.5	-3.7	-17.7	6	11.4	11.9	10.6	4.5

	Agriculture		Industry		Services	
	2000	2012	2000	2012	2000	2012
Angola	6	7	72	62	22	31
Botswana	3	3	51	35	46	62
Ethiopia	48	48	12	10	40	42
Kenya	32	29	17	21	51	50
Eritrea	13		20		66	
Madagascar	29	28	14	16	57	56
Mauritius	7	3	31	25	62	72
Mozambique	24	29	25	21	51	50
Malawi	40	29	18	20	43	51
Namibia	12	9	28	32	60	59
<b>Rwanda</b>	<b>57</b>	<b>33</b>	<b>14</b>	<b>14</b>	<b>49</b>	<b>52</b>
Seychelles	3	2	29	15	68	82
Tanzania	33	29	19	24	47	47
Uganda	29	26	23	29	48	46
Zambia	18	10	26	34	55	55
Zimbabwe	18	13	24	32	57	55





# Rwanda

- a dramatic case of recovery and emergence in Africa
- land area of 26,338 square km
- population of slightly more than 11 million people
- Landlocked
- population density of more than 400 per square kilometer one of the highest in Africa
- It has no special resources other than agriculture from a generally limited land area
- In 1994 it experienced a genocide following a 3 year civil war
- 20 years later Rwanda is a country with remarkable growth
- It has emerged from genocide and conflict and is on a path of rapid development. GDP per capita is USD 644 per capita from USD 140 after the conflict and genocide
- What happened?

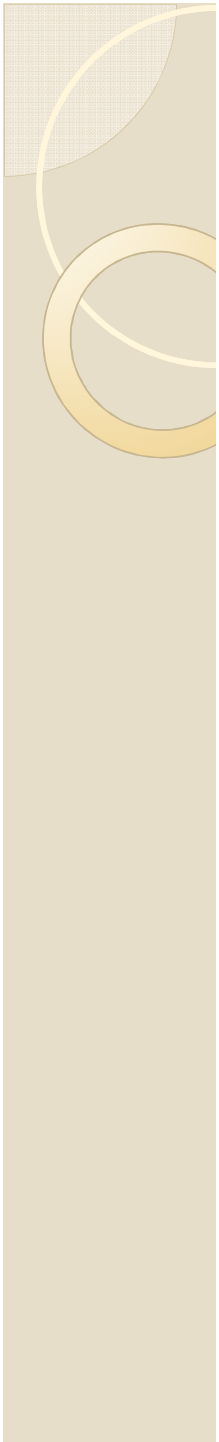
# Rwanda



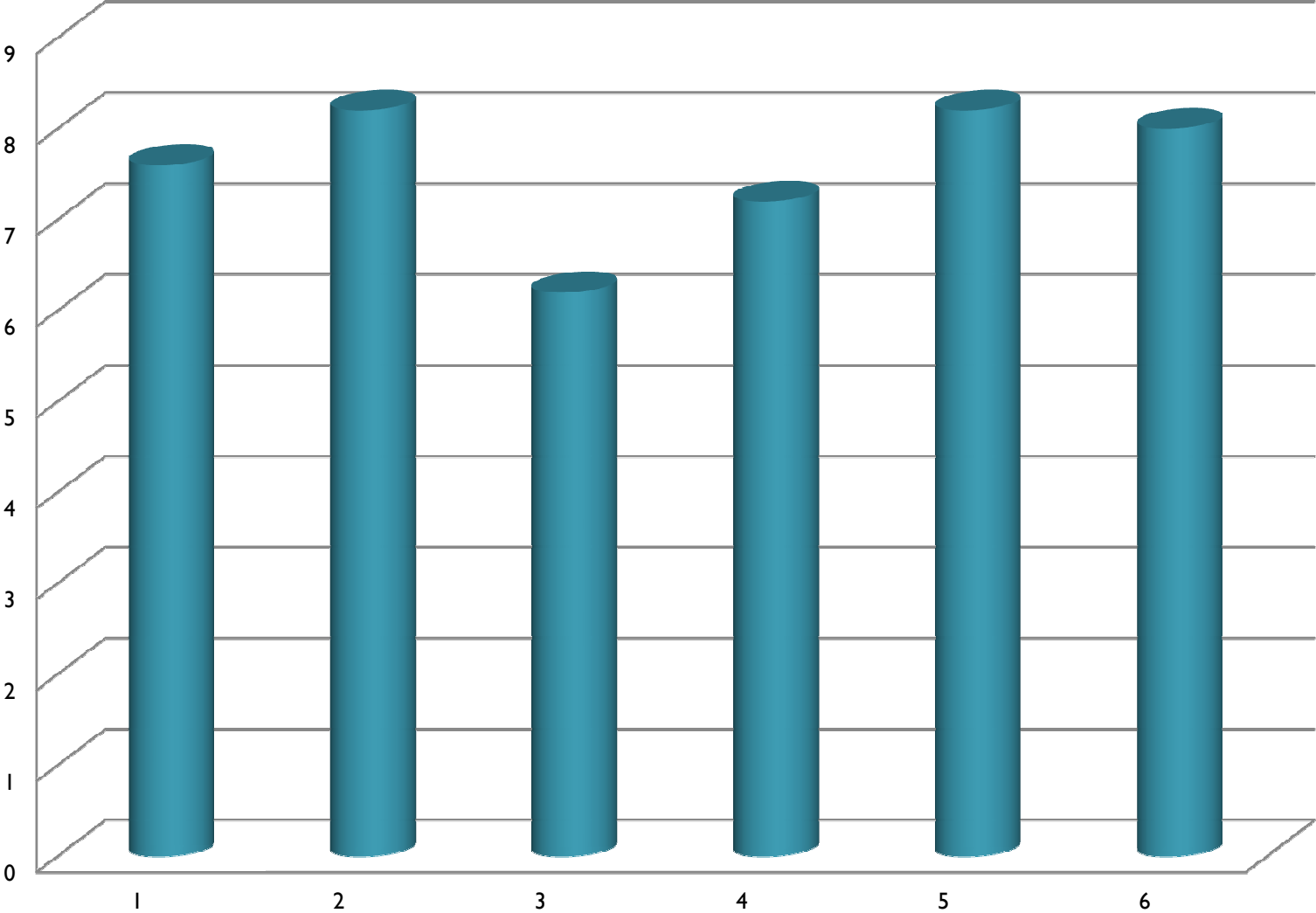


# Rwanda genocide effect

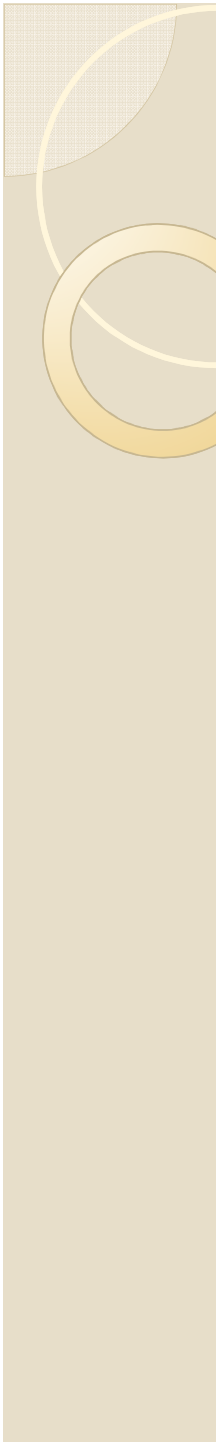
- 1 in 7 dead -10 % including qualified persnell
- 1 in 3 displaced-30 % in DRC, Tanzania, Burundi incl genocidaires
- 50% fall in GDP
- Poverty reaches sky high with more than 77 % 1996
- 120,000 imprisoned
- OVC, women and child headed households
- Trauma, social capital severed
- Infrastructure destroyed



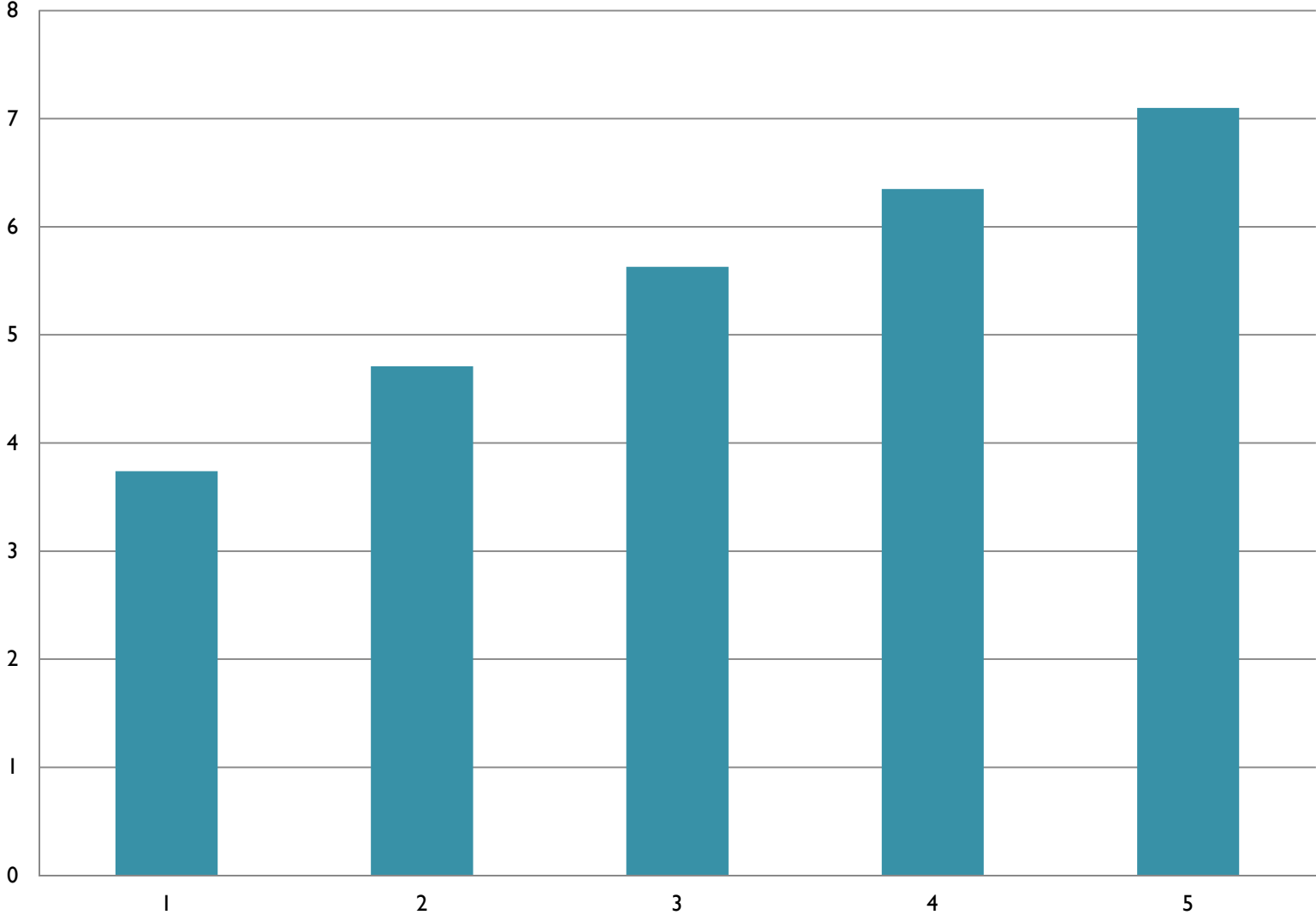
**growth of real GDP 2007-2012**





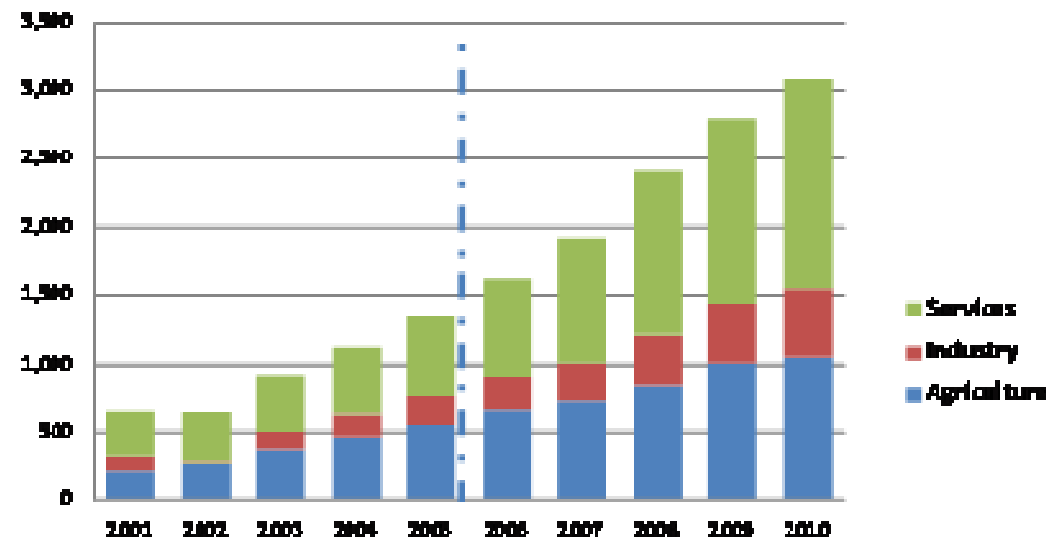


**GDP in ppp billion of USD 2007-2012**



## Average GDP growth 2006 – 2010: 8.4%

Total Production (GDP billion Rwf)  
2005 - 2010





# Leadership

- HE President Paul Kagame has become the icon and champion of development ideology
- The CEO of Rwanda Inc
- RPF resolve to turn things around
- Will to develop a capable and not soft state
- Development of a competent bureaucracy

# Policy reform and institutions

## Overview of Policy and Structural Changes

---

### ***Money and Banking***

- 1997 New central bank law adopted
- 2001 Introduction of weekly foreign exchange auctions
- 2002 Full audits of three commercial banks
- 2002 First external audits of the NBR

### ***Exchange and Trade Relations***

- 1995 -99 Reduction in maximum tariff rate from 100% to 25%
- 1997 Export surrender requirement eliminated
- 1998 Article VIII accepted
- 1999 Export taxes eliminated; NTBs removed
- 2002 80% reciprocal reduction in COMESA import tariffs
- 2004 Entry into COMESA FTA

### ***Fiscal Policy and Management***

- 1997 Revised direct tax code introduced
- 1997 Rwanda Revenue Authority established
- 1998 Establishment of the Office of the Auditor General
- 2000 Computerized tax data management (ASYCUDA) introduced
- 2001 VAT introduced
- 2002 Tax Code Revised
- 2004 Organic Budget Law approved

### ***Privatization***

- 1998 Sale of PetroRwanda assets
- 2000 Establishment of Private Sector Federation
- 2001 Liberalization of telecommunications Sector
- 2003 Private management of electric utility
- 2004 Sale of BCR, BACAR

### ***Other***

- 1998 Demobilization and reintegration program begins
- 1999 Adoption of Rwanda Investment Promotion Act
- 2000 Adoption of Revised Internal Trade Act
- 2002 Establishment of Public Utilities Regulatory Agency
- 2003 Adoption of new constitution

---

*Source: IMF 2004, 04/382*

- Douglas North
- Amaceglu and Robin(2010)
- Doing Business
- Accountability institutions

## Overview of Policy and Structural Changes

---

### *Money and Banking*

- 1997 New central bank law adopted
- 2001 Introduction of weekly foreign exchange auctions
- 2002 Full audits of three commercial banks
- 2002 First external audits of the NBR

### *Exchange and Trade Relations*

- 1995 -99 Reduction in maximum tariff rate from 100% to 25%
- 1997 Export surrender requirement eliminated
- 1998 Article VIII accepted
- 1999 Export taxes eliminated; NTBs removed
- 2002 80% reciprocal reduction in COMESA import tariffs
- 2004 Entry into COMESA FTA

### *Fiscal Policy and Management*

- 1997 Revised direct tax code introduced
- 1997 Rwanda Revenue Authority established
- 1998 Establishment of the Office of the Auditor General
- 2000 Computerized tax data management (ASYCUDA) introduced
- 2001 VAT introduced
- 2002 Tax Code Revised
- 2004 Organic Budget Law approved

### *Privatization*

- 1998 Sale of PetroRwanda assets
- 2000 Establishment of Private Sector Federation
- 2001 Liberalization of telecommunications Sector
- 2003 Private management of electric utility
- 2004 Sale of BCR, BACAR

### *Other*

- 1998 Demobilization and reintegration program begins
- 1999 Adoption of Rwanda Investment Promotion Act
- 2000 Adoption of Revised Internal Trade Act
- 2002 Establishment of Public Utilities Regulatory Agency
- 2003 Adoption of new constitution

---

*Source: IMF 2004, 04/382*



# Planning and strategy

- Vision 2020
- PRSP
- EDPRS I
- EDPRS 2
- MDGs
- VUP Umurenge
- District Development Plans
- Decentralisation



# Aid management

- In 1994 ODA was 94 % of GNI and later declined to less than 20 % in early 2000
- Government Aid policy and devpartners
  - Aligning aid to national priorities
  - Strengthening capacity for coordinated support
  - Using country's public finance management and procurement system
  - Avoiding parallel programmes
  - Increasing predictability
  - Mutual accountability
  - Improving mutual accountability
  - Promoting joint filed missions



# Modeling and innovations


- Singapore and other models but with own innovations
- Homegrown solutions
  - IMIHIGO
  - UBUDEHE
  - GACACA
  - ABUNZI
  - UMUGANDA
- Use of IT for efficiency, e governance, banking and development





# Private sector and bureaucracy

- PSF..former chamber of Commerce
- RDB..competent bureaucracy..agency..
- FDI more than local investment
- Doing business ranking greatly improved
- ✓ In 2014 was 32<sup>nd</sup> in 189 countries in ranking of ease of doing business
- ✓ 2<sup>nd</sup> easiest country to do business in in Africa
- ✓ In 2013 it was number 2 after Georgia as a global reformer
- ✓ It was 8<sup>th</sup> in the world on easiness of opening business
- ✓ It was also 8<sup>th</sup> in easiness of getting credit,
- ✓ 19<sup>th</sup> for easiness to pay tax
- ✓ 39<sup>th</sup> in enforcing contracts
- ✓ It takes 6 hours to start business

- 
- **Excerpt from RDB website on history of RDB**
  - The Rwanda Development Board is evidence that Rwanda is open for business. It is truly a **one stop shop for all investors**.
  - The Rwanda Development Board was set up by bringing together all the government agencies responsible for the entire investor experience under one roof. This includes key agencies responsible for business registration, investment promotion, environmental clearances, privatization and specialist agencies which support the priority sectors of ICT and tourism as well as SMEs and human capacity development in the private sector.
  - The RDB is **independent and influential**. It reports directly to the President and is guided by a Board that includes all the key Ministers (e.g., finance, commerce, infrastructure, agriculture)
  - The RDB is built with **global expertise**. It is modeled on international best practice examples of Singapore and Costa Rica. It has advisory and hands-on support from global entrepreneurs and experts from Singapore Development Board, World Bank, IFC and the Office of Tony Blair.
  - The RDB is here with you all through the process and is ready to show you that **It is better to do business in Rwanda**.



# Human development

- Use of MDGs as milestones in EDPRS
- Education promotion
- health insurance, HIV/Malaria
- Life expectancy gone up to 65
- Environment...Kigali cleanest city in the region
- Gender..Rwanda number 1 in the world for rate of women in leadership



# Inclusive development

- Pro-poor growth
- Social protection
- Gender equality
- Decline in inequality..not based on rural urban divide



# Governance

- Forum of political parties
- Constitution of 2003
- Election 2003,2010,2017
- National Dialogue
- Government retreat
- Decentralisation
- RGB



# Conclusions

- Africa emerging...optimism , enthusiasm
- Need to be sustained and opportunity of democratic developmental state
- Rwanda unique case that should provide confidence and lessons on the best interventions
- Developmental state need not be 100 per cent modeled on NICs ..homegrown solutions can be noted in the Rwanda case
- A strong state and leadership is important for emergence