Committing to Self-Reliance and Negotiating Vulnerability: Understanding the Developmental Challenge in Rwanda

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Thesis submitted for the degree of PhD in Development Studies

2015

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Declaration for SOAS PhD Thesis

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Abstract

The Rwandan Patriotic Front (RPF) government has made remarkable economic progress over the past two decades. During this time, the RPF government's policies have demonstrated similarities with the policies followed by East Asian developmental states. The government has intervened in the economy to promote diversification while also opening its economy to international competition. It has also made strategic investments, which have led to the adoption of new production techniques. Conditions of 'systemic vulnerability' have also applied in Rwanda (Doner et al. 2005). However, the RPF government's strategy is also strikingly different since it has liberalised its financial sector and has only experienced limited manufacturing sector growth. It has also embraced governance reforms to a greater degree than most other developmental states. The RPF's development strategy has been shaped by the competing demands of "three constituencies" – donors, domestic elites and the population. To manage capital and organise labour to appropriate systems of accumulation, the government has developed narratives as one way to retain legitimacy among three constituencies. Evidence of continued economic success and progress in three sectors (coffee, tea and mining) show that ruling elites are committed to economic development. However, vulnerabilities resulting from the need to appease "three constituencies" have inhibited economic development.

This thesis highlights the evolution of elite politics, details RPF ideology and develops a historical study of three sectors (coffee, tea and mining). Though previous governments invested in increasing the production of primary commodity exports, very little was done to reduce the vulnerability of the economy to global commodity price fluctuations. In contrast, the RPF's strategy has targeted reducing vulnerability to international price fluctuations through increasing productivity and embracing value-addition. Such goals work in line with achieving self-reliance.

A better understanding of the developmental challenge facing the RPF government is developed through showcasing how vulnerability both motivates and inhibits economic development.

Acknowledgments

There are many people who have supported and inspired this project.

Christopher Cramer has been an excellent intellectual example to follow. I thank him for accepting me into the PhD Programme at SOAS, introducing me to political economy, giving me the space to explore ideas and being patient with me when I faltered. Professors James Putzel and Graham Harrison made thoughtful comments that have improved this thesis. Phil Clark has been a source of encouragement throughout this project. I was extremely lucky that Phil joined SOAS the year I started my PhD. His advice about fieldwork gave me the confidence to conduct my own. Teaching experiences at SOAS over the past two years have contributed to inspirations behind this project. I thank my students for forcing me to learn more and for keeping me on my toes. Stephen Kinzer introduced me to Rwanda when he taught me an undergraduate course at Northwestern University in 2008. I thank him for setting this journey in motion.

The Government of Rwanda gave me permission to conduct research. The opportunity to learn from people at the centre of 'doing' development has had a lasting impact on me. The Effective States and Inclusive Development Research Centre (ESID) funded a fieldwork stint in Rwanda in January 2015. Thanks are owed to ESID and my colleague on the project, Tom Goodfellow. During fieldwork, I thank everyone who spoke to me, shared their time, thoughts and experiences. Most importantly, I thank those who trusted me with their stories. Letting me into their lives and allowing me to express my views has been a wonderful honour. I hope that I managed to do some justice to the stories, experiences and perspectives that were shared with me. Many friendships have been formed out of this experience (both in Rwanda and away from it). I am grateful to those who shared their ideas, to those who tolerated mine and to those who patiently listened.

To my mother, father and sister, for their love, support and criticisms, I cannot thank them enough. They have asked no questions and asked too many, they have kept me close and allowed me space to breathe. They have always supported me. They have even read this thesis and seen it grow. Although nothing I do will ever be enough, I dedicate this thesis to them.

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ACDI-VOCA	Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance
ADAR	*Assistance à la Dynamisation de l'Agribusiness au Rwanda*
AfDB	African Development Bank
AFDL	Alliance of Democratic Forces for the Liberation of Congo-Zaire
AgDF	Agaciro Development Fund
AMV	Africa Mining Vision
ANC	African National Congress
API	Agro-Processing Industries
APROSOMA	*L'Association pour la Promotion Sociale de La Masse*
APT	Africa Primary Tungsten
ASM	Artisanal and Small scale Mining
AU	African Union
BCDI	Bank of Commerce, Development and Industry
BGR	*Bundesanstalt fur Geowissenschaftren und Rohstoffe*
BI	*Bloque Industriel*
BK	Bank of Kigali
BNR	National Bank of Rwanda
BOOT	Build, Own, Operate and Transfer
BPR	*Banque Populaire du Rwanda*
BRD	Rwanda Development Bank
CBC	Coffee Business Centre
CBE	Commercial Bank of Ethiopia
CD	Congo Desk
CDS	Chief of Defence Staff
CEO	Chief Executive Officer

CIP	Crop Intensification Programme
CK	*Compagnie du Katanga*
CNDP	National Congress for the Defence of the People
CNKI	*Comité National du Kivu*
COCAMU	*Association des caféiculteurs de Musaza*
CoE	Cup of Excellence
COOPAC	Cooperative pour la Promotion des Activities Café
COPIMAR	*Union National des Coopératives Artisanales Minières et Rwandaises*
CSS Zigama	Credit Savings Society Zigama
CTC	Crush, Tear and Curl
CVL	Crystal Ventures Limited
DFID	Department for International Development
DG	Director General
DMI	Directorate of Military Intelligence
DRC	Democratic Republic of Congo
DSP	Developmental State Paradigm
EAC	East African Community
EAX	East Africa Commodity Exchange
EDPRS	Economic Development and Poverty Reduction Strategy
EEC	European Economic Community
EFFORT	The Endowment Fund for the Rehabilitation of Tigray
EICV	Integrated Household Living Conditions Survey
EIU	Economist Intelligence Unit
ENAS	Enterprise Nkubiri Alfred and Sons
ESO	External Security Organisation
EU	European Union
EWRI	Eagle Wings Resources International
FAO	Food and Agriculture Organisation of the United Nations

FAR	Rwandan Armed Forces
FARDC	Armed Forces of the Democratic Republic of Congo
FDLR	Democratic Forces for the Liberation of Rwanda
FDU-Inkingi	United Democratic Forces
FECOMIRWA	*Federation des Cooperatives Minières au Rwanda*
FED	European Development Fund
FERWACOTHE	*Fédération Rwandaise des Coopératives de Théiculteurs*
FFS	Farmer Field School
FPLC	*Forces Patriotiques pour la Libération du Congo*
FTEPR	Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda
FWC	Fully Washed Coffee
GCC	Global Commodity Chains
GVC	Global Value Chains
GoE	Group of Experts
GoR	Government of Rwanda
GDP	Gross Domestic Product
GLM	Grand Lacs Metals
GMC	Gatumba Mining Concession
GMD	Geology and Mines Department
GNP	Gross National Product
HRW	Human Rights Watch
IBRD	International Bank for Reconstruction and Development
ICA	International Coffee Agreement
ICG	International Crisis Group
ICT	Information and Communications Technology
ICTR	International Criminal Tribunal for Rwanda
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation

IFI	International Financial Institutions
IMF	International Monetary Fund
INMECAFE	*Instituto Mexicano del Café*
IPAR	Institute for Policy Analysis and Research - Rwanda
ISO	International Organisation for Standardisation
ITRI	International Tin Research Institute
iTSCi	International Tin Research Institute Tin Supply Chain Initiative
KCC	Kasama Coffee Company
Kg	Kilogram
KMC	Kigali Mineral Campus
KOPAKAMA	Agricultural Coffee Cooperative of Mabanza
KTDA	Kenya Tea Development Authority
LAO	Limited Access Order
LME	London Metal Exchange
LTR	Land Tenure Regularisation
M23	March 23 Movement
MD	Managing Director
MDG	Millennium Development Goals
MDR	*Mouvement Démocratique Républicain*
MDR-PARMEHUTU	*Mouvement Démocratique Rwandais-PARMEHUTU*
MICE	Meetings, Incentives, Conferences and Events
MINAGRI	Ministry of Agriculture and Animal Husbandry
MINECOFIN	Ministry of Finance and Economic Planning
MINETAIN	*Société des Mines d'Etain du Rwanda-Urundi*
MINICOM	Ministry of Trade and Industry
MINIRENA	Ministry of Natural Resources
MINITERE	Ministry of Land, Environment, Forestry, Water and Mines
MITI	Ministry of International Trade and Industry
MMI	Military Medical Insurance

MoD	Ministry of Defence
MPA	Metal Processing Association
MSC	Malaysia Smelting Corporation
MSM	*Mouvement Social Muhutu*
MW	Mega Watts
NAEB	National Agriculture Export Board
NEP	National Employment Programme
NES	National Export Strategy
NGO	Non-Governmental Organisation
NIE	New Institutional Economics
NISR	National Institute of Statistics of Rwanda
NLP	National Land Policy
NRA	National Resistance Army
NRD	Natural Resources Development
NSS	National Security Service
NTC	National Tea Committee
OAO	Open Access Order
OCIR-Café	Rwanda Coffee Development Authority
OCIR-Thé	Rwanda Tea Development Authority
OECD	Organisation for Economic Cooperation and Development
OGMR	Office of Mines and Geology of Rwanda
OTF	On The Frontier
PEARL	Partnership for Enhancing Agriculture in Rwanda through Linkages
PDC	*Parti Démocrate Chretien*
PDCRE	Smallholder Cash and Export Development Project
PDIA	Problem-Driven Iterative Adaptation
PDR-Ubuyanja	*Parti démocratique pour le Renouveau-Ubuyanja*
PL	*Parti Libéral*
PMMC	Precious Minerals Marketing Corporation

PRICE	Project for Rural Income through Exports
PSD	*Parti Social Démocrate*
PSF	Private Sector Federation
PTA	Potential Target Area
RANU	Rwanda Alliance for National Unity
RCA	Rwanda Cooperative Agency
RCD-G	*Rassemblement Congolaise pour la Démocratie-Goma*
RDB	Rwanda Development Board
RDF	Rwanda Defence Forces
REDEMI	*Régie d'Exploitation et de Développement des Mines*
RGB	Rwanda Governance Board
RIEPA	Rwanda Investment and Export Promotion Agency
RIG	Rwanda Investment Group
RM	Rwanda Metals
RMA	Rwanda Mining Association
RMT	Rwanda Mountain Tea
RNC	Rwanda National Congress
RNEC	Rwanda National Ethics Committee
RNRA	Rwanda National Resources Authority
RPA	Rwandan Patriotic Army
RPF	Rwandan Patriotic Front
RSE	Rwandan Stock Exchange
RSSB	Rwanda Social Security Board
RTC	Rwanda Trading Company
RTI	Rwanda Tea Investments
RTP	Rwanda Tea Packers
RwF	Rwandan Franc
SACCOs	Savings and Credit Cooperatives
SEC	Securities and Exchange Commission
SGB	*Société Générale de Belgique*

SLTB	Sri Lanka Tea Board
SME	Small and Medium Enterprise
Sn	Stannum (Tin)
SOMIGL	*Société Minière des Grands Lacs*
SOMIRWA	*Société Minière de Rwanda*
SOMUKI	*Société Minière de Muhinga et de Kigali*
SORWATHE	*Société Rwandaise du Thé*
SPREAD	Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Development
SPU	Special Policy Unit
STABEX	Stabilisation of Export Earnings Scheme
SWC	Semi Washed Coffee
TATEPA	Tanzania Tea Packers
Thaisarco-AMC	Thailand Smelting and Refining Co Ltd.
TPD	*Tous Pour la paix et le Developpement*
TRAFIPRO	*Travail, Fidélité, Progrès*
TV	*Thé Villageois*
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UMHK	*Union Minière du Haut Katanga*
UN	United Nations
UNAR	*Union Nationale Rwandaise*
UNECA	United Nations Economic Commission for Africa
UNSC	United Nations Security Council
UPDF	Uganda People's Defence Force
USAID	United States Agency for International Development
USD	United States Dollars
UTC	Union Trade Centre
WDA	Workforce Development Authority
WGI	Worldwide Governance Indicators

Map of Rwanda

Source: UN (2014)

Chapter 1: Introduction

The contrast between where Rwanda is today and where most people would have guessed it would be in the wake of the 1994 genocide is astonishing. Kagame is the man of the hour in modern Africa. No other leader has made so much out of so little, and none offers such encouraging hope for the continent's future.[1]

Paul Kagame, judged by the number of his victims and by the nature of the crimes committed, is probably the worst war criminal in office today.[2]

The Rwandan Patriotic Front (RPF) government's achievements over the past two decades have divided opinion, causing Rwanda to be depicted in contrasting ways. Rwanda's portrayed obedience to mainstream reforms has enlisted a prominent international support base, including the likes of Tony Blair, Bill Clinton and Bill Gates.[3] Rwanda is often cited as a 'donor darling' (Marysse et al. 2007) and International Financial Institutions (IFIs), including The World Bank and International Monetary Fund (IMF), often laud the RPF government's achievements.[4] Progress has been made towards achieving Millennium Development Goals (MDGs).[5] Performances have also been consistently impressive in most Worldwide Governance Indicators (WGI), with the exception of those pertaining to political space.[6] This has coincided with Rwanda's impressive performances in the *Doing Business* rankings.[7] The government invests in supporting such positive portrayals, dedicating its resources to improving performances in governance indices.[8] The government publicly prioritises embracing market-led reforms and building a 'facilitating' environment for the private sector to lead development.

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[1] Kinzer (2008, 337)
[2] Reyntjens (2013, 98)
[3] See Grant (2010), Sundaram (2014).
[4] In 2015, IMF President Christine Lagarde (2015) visited Kigali and celebrated Rwanda's "dynamic economy with governance standards" and argued such achievements were an "upshot of strong and concerted policies and a deliberate focus on inclusiveness." World Bank President Jim Kim (2012, 2013) singled out Rwanda for showing that land-locked countries could grow sustainably, while also developing innovative, inclusive projects, including reintegrating former enemy combatants into society and assisting victims of gender-based violence.
[5] Rwanda ranked first among 48 African countries, according to ONE's 2013 Continental Data report (Kanyesigye 2013). In 2012, Rwanda reached the MDG target on child mortality, reducing the death of children under the age of five, from 156 deaths/1,000 children to 54 deaths/1,000 children annually.
[6] The government responds to criticisms of poor performances in 'Voice and Accountability' by emphasising the importance of security and stability (Swedlund 2013).
[7] In 2014, Rwanda ranked 32nd in the world and second in Africa after Mauritius.
[8] The Rwanda Governance Board (RGB) is tasked with ensuring Rwanda continues to improve in relevant governance indicators. The Doing Business Unit at the Rwanda Development Board (RDB) is responsible for improving the country's position in the Doing Business Index.

> "When we are making policies, one of our primary concerns is how to make our private sector environment easy for business. We are open to competition. We don't need to protect the private sector for the sake of protecting them."[9]

Prominent mainstream scholars also promote this image. Paul Collier claimed that Rwanda achieved a 'rare hat-trick' of rapid growth, sharp poverty reduction and reduced inequality (Terrill 2012). However, such claims ignore that severe inequality persists in Rwanda. Though inequality (using the GINI index) decreased from 53.09 in 2006 to 50.82 in 2011, Rwanda is still the most unequal country in East Africa.[10] This is true for both the GINI index and the Palma ratio (SID 2014).[11]

Many heterodox scholars also promote positive images of a 'Developing' Rwanda. However, heterodox scholars differ from mainstream observers in their interpretations of the sources of Rwanda's economic progress. Under heterodox approaches, Rwanda is likened to East Asian developmental states of the past. It is termed as an "incipiently developmental state" (Booth and Golooba-Mutebi 2014a, Booth 2015a), a neopatrimonial developer (Kelsall 2012, 2013) or a rare exception to failed development experiences across Africa (Henley 2013, Booth et al. 2014). Conflicting academic schools of thought compete to interpret the secrets of Rwandan economic progress but agree that Rwanda is a success. These positive depictions operate in direct opposition to the second, more negative depiction of the country.

However, there are also many negative portrayals of Rwanda. Such depictions are advanced by prominent scholars and transnational advocacy networks, including Human Rights Watch (HRW) and the Enough Project.[12] Kagame's government is portrayed as "an army with a state, rather than a state with an army" (Reyntjens 2011, 2). James Scott's (1998) principles of "high modernism" have been used by some of these scholars (Newbury 2011, Huggins 2013a) to emphasise the dangers of the RPF's consolidation of political and economic power.[13] These critics

[9] Interview, Ministry of Trade and Industry (MINICOM) official, March 2012.
[10] World Bank statistics indicate that the GINI was only 28.9 in 1985.
[11] The wealthiest 10 per cent of the population held 43.42 per cent of the national wealth in 2000 (Munyemana 2013). In 2011, this share reduced to 43.2 per cent. The income share of the poorest 10 per cent of the population was a mere 1.88 per cent in 2000 but increased to 2.13 per cent in 2011.
[12] Most prominent among these scholars are Filip Reyntjens, Rene Lemarchand and Gerard Prunier. Others include writers who contributed to the edited volume by Straus and Waldorf (2011). Others disagree with this narrative, including Phil Clark and William Schabas (who work on transitional justice) and David Booth and Frederick Golooba-Mutebi (who work on political economy).
[13] Scott used 'high modernism' to highlight repression associated with state dirigisme in the Soviet Union, Tanzania and other countries. High modernist ideology is "a strong version of the self-confidence about scientific and technical progress, the expansion of production, the growing

argue that a small group of elites concentrate benefits accrued from government policies.[14] They also highlight the RPF's exclusionary policies against the population, which have resulted in horizontal inequalities between ethnic groups (the ruling, minority Tutsis and the 'powerless', majority Hutus).[15]

The contradictions of Rwanda's development– the growth and increased productivity on the one hand and the increasing inequality and the government's association with violence on the other – are rarely acknowledged in the work of individual observers. Rhetorical commonplaces – words and phrases that have a shared meaning among groups (Jackson 2006) – have been used by observers to strengthen contrasting narratives about Rwanda. Each set of speakers, audiences and issues is characterised by different groups of rhetorical commonplaces, which speakers draw on to convey a shared meaning of their arguments to audiences (Jackson 2006).[16] Observers who view Rwanda positively equate 'development' with exemplary leadership, political stability and the rare condition of ruling elites committing to economic development. The violence committed by the RPF is either ignored or perceived as necessary for national security. The short-term costs suffered by the population are also similarly ignored. Those who are critical of the RPF stress the government's negative aspects while arguing that any economic progress only benefits a small group of elites (at the cost of the population). Critical scholars suggest that the government will eventually be a victim of 'high modernist' social engineering. These polarised depictions are not perfectly represented in the work of any author or a particular group. Individuals present their own nuances. The reactions individuals receive fit them into opposing camps. Every narrative

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satisfaction of human needs, the mastery of nature and the rational design of social order commensurate with the scientific understanding of natural laws" (Scott 1998, 4). Scott (ibid) predicts that tragic episodes of state-initiated social engineering occur when four circumstances coincide: (i) an authoritarian state; (ii) an administrative ordering of nature and society; (iii) high modernist ideology; (iv) a prostrate civil society. High modernist representations fail to acknowledge that "improvisation permits impracticable central plans to survive" (Tilly 1999, 350).

[14] Examples of social and environmental re-ordering in Rwanda include the 'villagisation' of thousands of people between 1996 and 2000 and similar attempts after 2007, which aimed at ensuring 70 per cent of the population live in villages by 2020 (Huggins 2013a). Other examples of social engineering include the establishment of new systems of civil 're-education', a systematic land registration programme implemented between 2008 and 2012 and an ambitious redevelopment of Kigali (Newbury 2011, Huggins 2013a).

[15] Horizontal inequalities refer to "inequalities in economic, social or political dimensions or cultural status between culturally defined groups" (Stewart 2008, 3). It is likely that inequality between ethnic groups has increased (McDoom 2011). However, there is insufficient evidence.

[16] The meaning of specific rhetorical commonplaces differs between groups and individuals. The notion of strong sharing "disregards the deeply interactive character of language itself, its location in constantly negotiated conversations rather than individual minds" (Tilly in Jackson 2006, 29).

developed by an observer presents a normative representation of the RPF regime. Supporting either narrative legitimises or threatens the RPF's moral authority. Rwanda scholars tend to perceive this divide within the academic community as relatively rare compared to the academic literature of other countries.[17]

Late development has never been produced through "all good things going together" i.e. embracing market-led reforms, democracy, peace and human rights.[18] Most East Asian governments were authoritarian and achieved 'catch up' through state intervention (Amsden 1989, Wade 1990). Rather than protecting property rights, these governments (and many other late developing countries) chose to 'get property rights wrong.' Shaky property rights were essential in the construction of policy rights where governments restricted the use of foreign property in the name of nationalism (Amsden 2013). Heterodox scholars who write about Rwanda recognise that Rwandan economic success (as in East Asia) has not followed a market-friendly path to achieve economic development (Booth 2015a). However, these scholars have largely focused on positive aspects – the use of investment groups to promote diversification, the emphasis on facilitating 'smallholder' farming and the promotion of health and education (Booth and Golooba-Mutebi 2012a, 2014b). Very little space is devoted to how the RPF government deals with the inequality that has characterised its rule or how it has negotiated challenges from rival elites.[19]

Capitalist accumulation is rooted in unequal outcomes associated with processes of primitive accumulation. Primitive accumulation refers to a phase of the appropriation of wealth (or surpluses) through largely non-economic or coercive means during which others are displaced from ownership and access. Elites compete with each other to claim assets during this process.[20] Such processes occur through the direct exploitation of the peasantry. Land and assets are taken away from individuals and many are forced into wage labour. As Marx (1976, 874) writes, primitive accumulation "is a process, which operates two transformations whereby

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[17] Recent literature has identified this divide among Rwanda scholars (Hintjens 2014, Fisher 2015).

[18] The World Bank's (1993) reflections on East Asian success acknowledge the important role of the state. However, it emphasises the importance of embracing market-led reforms and 'getting prices right'. In reality, East Asian states "got prices wrong" –subsidised strategic sectors and distorted the prices of foreign exchange rates and long-term rates (Amsden 1989).

[19] For example, Booth and Golooba-Mutebi (2014b) use the same statistics as Collier and World Bank (2013) in emphasising that inequality has reduced between 2006 and 2011. They (Booth and Golooba-Mutebi 2014b, S183) focus on "improved policies for agriculture and social protection" as reasons for reduced inequality but do not recognise that Rwanda is the most unequal country in East Africa.

[20] These processes involve the creation of rents, empowering recipients of rents and excluding others. "Rents refer to 'excess incomes', which should not exist in efficient markets" (Khan 2000a, 21).

the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage labourers." Marx recognises primitive accumulation as "anything but idyllic." However, these processes are essential if structural transformation is to be achieved. East Asian states did not achieve equal gains for elites and the people. They were violent, corrupt (Khan 1998) and acted viciously against labour unions (Deyo 1987; Chang 2009).[21] In developmental states, rural populations were stripped of their capacity to form independent associations. Even 'private' associations like cooperatives and producer associations were supervised by state agencies (Moore 1988).

Each country must chart its own path to achieve and sustain economic development. Ruling elites in Rwanda (like their European predecessors) sustain control of centralising means of capital and coercion during this process. Tilly (1992) illustrated how European states were constructed through developing a state apparatus that administered centralised means of capital and coercion. States "relied heavily on capital and capitalists as they reorganised coercion", building up coercive means of their own while depriving citizens of access to those means (Tilly 1992, 68-9). European ruling elites embarked on wars, which compelled states to become efficient in revenue collection by forcing them to improve administrative capabilities and tax collection. Ruling elites were forced to simultaneously find ways to finance war and administer their coercive power. This led to varied patterns of bargains between elites and different interest groups, including merchants, landlords and the peasantry. The competition that drives ruling elites to centralise the means of coercion and capital have altered today through "a 'drift' towards external state-making" (Leander 2004, 79). Such arguments imply that less 'legitimacy' is derived from a 'tax-mediated social contract' with the population (Moore and Putzel 1999), as compared to others who provide finance (through aid or foreign investments).

In this thesis, 'legitimacy' does not "depend on conformity to an abstract principle or on the assent of the governed" (Tilly 1985, 171). Instead, Tilly's (1985, 171) definition of legitimacy is used - "the probability that other authorities will act to confirm the decisions of a given authority." In Rwanda, one way of deriving legitimacy is to construct narratives, which make the processes of economic

[21] East Asian development is assumed to be associated with investments in health and education and associated with income equality. Seguino (2000) contests these claims, arguing that women's disadvantaged status lowered their relative wages and thereby worked as a stimulus to investment, exports and economic growth.

development acceptable, at least, to 'other authorities' – including mainstream observers, donors and others positive about the country (some of whom provide money and recognition to the RPF's development project) and elites (who share collective memories of vulnerability and shared experiences through the liberation effort). The population is 'another constituency', since tax collection comprises around 40 per cent of the national budget.[22] For legitimacy to be maintained, threats from these constituencies have to be countered. Threats take the form of withdrawal of moral and economic support from donors, political challenges from rival elites and resistance from the population (especially to accumulation strategies that are necessary for economic development).

This thesis will explore how the RPF government has achieved substantial economic progress – encouraging capitalist accumulation and diversification (specifically, upgrading primary commodities). The RPF government has constructed and protected narratives (backed up by the threat of violence) as one way of legitimising its economic policies. Narratives (and delivering tangible developmental results) are aimed at quelling vulnerabilities that arise from "three constituencies" – donors, rival elites and the population.[23]

1.1 Regime Change in Rwanda

Violence in Rwanda has usually been portrayed as a struggle between two ethnic groups: minority Tutsis and majority Hutus. However, regime change has only occurred when disenchanted elites capitalised on popular grievances. Frictions between groups of elites have always contributed to regime change in Rwanda. Though not every regime change occurred through the mobilisation of large-scale violence, all instances were preceded by economic downturn and widespread discontentment among the population.

The primary threat to the first independent government – Grégoire Kayibanda's First Republic (1962-1973) – took a regional form (Lemarchand 1995). Ethnicity was used as a political instrument to bind the Hutu elite in 'us-them'

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[22] See Figure 5.3

[23] The term - two constituencies – was used (Mkandawire 1999) to show how "choiceless democracies" in Africa maintained the support of domestic citizenries and donors. The "third constituency" used here focuses on domestic elites who have the potential to threaten political stability. This thesis argues against Mkandawire (1999), who writes that dictators do not need to maintain the support of domestic citizenries. All "three constituencies" are relevant because successful capitalist accumulation requires labour to be mobilised in service of it.

rhetoric against the threat of Tutsis (who had formerly occupied positions of power but left Rwanda after the 1959 revolution) (Tilly 2003). However, once the salience of the Tutsi threat had subsided, so too did the potency of ethnicity as a political instrument. Eventually, Kayibanda's Southern support base was challenged by Habyarimana's Northern support base in 1973 (Prunier 1995, Kamola 2008). Juvénal Habyarimana's Second Republic (1973-1994) was reliant on different groups of Northern elites. In the late 1980s, Habyarimana became increasingly reliant on a group of elites from Gisenyi, who allied with other extremists and used ethnicity as a political instrument to mobilise support against Tutsis in the 1990s (Lemarchand 1995, Des Forges 1999, Mamdani 2001). Since the threat of the invading Tutsi-led RPF was salient, Hutu power elites mobilised enough support to conduct violence on a large scale. Observers who depict such violence as a product of inequality between two ethnic groups ignore the power relations between elites who led the violence and the population whose grievances were mobilised in service of that violence.[24]

Most of the academic literature paints the RPF as a group of Tutsi elites from Uganda who have similar interests.[25] RPF officials usually argue that elites work through consensus and prioritise pro-poor economic development.

> "This government focuses on making full potential of development for its people. The RPF is sensitive to the need to harness the capacity of people. The former government concentrated on prosperity for the haves and poverty for the have-nots. Our government is pro-people. Everyone's focus is on how to reduce poverty."[26]

> "This is the best Rwanda has even been. We are really touching people on the ground now. For me, the untold story is that an ordinary Rwandan – a young woman in the rural areas – has been able to access land. She can trade it, she can have it as collateral and she's more incentivised to protect the land. It is easy for some critics to say we have a small elite or that Rwanda is a dictatorship. But which government protects its smallholders like us and sacrifices so much?"[27]

[24] Explanations of how the greedy manipulate the grievances of others in the context of historical social relations within a particular context contribute to better understandings of large-scale violence than an emphasis on greed or grievances alone (Keen 2008). See also Cramer (2003).
[25] Scholars who are critical of the RPF often acknowledge the existence of friction within Tutsi elites (Reyntjens 2013). However, these scholars rarely consider such threats to be of primary significance. Instead, they stress the threats of an increasingly alienated population.
[26] Interview, Michel Rugema, Senator, April 2012.
[27] Interview, Serge Kamuhinda, Office of the President, May 2012.

However, RPF officials also acknowledge that consensus is rarely achieved without angering some cadres.

> "Consensus has its own problems and benefits. Things don't move quickly but we gradually learn to listen to new ideas. The RPF's tradition is to debate, to encourage people to come together. We always look for the unity of Rwanda. Sometimes, people may disagree but we don't take our problems outside."[28]

Critics apply 'high modernism' to characterise the RPF government but such fatalistic depictions do not explain why regime change has not occurred. During the RPF's reign, ruling elites have countered any threats to mobilise popular grievances along ethnic lines (through fighting Hutu opponents internally and abroad and locking up rival Hutu leaders – Victoire Ingabire). Frictions between Tutsi elites are the most potent threats to Kagame's leadership. No Hutu political leaders have emerged (or been allowed to emerge) who could mobilise support on the basis of ethnic differences.

1.2 Comparing Past and Present Economic Strategies in Rwanda

Existing academic literature has not engaged in comparisons between the RPF government and its predecessors.[29] Some authors (Ingelaere 2011, Purdekova 2011) argue that this government displays continuities with previous governments. Top-down policymaking, high levels of state control and the consolidation of power among a narrow group of elites are some of these continuities. Successive governments have attempted "rural social engineering", using policies such as *imihigo* and *umuganda*.[30] Verwimp (2013) applies "high modernism" to characterise the Habyarimana government in the same way many critical scholars characterise the RPF government. However, there are also differences between the RPF government and the Habyarimana government. In particular, this government legitimises itself on contesting its economic vulnerability – reducing its reliance on primary commodities, promoting the services sector and aiming to reduce its dependence on foreign aid.

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[28] Interview, Tito Rutaremara, Senator, January 2015.

[29] Many books (Prunier 1995, Mamdani 2001) written about the genocide explore its historical roots. However, no existing literature details a comparison of the political economy of the RPF government and its predecessors.

[30] *Imihigo* refers to performance contracts. Their use makes local authorities directly responsible for achieving targets set by their superiors. *Umuganda* refers to a collective form of labour performed by one person per household.

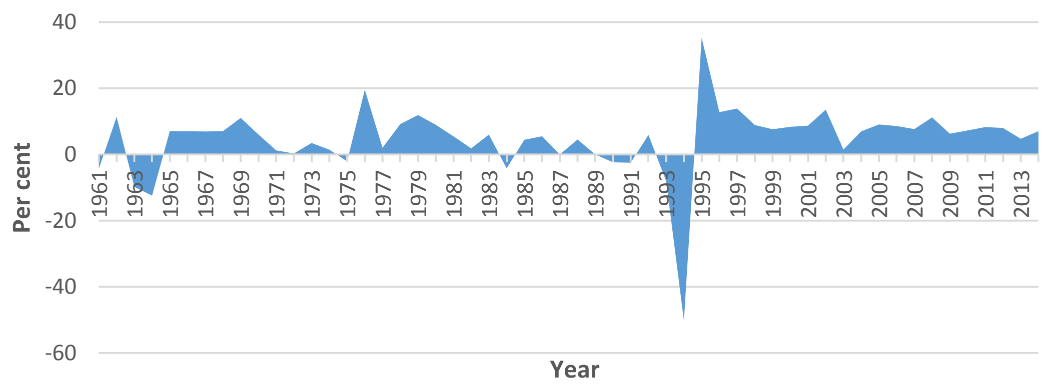
Additionally, The RPF government legitimises its rule through distancing itself from the Habyarimana government.

> "What we have done is create an enabling environment for the private sector. The last government had no enabling environment. In the past, there were monopolies. It is not the role of the government to be in business. The government's role is to focus on other things and let people drive our economy."[31]

A central contribution of this thesis is to place the RPF achievements in historical context. Preceding governments established the foundations for Rwanda's economic success in some sectors. However, ruling elites who dominated preceding governments did not maintain their commitment to development. These governments eventually favoured short-term individual enrichment over the prioritisation of long-term development goals because of pressures emanating from international commodity prices, grievances among the population and frictions among elites.

The RPF government has outperformed its predecessors when annual growth rates are compared (Figure 1.1).[32] However, both preceding governments presided over periods of impressive growth. The Second Republic was even lauded as an example for others on the continent as a 'development dictatorship.'[33]

Figure 1.1: Rwanda Annual Growth Rates: 1961-2014



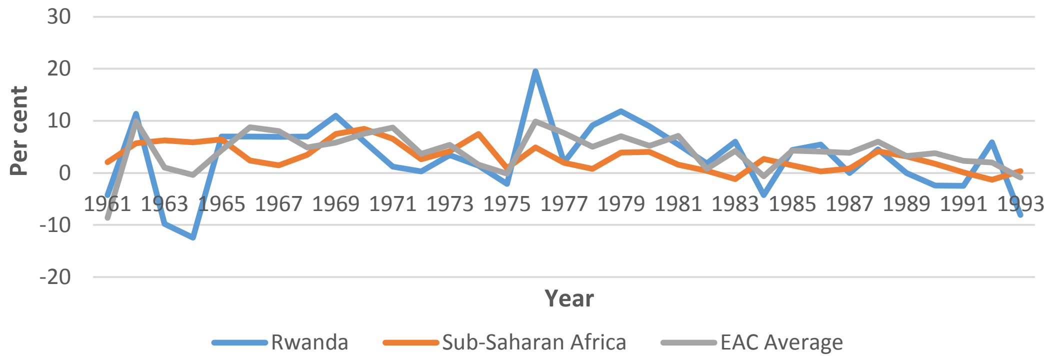
Source: World Bank

In the 1970s, Rwanda had a better Gross National Product (GNP) per capita than other countries in the East African Community (EAC) (Reyntjens 1994). For

[31] Interview, James Gatera, Bank of Kigali, April 2012.
[32] The Habyarimana government averaged a growth rate of 3.35 between 1973 and 1993 while the RPF government averaged a growth rate of 8.71 between 1996 and 2012.
[33] Keiner, quoted in Verwimp (2000, 334).

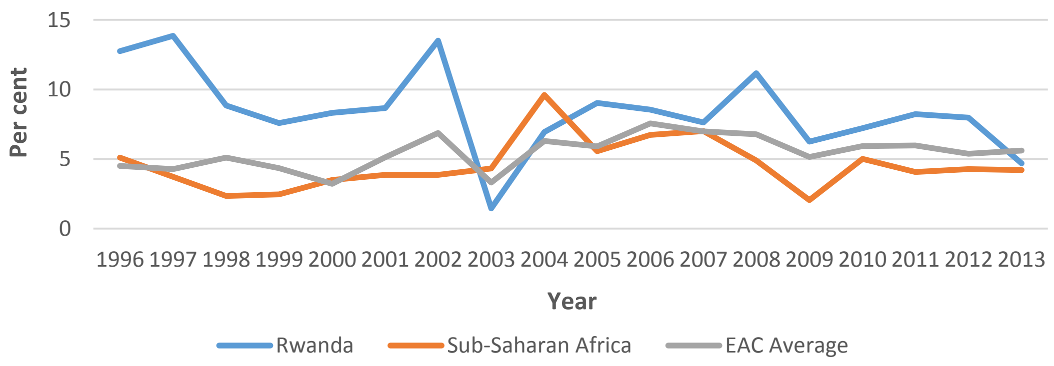
most years between 1975 and 1981, growth rates were above regional and continental averages (Figure 1.2).[34] After 1981, the Second Republic's growth rates were close to the EAC's average but higher than the continental average (for most years) (Figure 1.2). The RPF government has outperformed previous governments and also achieved better growth rates than the regional and continental average for all but three years (Figure 1.3). The current government has achieved more than six per cent growth every year since 1994, except in 2003 and 2013.

Figure 1.2: GDP Growth Rates – Regional and Continental Comparisons: 1961-1993



Source: World Bank

Figure 1.3: GDP Growth Rates - Regional and Continental Comparisons: 1996-2013



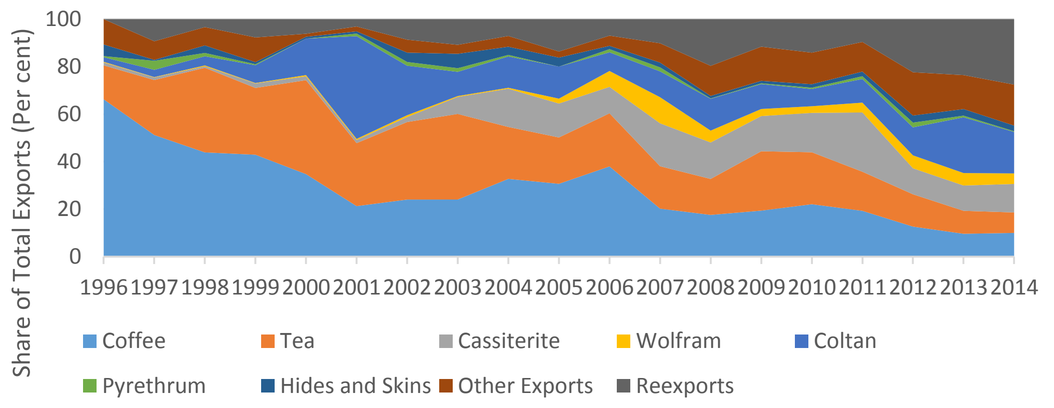
Source: World Bank

Previous governments depended heavily on coffee as their primary source of foreign exchange, which proved to be a dangerous choice for these governments (particularly for the Second Republic). In contrast, the RPF government has reduced

[34] The EAC average includes data for Burundi, Kenya, Rwanda, Tanzania and Uganda. Data for Uganda is only available from 1983, while data for Tanzania is only available from 1989.

its dependence on coffee (Figure 1.4).[35] This has largely been a result of increased revenues from the tea and minerals sectors. Other exports have also brought in foreign exchange for the government. Tourism is counted among the top sources of foreign exchange. "Starting from a base of less than $5 million in 2002, it was expected to reach $100 million in revenues by 2012, representing a compounded annual growth rate of over 40 per cent. An estimated 280,000 jobs were created in the process" (GoR 2007, 37).[36] Hides and skins have become an increasingly prominent export, bringing in over 16 million USD in exports in 2013. The dairy sector has also shown promising signs, bringing in the most foreign exchange between October and December 2013 (Gahiji 2014a). The government has also invested in recording re-exports and cross-border trade by gathering trade statistics at border checkpoints. Re-exports, including petroleum products, machines, engines, vehicles and minerals, comprised over 44 per cent of exports in the fiscal year 2013/14 (BNR 2014). Cross-border trade increased from 49 million USD in 2012 to 108 million USD in 2014 (ibid). The EAC is a promising market for non-traditional food exports (e.g. rice, cassava, wheat and maize).[37] Over 39 million USD worth of maize, wheat and cassava was exported in 2012 and 2013.

Figure 1.4: Exports by Commodity: 1996-2014



Source: MINECOFIN

Unlike previous governments, the RPF government has also prioritised value-addition of primary commodities to reduce vulnerability to global commodity price fluctuations. This entails, as elucidated in the National Export Strategy (NES), both

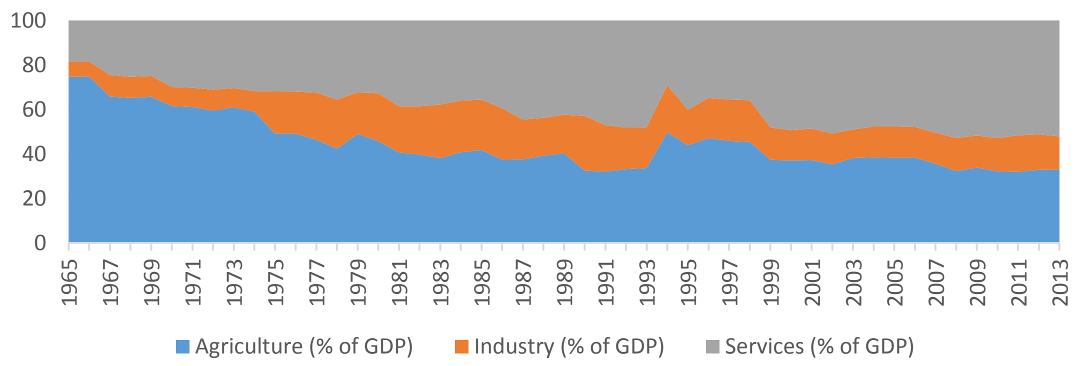
[35] Between 1976 and 1991, coffee exports comprised between 65 per cent and 82 per cent of total export earnings (Chandra et al. 2007).
[36] In 2012, the government received $108 million in revenues.
[37] Interview, Bill Kayonga, NAEB, January 2015.

tapping into niche markets for high-quality production and moving up the supply chain through packaging finished products (MINICOM 2011).

> "The only way we can compete is by increasing quality and making the most of the value-chain. This is what will make Rwanda competitive in the long-run and ensure benefits will reach the population."[38]

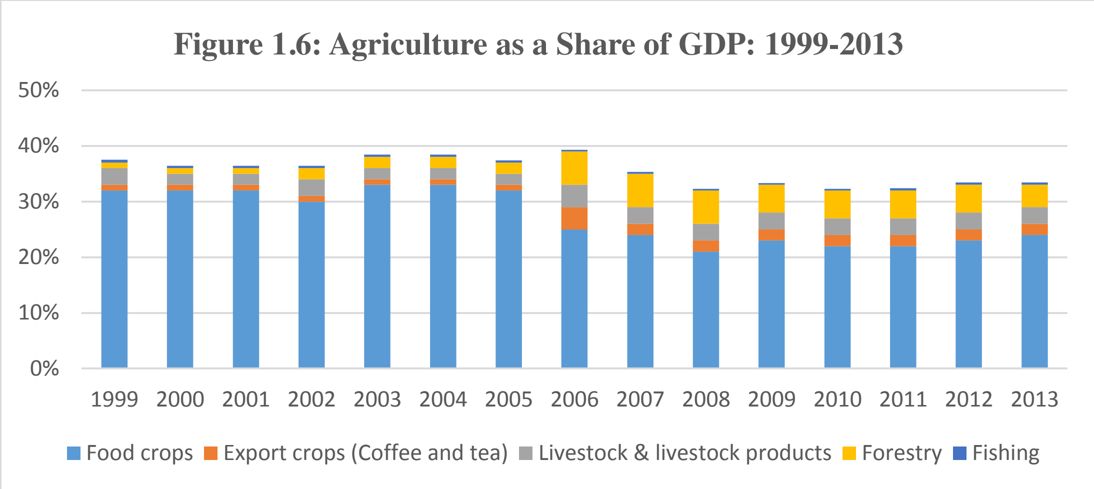
In 2000, the government launched its VISION 2020, which aimed at transforming Rwanda from a "subsistence agriculture economy to a knowledge-based society, with high levels of savings and private investment, thereby reducing the country's dependence on aid" (GoR 2000, 4). By 2020, the government intends for services to contribute 42 per cent, industry 26 per cent and agriculture 32 per cent of Gross Domestic Product (GDP). Figure 1.5 shows the gradually increasing prominence of the services sector, while indicating a stagnant industrial sector. Agriculture as a share of GDP has reduced. Food crops contribute the most to GDP within the agriculture sector (Figure 1.6). In recent years, food crops and the livestock sector have shown steady signs of growth (Figure 1.7). Employment grew most rapidly in the mining and quarrying, utilities and construction sectors between 2006 and 2010 (UNECA 2013).

Figure 1.5: Components of GDP in Rwanda by Sector: 1965-2013

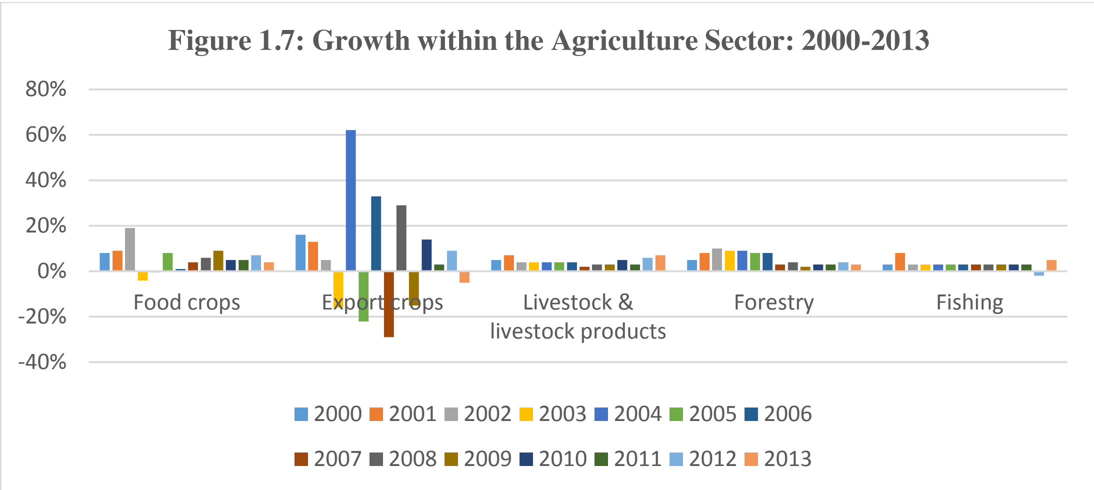


Source: World Bank

[38] Interview, Claver Gatete, then Governor, National Bank of Rwanda (BNR), December 2011.



Source: MINECOFIN



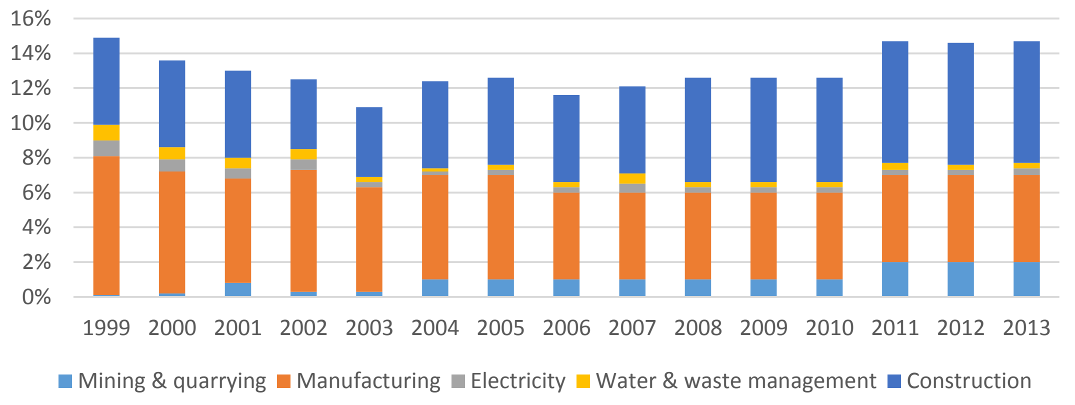
Source: MINECOFIN

Industry (and in particular, manufacturing) has not grown at the rate that was expected (Figure 1.5). This growth looks even more ordinary once it is recognised that government data includes the mining and quarrying sector within the industrial sector. Both the First Republic and the Second Republic invested in the manufacturing sector (although primarily to serve the domestic market). During the First Republic, foreign investors funded growth in the industrial sector.[39] Habyarimana's government reaped rewards from investments made during Kayibanda's reign.[40] As is expected of governments, the RPF government ignores the foundations that were built by preceding governments. The current government is

[39] These included: Belgian-owned Manumetal (furniture), Dutch-owned Heineken subsidiary Bralirwa (brewery), Indian-owned Sulfo (soaps) (Gathani and Stoelinga 2013) and Chinese investments in a sugar factory in Kabuye and a rice processing factory in Bugarama (IBRD 1957).
[40] In the late 1980s, the share of sales from exports for firms in the manufacturing sector was approximately 3.6 per cent. The share of exports of non-commodity exporting firms in 2010 was 4.5 per cent (Gathani and Stoelinga 2012, 2013).

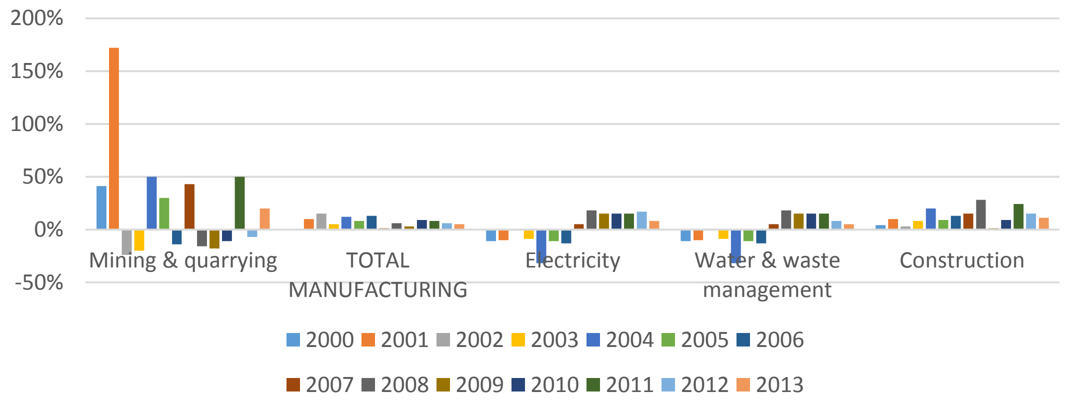
right to blame previous governments for failing to build domestic industries when donors allowed more space for such experiments.[41] The construction sector is among the few promising sub-sectors within the industrial sector. However, growth in this sector is geared to create a vision of development, rather than being a reliable source of long-term employment. Government officials and private sector respondents argue that manufacturing growth was not prioritised because there was little space to promote industrial policy, limited access to electricity and difficulty in accessing regional markets.[42]

Figure 1.8: Industry as a Share of GDP: 1999-2013



Source: MINECOFIN

Figure 1.9: Growth within the Industry Sector: 2000-2013



Source: MINECOFIN

[41] Interview, Thomas Kigabo, National Bank of Rwanda, May 2013.
[42] Interviews, Rutaremara, Robert Bayigamba and Kamuhinda, January 2015.

The services sector has grown rapidly over the last few years. Between 2011 and 2012, the services sector grew 12.2 per cent (UNECA 2013).[43] Within the services sector, finance, real estate, hotels and restaurants and trading and transport have shown promising growth. The government has also launched a Meetings, Incentives, Conferences and Events (MICE) strategy to augment revenues from the services sector. RDB officials claim that revenues from MICE could reach 150 million USD by 2015. Government officials also hope that growth in the tourism and ICT sectors will generate employment opportunities for educated youth.[44]

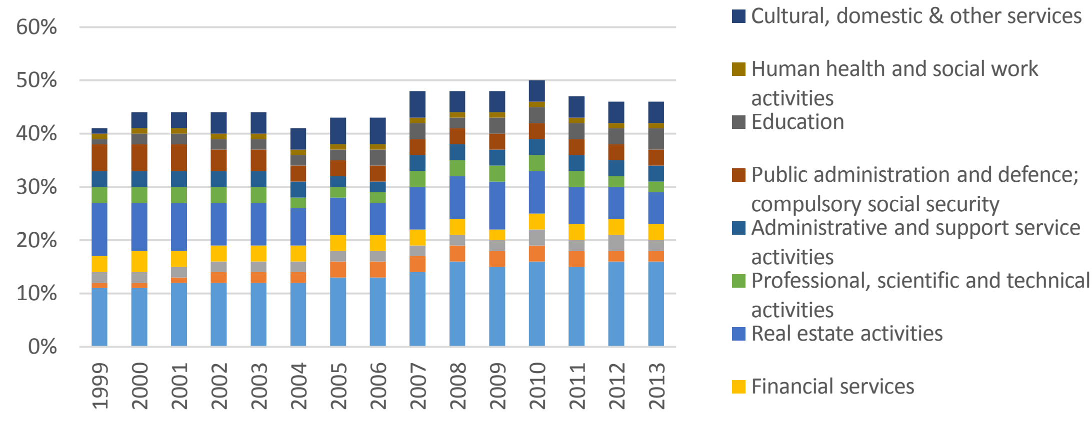
The construction of Rwanda's knowledge-based economy requires Kigali to become a hub for financial services, ICT and tourism.[45] Kigali's growth as a modern city is integral to Rwanda's development strategy. The city has grown rapidly and is almost three times its size in the 1980s (Goodfellow and Smyth 2013, 3188). Kigali's population has grown more than 48 per cent between 2002 and 2012 (NISR 2012a). Kigali is characterised by a 'youth bulge' and nearly 64 per cent of the youth in Kigali and other urban areas are migrants (Nabalamba and Sennoga 2014).

Targeting an ambitious services-led structural transformation (with little manufacturing) may have deleterious effects. If services are prioritised before workers can procure necessary skills, it can produce a dangerous imbalance between an economy's productive structure and its workforce (Rodrik 2011). Prioritising anti-poverty programmes that improve quality of life (through providing health and education services) must be accompanied by the creation of jobs to meet the aspirations of recipients of social services. Policies echoing Say's Law (that supply will create its own demand) are unlikely to work in this regard (Amsden 2010). The government has fostered the identity of "entrepreneurial citizens" among its population, with citizens expected to forego their sense of entitlement and acquire liberal values of independence and autonomy (Kamat 2004). Increased financial inclusion is part of this strategy, with individuals expected to create their own jobs, rather than having to rely on the government.[46] More than 72 per cent of Rwandans accessed financial services in 2012, as compared to 48 per cent in 2008 (Andrews et

[43] Interview, Jean Louis Uwitonze, Director General (DG) – MINICOM, May 2013; Interview, Emmanuel Hategeka, MINICOM, January 2015.
[44] Interview, Clare Akamanzi, RDB, November 2011.
[45] Jessop (2005, 33) argues that developmental states will create upgraded cities as a "territorial 'fix' for financial capital and international producer services."
[46] Interview, Innocent Bulindi, Business Development Fund (BDF), January 2015.

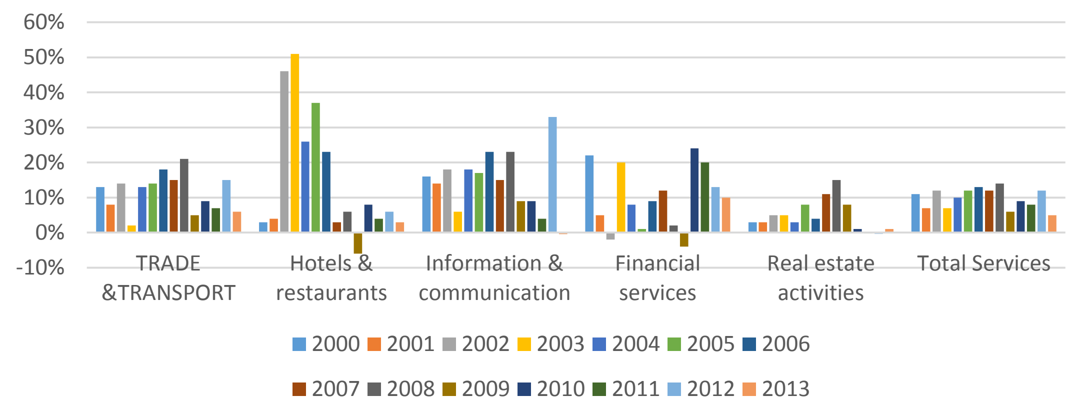
al. 2012). It is very unclear whether these strategies will succeed. Even those who manage to start businesses struggle to stay afloat.[47]

Figure 1.10: Services as Share of GDP: 1999-2013



Source: MINECOFIN

Figure 1.11: Growth within the Services Sector: 2000-2013



Source: MINECOFIN

Unlike previous governments, this government has privatised state-owned assets in traditional export sectors and liberalised the trade-and-export environment in these sectors. Privatisation reforms have also been embraced in other sectors. In 1997, the Privatisation Secretariat was established with the mandate to privatise 94 state-owned enterprises. By 2011, 57 of these enterprises were privatised.[48] The privatisation process began with the sale of Kabuye Sugar Works to the Madhvani Group in 1997.[49] Privatised companies were located in sectors including coffee, tea, mining, fishing, cement, dairy, tourism, brickery, telecom and pyrethrum. Government officials acknowledge that privatisation was imposed on them but note

[47] Interview, Private Sector Federation (PSF), January 2015.
[48] Internal RDB report.
[49] See Ansoms (2009a) for a detailed description.

that it was also the best option available in some sectors. Pro-privatisation narratives were constructed in some cases.

> "Privatisation is the ideology of the government. If a sector is profitable, it should be in the hands of the private sector. If it is not, then the government can keep control of it."[50]

Privatisation reforms were associated with difficulties. Reports indicated that choices of which enterprises would be privatised were made "at the political level" while at "the technical level", it was difficult to manage the demands of the privatisation process.[51] Some privatisation processes resembled the modalities of Hibou's (2006) 'privatisation of the state.' The official narrative centred on the primacy of private actors, individuals and the market. However, there has been blurring and fluidity between the 'private' and the 'public'. Privatisation and liberalisation, rather than being neutral processes, favour those who have more 'voice' than others, in terms of relative wealth or power (Castel-Branco et al. 2003). The distance between the 'private' and 'public' was managed closely and private intermediaries based their power on their proximity to the President.[52] Despite managing privatisation processes, they have rarely been associated with positive outcomes. A government study indicated that only five out of 42 enterprises that were privatised through the Privatisation Secretariat were fully operational and complying with their business plans.[53]

Outcomes of the privatisation process were instructive for government officials who promoted an image of embracing market-led reforms but found it difficult to discipline many private actors.

> "Privatisation has not always been associated with results for us. But Rwanda has always been dynamic in its thinking. We learn from these events and our philosophy changes. We are always reacting to results and thinking about how to make things work better."[54]

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[50] Interview, Leonard Rugwabiza, Ministry of Finance and Economic Planning (MINECOFIN), February 2012.
[51] Internal government reports.
[52] Hibou (2006) highlighted similar patterns during Ben Ali's Presidency in Tunisia. Buur et al. (2011, 252) show that the privatisation of the sugar industry in Mozambique was used by the state "to shape economic development according to its own priorities."
[53] Internal RDB report.
[54] Interview, Ernest Rwamucyo, High Commissioner to India, December 2014.

Liberalisation creates the image of broad political participation but actually provides room for manoeuvre in meeting the demands of donors (Cramer 2001). In Rwanda, liberalisation was undertaken to meet the demands of donors. In some cases, foreign investors established control over sectors. In others, investment groups dominated sectors. The RPF government has challenged existing monopolies other than those under its authority.[55] This may partly be viewed as the government's attempt to reduce the possibility of power centres (with financial capacity) emerging among rival domestic elites. However, government officials also promote competition in certain sectors, believing that such activity will enhance productivity.

> "For us, competition is strongly linked to innovation. As government, we see foreign companies coming in as an advantage. It is then our job to make sure smaller local companies are learning from them. Slowly, our companies can grow and we will also force others to innovate."[56]

In contrast, the previous government concentrated power in state-owned tea factories, coffee marketing boards and monopoly export agencies and state-owned mining companies.[57] Donors did not push Habyarimana's government to embrace market-led reforms until the early 1990s and in very few sectors (Storey 1999). Developing pro-privatisation narratives and embracing market-led reforms have been a product of meeting donor demands while also finding ways to make sure reforms work in line with national priorities. The effective management of capital requires the government to retain the capacity and expertise to discipline and monitor businesses while building reciprocal control mechanisms with firms. East Asian developmental states retained such mechanisms where incentives were tied to results and contributed to prevent wasteful rent seeking behaviour (Amsden 2001).

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[55] These groups are explored in the thesis. They have been previously studied by Booth and Golooba-Mutebi (2011, 2012a) and Gokgur (2011, 2012).

[56] Interview, Kigabo, BNR, January 2015.

[57] The government has liberalised the alcohol market by bringing in Belgian-owned Skol to compete with Bralirwa. Bralirwa representatives recognise that liberalising the beverages market has forced the company to engage in marketing campaigns. Bralirwa now offer deals and promotions to avoid losing market share (Interview, Freddy Biniga, Bralirwa, May 2012).

1.3 Research Question: Is Post-1994 Rwanda a developmental state?

Secondary Question: How has vulnerability affected Rwanda's development process?

Rwanda shares several characteristics with East Asian developmental states. Rwanda has enjoyed successful economic development through upgrading several economic activities. However, like the East Asian experiences of late development, the Rwandan experience has also been violent and exploitative. There are two clear differences between Rwanda and East Asian developmental states. Rwanda has not retained control over the financial sector and it has not developed an industrial base. Instead, growth in Rwanda has heavily depended on growth in services sectors. The acquisition of higher capabilities in manufacturing, where productivity tends to grow faster than in agriculture or services, has been central to most stories of successful latecomer development (Chang 2007). The neglect of manufacturing has inhibited growth across the African continent (Page 2012). Manufacturing growth was also often associated with giving workers a political voice and ensuring a degree of redistribution (Evans 2012). Strategies "built around the transition from an industrial to a service economy seems likely to be marked by the expansion of inequality and the stagnation of wages for the majority of the population" (Evans 2012, 36). Donor preferences and domestic constraints (including market size and insufficient energy) influenced the Rwandan government's choice to neglect the manufacturing sector.[58] In 2012, the Economic Development and Poverty Reduction Strategy 2 (EDPRS 2) highlighted the government's choice to refocus on the manufacturing sector. However, despite this attempt, growth in the sector has been disappointing.[59]

Chalmers Johnson (1982) coined the term – developmental state – to characterise the role that the Japanese state played in the post-war transformation of its economy. Johnson described how Japan's Ministry of Finance and the Ministry of International Trade and Industry (MITI), supported by an autonomous elite bureaucracy, created and facilitated infant industries. Initially, he (1999, 34) aimed to

[58] Interview, Rutaremara, January 2015. Recently, the relevance of industrial policy has been acknowledged by "mainstream economists and political leaders from all sides of the ideological spectrum" (Stiglitz et al. 2013, 2).
[59] Interview, Hategeka, MINICOM, January 2015.

highlight “the failures of Soviet-type socialist displacement of the market.” However, he (ibid) was surprised that his book “was an ideological red flag to the bull of Anglo-American cold war orthodoxy.” The success of East Asian late developers presented a challenge to dominant neoclassical scholarship (Little 1979, Ranis 1979), which preferred to emphasise the contributions of self-regulating markets in East Asian success. East Asian success also threatened claims made by dependency theorists who argued that increasing foreign trade and arrival of foreign capital from the ‘core’ was the root cause for underdevelopment in the periphery (Amsden 1979).

The newly created Developmental State Paradigm (DSP) worked against the opposing currents of dominant neoclassical scholarship and dependency theorists. Ideas presented within the DSP were not new. Alexander Hamilton and Friedrich List were among the first to argue that in order to ‘catch up’, late developing countries must promote infant industries through active state intervention (Chang 2002a). Gerschenkron (1962) developed arguments along similar lines, emphasising that state involvement in industrial financing was necessary to match the rate of modern technological progress. Baran (1957) argued that the absence of a nationalist ideology (which drove development in early capitalist Europe and 19th century Japan) explained the underdevelopment of many poor countries. Through developing detailed case studies, a new group of scholars (Amsden 1989, Wade 1990, Woo-Cumings 1991) argued that latecomers in East Asia, including South Korea and Taiwan, embraced state intervention and ‘governed the market’ as they caught up with the industrialised West. Successful examples in East Asia showed that there could be several “pathways from the periphery” (Haggard 1990) but that developmental states shared characteristics as they tackled late development. These measures included redistributive land reforms, state control over finance, macroeconomic stability to foster long-term investment, industrial policy fostering import substitution and export promotion, attention to agriculture and rural livelihoods and policies that raised living standards while suppressing social organisations (Wade 1990, Putzel 2002).[60]

Efforts were also made to include Southeast Asian economies (Thailand, Malaysia, Indonesia and the Philippines) and Vietnam within the DSP, in addition to

[60] Kohli (1994) argued that prior colonial experience of industrialisation contributed to Korea’s success.

the four 'Tigers' (South Korea, Taiwan, Singapore and Hong Kong).[61] Some also included China within the DSP (White and Wade 1988; White 1988). Others disagreed with collectively characterising these countries as Developmental States.[62] 'Transformative' states of Northeast Asia were perceived as different from the 'pilotless states' of Southeast Asia (Weiss 1998, Johnson 1998). Though these states shared some characteristics, they all had specific trajectories of late development.

The application of the DSP became increasingly widespread and a variety of definitions proliferated among scholars (Leftwich 1995, 2000; Routley 2012, 2014). Fine (2005, 2013) questioned the coherence of the concept and argued that proponents of the DSP had split into two separate schools. The economics school reasoned that markets did not work perfectly in late developing countries. Thus, the state was required to coordinate investments within and across sectors to harness positive externalities and eliminate negative externalities. The political school largely ignored economic concerns and focused on the nature of the state and whether it could be free from particular interests that would impede the application of appropriate policies. Both schools agreed on some aspects. Most scholars set up a clear dichotomy between the state and market (Fine 2006) and the role of class in the analysis was largely ignored (Radice 2008, Fine 2006).

Within the DSP, developmental states were understood as those states that were capable of remaining independent of class interests. Mann's (1984) concept of "infrastructural power" (the capacity of the state to penetrate civil society and implement political decisions across territorially defined entities) was built on Max Weber's minimalist definition of the state, which focused on legitimate control over territory. Political power was understood as becoming "progressively depersonalised and formalised" (Fritz and Menochal 2007, 532). States were characterised by "embedded autonomy", where well-developed bureaucracies worked closely with state and non-state actors to redefine and implement development goals (Evans 1995). These scholars argued against Marxist interpretations where the capitalist

[61] Singapore and Hong Kong are usually analysed separately because they are city-states. Huff (1995) explores the Singaporean example. Doner et al. (2005) analysed the development experience of seven of these countries (excluding Hong Kong). Vietnam has been included in recent analyses of the East Asian developmental state experience (Berendsen et al. 2013).
[62] See Stubbs (2009).

state was merely the "executive committee of the bourgeoisie (Evans 1989).[63] By characterising the state, workers and capitalists as separate actors, these scholars "effectively released the state from capital relations" (Chang 2013, 92). The DSP neglected that the state is primarily a set of social relations that legitimised and facilitated systems of exploitation within its territory. Organising surpluses extracted from workers is an essential function of the state. Instead, developmental states should be understood through examining how relationships between classes and the state evolve and how such relationships sustain a system of accumulation, the role that ideological forces (both international and national) have in motivating economic development and how financial and industrial systems facilitate processes of accumulation. Most importantly, development must be understood in the context of class, power and conflict (Fine 2006).

Examples of African 'developmentalism' were largely ignored within the DSP paradigm. There were several reasons for this. The DSP paradigm primarily focused on the role of state intervention in facilitating industrialisation in late developing countries. There have been relatively few examples of structural transformation (and the growth of the industrial sector) in African countries over the last few decades. However, there is evidence of African 'developmentalism' historically and this has been ignored because of "an excessive levelling of African political and economic landscapes" (Mkandawire 2001, 310). Some economic studies (Ndulu et al. 2008) even showed that African economies grew at a respectable rate between 1960 and 1974. Jerven (2015) argued that economists have used erroneous statistics to show that African development has failed.[64] Kelsall (2013) argues that some African states (Cote d'Ivoire 1960-75, Kenya 1965-75, Malawi 1964-78; 2004-09) were late developers that centralised rents and pursued successful industrial policies. Elsewhere, Mkandawire (2010) argued that development ideology failed because of years of crisis and adjustment and the lowering of expectations of individual Africans. A national project of economic development could no longer be legitimised through the mobilisation of domestic resources and the population. Nationalism no longer created the awareness that

[63] Marx also described the "completely autonomous position of the state" in France under Louis Bonaparte (Leftwich 1995).
[64] Jerven (2010) argues that sustained growth failures were rare in Africa until the 1980s, with only Benin, Tanzania and Morocco experiencing sustained periods of stagnation and negative growth.

"we're all in the same boat" (Pempel 1999, 168-9). The absence of "flying geese", which could be used as role models in the region, has also inhibited the appearance of African developmentalism (Akamatsu 1962). Role models were especially important to guide countries through property rights regime changes. The choice of Filipino leaders to avoid 'learning' from Japanese examples contributed to the country's economic failure, just as the failure of many African countries to identify the right role models thwarted them from diversifying away from exporting raw materials (Amsden unpublished). The most important point to emphasise is that developmental states of the past did not experience the same kind of pressure from donors in imposing the economic and non-economic conditions that are currently forced on African countries (Chang 2002b, 2007).[65]

Discussions regarding the developmental state have reappeared in policy circles (Fritz and Menochal 2007, Shaw 2012). Ethiopia's former Prime Minister Meles Zenawi (2012) and South Africa's African National Congress (ANC) stressed how the lessons from 'developmental states' should be used within their own countries (Edigheji 2010a).[66] The term – developmental state – has been used previously when studying several African countries.[67] Even the United Nations Economic Commission for Africa (UNECA) (UNECA 2011) pushed for support to 'developmental states', which built on the lessons of East Asian successes.

It must be stressed that many East Asian states were repressive regimes, which achieved progressive outcomes while excluding certain groups (Leftwich 1995) and growth was never "automatically or necessarily inclusive" (Leftwich 2008, 4). Heterodox scholars have also argued that patrimonialism and clientelism characterised East Asian developmental regimes (Woo-Cumings 1999, Hayashi 2010, Khan 1998). Corruption was not necessarily inimical to development and was often harnessed for developmental ends (Kelsall 2011, 2012). Nonetheless, it is very

[65] Amsden (2007) identified similar differences between the First American Empire (1950-1980) in which East Asian developmental states prospered and the Second American Empire (1980 onwards) where similar developmental ambitions were constrained.
[66] An edited collection (Edigheji 2010b) included several chapters dedicated to the construction of a South African developmental state.
[67] See Meisenhelder (1997) on Mauritius, Lodge (2009) on South Africa, Hillbom (2012) and Taylor (2014) on Botswana, Lefort (2012) and Gagliardone (2014) on Ethiopia, Dadzie (2013) and Ayee (2013) on Ghana, Bellin (1994) on Tunisia, Mbabazi and Taylor (2005) for a comparative study on Uganda and Botswana.

difficult to assess when positive, long-term intentions give way to short-term individualistic actions.

1.4 Judging Developmentalism in Rwanda

The challenge of studying 'Developmental States' 'in process' is very different to studying them in retrospect. There is a tendency to view any state that is developing as an example of a developmental state (Fine 2013). Interpretations of Rwanda's development have mirrored this tendency. Like East Asian developmental states, Rwanda has attempted to "upgrade from lower value to higher value economic activities" (Doner et al. 2005, 328). However, Rwanda's manufacturing sector has experienced limited growth, while services sectors (tourism, real estate and financial services) have grown the fastest. The government has not addressed the massive inequality that has accompanied the pursuit of its economic strategy. Labour has also not been mobilised effectively in support of economic development.

> "Things move quickly in Rwanda. This is good because it shows strong leadership and a commitment to development… Yes, it is true. Many employers complain about not having skilled people. But we are still changing and adapting."[68]

Sections 1.4A and 1.4B show that Rwanda has similarities with East Asian developmental states. First, it shows that the RPF government shares three common characteristics with East Asian developmental states, which were identified by Wade (1990). Second, the RPF government has experienced conditions of 'systemic vulnerability' (Doner et al. 2005). After detailing these similarities, this section emphasises that the RPF government constructs narratives as one way to retain legitimacy among three constituencies while also maintaining a Developmental Political Settlement (a political settlement where ruling elites sustain systems of accumulation necessary to achieve ideological goals while negotiating challenges from rival constituencies). Since most developmental states have only been recognised after achieving sustained economic growth and structural transformation, Rwanda's status as a developmental state remains open and unpredictable. Maintaining a Developmental Political Settlement and retaining legitimacy among three constituencies are central to building a developmental state in Rwanda.

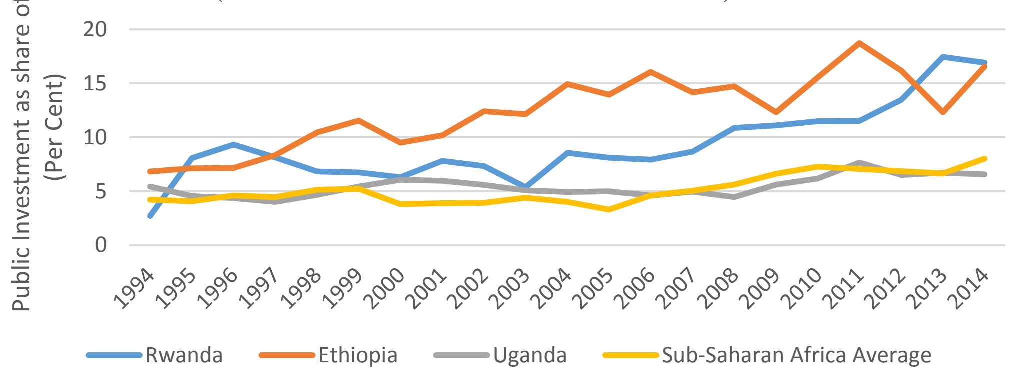
[68] Interview, Workforce Development Authority (WDA) representative, February 2012.

1.4A Wade's (1990) Characterisation of a Developmental State

Characteristic 1: Very high levels of productive investment, ensuring new techniques were transferred quickly into actual production.

Clark and Arnason (2013) argue that "what sets Rwanda apart from many other countries in Sub-Saharan Africa is its already relatively high level of public investment." They (2013) argue that the RPF has pursued this strategy to address the possibility that aid will be reduced. Figure 1.12 shows evidence that Rwanda's public investment (along with Ethiopia) as a share of GDP has been more than the average of most African countries. The government has prioritised public investment in recent years "to undertake strategic investments to boost productivity and increase access to resources in priority sectors" (MINECOFIN 2013, v).

Figure 1.12: Comparison of Rwanda with other countries (Public Investment as a share of GDP): 1994-2014



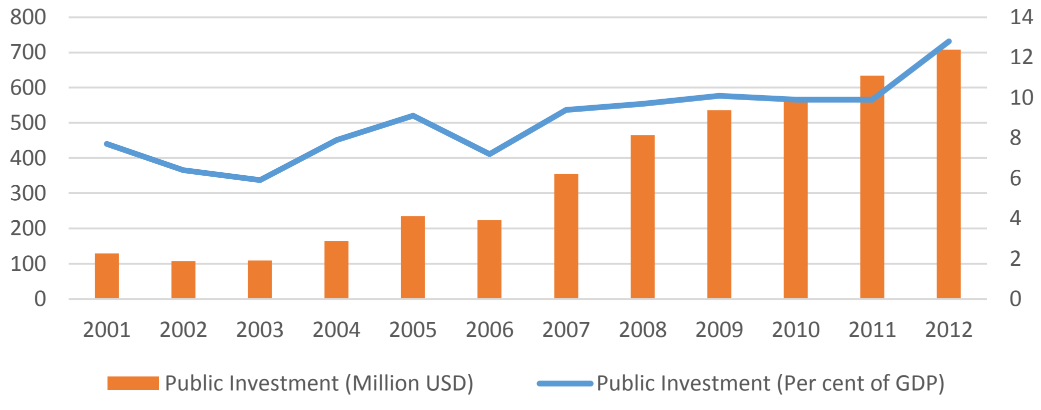
Source: World Bank

In 1996, the Privatisation and Public Investment Law was drafted. It gave the new administration the authority to liquidate, restructure, disinvest from or lease out public enterprises. Starting in 2003, public investment was increasingly prioritised. Between 2003 and 2004, public investment increased by almost 50 per cent (AfDB 2006, Figure 1.13). By 2006, Rwanda's public investment (8.6 per cent) as a share of GDP exceeded that of several other African countries, including Uganda, Zambia and Mauritius.[69] In 2009, a National Public Investment Policy was established. It focused on creating wealth and investing in the economy to support growth of the private sector (MINECOFIN 2009). This policy was developed after the government

[69] Internal Rwanda Investment and Export Promotion Agency (RIEPA) Presentation.

had increased fiscal space, with capital spending increasing from 11.9 per cent in 2003 to 40 per cent in 2008 (ibid). Maximising the efficiency of public investments was prioritised (ibid) and Rwanda was ranked 12th out of 71 countries worldwide in public investment management worldwide and fourth in Africa (Dabla-Norris et al. 2011). In 2013 and 2014, public investment contributed more to gross capital formation than private investment (World Bank 2014, 2015).

Figure 1.13: Public Investments in Rwanda: 2001-2012



Source: MINECOFIN

This thesis shows that the RPF government has invested to ensure labour adopt new production techniques in line with achieving targets. Public investments in agriculture have been effective, with high linkage and multiplier effects: 1 USD of investment in agricultural staples generated almost 4 USD of increased GDP (Diao et al. 2010). Other effective public investments are discussed in Chapters 6, 7 and 8, which detail the examples of the coffee, mining and tea sectors. In the coffee and tea sectors, the government has invested in infrastructure and the distribution of inputs, as well as subsidising fertilizer and training farmers to adopt appropriate production techniques. In the mining sector, the government has invested in research, organising cooperatives and supporting artisanal mining.

Characteristic 2: Investment in certain key industries that would not have occurred without government intervention.

The RPF's interventions have been crucial in ensuring the growth of key industries. Chapter 5 lists some examples in tourism and telecom where the initial investments of investment groups spurred growth in these sectors. Investments by Horizon Group (a military-owned investment group) also contributed to value-addition and increased production in the pyrethrum sector. Chapters 6, 7 and 8 show how government interventions contributed to growth in the coffee, tea and mining sectors. The government's initial investments in constructing washing stations and investments made in establishing coffee shops and roasting plants have contributed to value-addition in the coffee sector. In the mining sector, the government invested in embracing tagging systems. Such investments have contributed to encouraging private investments in the minerals sector. In the tea sector, the government has invested in expanding tea plantations. It has also partnered with an informal investment group (Rwanda Mountain Tea) to sell packaged tea in foreign markets.

Characteristic 3: Exposure of many industries to international competition.

In interviews, government officials regularly stressed the importance of exposing sectors to international markets to induce learning and technology acquisition among national firms.[70] Chapters 6, 7 and 8 demonstrate that the coffee, mining and tea sectors have been exposed to international competition. However, the government has struggled to build national champions and induce learning among domestic firms (other than investment groups). Future growth is inhibited by the government's failure to build reciprocal control mechanisms with capitalist actors (other than investment groups).

1.4B Systemic Vulnerability

Rwanda exhibits conditions of 'systemic vulnerability', which were common among East Asian developmental states.[71] Doner et al. (2005, 329) argued that "the political origins of developmental states can be located in the simultaneous interplay of three separate constraints" – broad coalitional commitments, severe security threats and scarce resource endowments.[72] Doner et al. (2005, 340) argued that "broad coalitions and external security needs constitute two critical claims on scarce revenues that press ruling elites to become revenue maximisers." 'Systemic vulnerability' motivated political leaders to recognise that coherent bureaucracies and public-private linkages sustained coalitions, state survival and maximised their

[70] Interviews, BNR and MINECOFIN officials.
[71] Others (Campos and Root 1996) made similar arguments.
[72] Chemouni (2014) previously used 'systemic vulnerability' to describe how external and internal threats have motivated ruling elites to design local institutions to assist implementation of the RPF's development agenda, while guarding against rival political entrepreneurship at the local level.

time in office (Doner et al. 2005, 356). 'Systemic vulnerability' is usually a necessary condition for ruling elites to commit to economic development. However, the existence of these conditions is not sufficient to achieve economic development. The Habyarimana government also exhibited conditions of 'systemic vulnerability' in the late 1980s, with limited access to revenue sources, external threats from Tutsi refugees and the population holding genuine grievances against the government, regardless of ethnic differences (De Lame 2005).

The application of the 'systemic vulnerability' thesis to East Asian development has been criticised for ignoring details of empirical examples.[73] Instead, Henley (2015) argued that ruling elites in East Asia developed an autonomous 'intent' to deliver economic development. He argued that Vietnamese leaders were holding themselves to account, rather than to any 'systemic vulnerability.' He argued that policies and the 'developmental intent' of leaders in Southeast Asia were influenced by culture and the histories of individuals, movements and political parties. He made direct comparisons with experiences in Africa, arguing that a "culturally ingrained association between agriculture and nationalism predisposed Southeast Asian elites to believe in development strategies based on peasant farming. African elites looked forward impatiently to structural transformation where peasant farming would disappear to make way for more modern ways of life" (Henley 2013, 10). However, Henley's arguments do not explain how elites sustained 'developmental intent' and how pressure from rival elites, donors or the population can influence policymaking.

Doner et al.'s (2005) analysis implies that most East Asian developmental states were effective in their pursuit of rigid long-term plans. East Asian states are often wrongly assumed to have administered good, effective policies.[74] This thesis illustrates that ruling elites in Rwanda react to the vulnerabilities that they have encountered. Policies are 'reactive', rather than following a pre-determined long-term plan. Though the goals are clear, policies react to conflicting demands from different actors and inevitable roadblocks (including fluctuating international prices and the withdrawal of foreign aid). Andrews et al. (2013) propose that a Problem-

[73] Stubbs (2005, 2009) argues that Singapore and Malaysia did not suffer from resource constraints. They were the recipients of large amounts of American military aid and benefited from spikes in commodity prices. South Korea also benefited from huge amounts of American aid (Kang 2002).
[74] See Haggard and Moon (1990), Moon and Prasad (1998), Biggs and Levy (1991) and Wong (2004).

Driven Iterative Adaptation (PDIA) approach is usually central to making developmental reforms a success. PDIA approaches hold that locally identified problems must be a starting point to reform processes and viable solutions must be found through a learning process.[75] The RPF's philosophy acknowledges the importance of experimentation and learning from failure.

> "Even in the 1980s, we thought about problem-solving by identifying our objective conditions. We are still working to address those conditions. But as our movement got bigger, we learned from others and heard what they said. Every problem we faced taught us and made our movement stronger."[76]

> "Think of where we were in 1994. What has happened between then and now has not happened without problems. We adapted and we were flexible. That is why we reached where we are today."[77]

Desires to experiment are constrained by a scarcity of resources. The need to appease "three constituencies" also makes ruling elites vulnerable to failures when gambles are made.

> "Yes, we make bets. MICE is a big bet. We have to keep encouraging people to visit us and leverage the positive image people have of us and keep improving the facilities that we provide. The bets we made are not traditional bets but we believe they will work. Manufacturing is not easy. It has been an issue for us and energy has been a big challenge."[78]

> "It is easy to criticise us and say we are not doing manufacturing. But we have to make choices. We wish we could do manufacturing but there are trade-offs. It will take much longer to build the manufacturing sector. Long-term investments are required. The tourism sector is also absorbing labour."[79]

This thesis acknowledges that conditions of 'systemic vulnerability' are important factors that may motivate ruling elites to commit to creating developmental states and to forego the exclusive pursuit of their own individual short-term needs. Conditions of 'systemic vulnerability' continue to apply to Rwanda today. They are explored below.

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[75] Decentralisation reforms in Rwanda are an example of a PDIA process (Andrews 2013).
[76] Interview, Rutaremara, January 2015.
[77] Interview, Senator, April 2012.
[78] Interview, Clare Akamanzi, RDB, January 2015.
[79] Interview, Office of the President, January 2015.

Condition 1: Maintaining Broad Coalitions and Combating Internal Threat

RPF leadership has prioritised countering dangers posed by internal threats, with one scholar (Beswick 2013) considering it to be the RPF's primary concern. The government prosecuted around 400,000 genocide suspects through a system of 11,000 community based (*gacaca*) courts (Clark 2014a). *Gacaca* courts aimed at delivering justice to families of victims but it also directly countered enemies of the government (since suspects were effectively fighting against the RPF). In 1998, Kagame said that most perpetrators did not admit guilt and had become politicised within jails (Gourevitch and Kagame 1996). Donors recognised the dangers of renewed ethnic conflict and avoided making aid conditional on opening up political space. Since Hutus comprised the majority of the population, this was initially down to a realpolitik assessment (Uvin 2001). The RPF has publicly prioritised pro-poor economic strategies, focusing its redistributive efforts on providing health and education services to the population. The *Mutuelle de Sante* (mutual health insurance) system is one of the most extensive community-based health insurance schemes across the continent and extends coverage to over 90 per cent of the population (Binagwaho et al. 2012). Progress has been made in implementing the 'Vision 2020 Umurenge Programme' (VUP) (Devereux 2012). This programme assists the poorest segments of the population. Under VUP, extremely poor households, where no adult was able to work, were entitled to cash transfers. Households in which adults could work were employed in public works projects. Such policies (while admirable) were insufficient to meet redistributive needs.

Providing access to wages for an educated, young population remains a concern (Somers 2012). More than 42 per cent of youth (16-35) were either unemployed or underemployed in the subsistence sector (AfDB 2012).[80] The problem of youth unemployment is severe, with more than half of the population under 19-years-old in 2014.[81] 67 per cent of Rwanda's unemployed population was between 16 and 34-years-old (Mugabo 2015). Government officials admit that matching skills acquired through university education with jobs has been difficult.[82]

[80] In 2013, The National Institute of Statistics of Rwanda (NISR) reported that 0.8 per cent of youth were unemployed, while 64 per cent were underemployed. National newspapers reported that these figures underreported unemployment in Rwanda (Nsanzimana 2013, Ngarambe 2013).
[81] Internal government document.
[82] Interview, Fabien Majoro, Office of the Prime Minister, May 2013.

In 2015, 45 per cent of Masters degree holders were underemployed (Asaba 2015). Skills training has not matched the pace of growth in certain sectors (AfDB 2012). Government officials are acutely aware of these dangers, with many emphasising that creating jobs was a pressing concern.[83]

> "Our number one priority is to think about these young people coming to the city and leaving school. We have nowhere to put them. We are prioritising this everywhere."[84]

In recent years, the government has reacted to the difficulties associated with their earlier choices of embracing mainstream grassroots approaches to solving poverty, which aimed "only at improving the supply side of the labour market, making job-seekers more capable, and not the demand side, making new jobs available for them" (Amsden 2010, 64). This shift is a reaction to findings in national surveys (Integrated Household Living Conditions Survey 3 – EICV 3 and the 2012 Population and Housing Census), which highlighted severe inequality and unemployment. The EDPRS 2 promised to create a million jobs – 200,000 off-farm jobs annually – to absorb unemployed youth (MINECOFIN 2013). The National Employment Programme (NEP) was established to coordinate employment programmes by equipping the workforce with vital skills, creating sufficient and sustainable jobs and providing a national framework for coordinating all job creation initiatives.[85] The NEP also aims to end gender discrimination in access to jobs and supports the inclusion of youth.[86] The government continues to publicly promote mainstream poverty alleviation policies, arguing that youth will create jobs for themselves, rather than relying on the government to provide employment.

> "It is a priority for the government to promote SME development. With the NEP, we work right down to the grassroots to create and maintain employment. Our key objective is to promote the creation of businesses and in that way, more people will be employed."[87]

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83 Interviews, Office of the Prime Minister; Interviews, Ministry of Finance,

84 Interview, Majoro, May 2013.

85 Interview, Office of the President, January 2015.

86 In 2014, the One UN programme invested 19 billion RwF in the NEP. The 2012 census reported that 60.6 per cent of the 5.89 million Rwandans of working age are between 14-35 years old, 65 per cent of all Rwandans of working age are listed as under-employed while four per cent are unemployed (Tumwebaze 2014).

87 Interview, Bulindi, BDF, January 2015. In 2011, SMEs accounted for 95 per cent of all registered businesses and accounted for 84 per cent of private sector employment (AfDB 2014).

The government has also increased enrolment at Technical and Vocational Education and Training (TVET) institutions by nearly 50 per cent between 2010 and 2013 (ADF 2014). Enrolment increased from 15,354 students in 2010 to 74,320 students in 2013 (AfDB 2014). The number of TVET institutions increased from 64 in 2010 to 365 in 2015 (Mwai 2015). In 2015, a new minimum wage law (with the minimum wage set at 750 Rwf per day) was close to approval. It was an improvement on the previous minimum wage, which was set at 100 Rwf in the 1973 labour law (Ntirenganya 2015). However, this minimum wage is still extremely low – under 1 USD. Refocusing policies in line with creating jobs shows evidence of 'reactive' policymaking.

> "We had challenges in not prioritising industry. But in order to have industry, we needed technicians. However, we had to focus on other kinds of education first. Now, we are changing. We are building technical schools in every sector."[88]

To counter internal threats, ruling elites have distributed power to local elites on the basis of loyalty. The government has empowered loyal, technocratic local elites to implement rural policies (Chemouni 2014). Pervasive state control and the presence of security forces assist the government in maintaining its reach into rural society (Ansoms 2009b, Ingelaere 2011, Purdekova 2011). Cooperatives are arenas where 'control grabs' empower elites (Huggins 2014).[89] Incentives (including maintaining high farmgate prices and providing free inputs such as seeds and fertilizer) are combined with coercion to facilitate accumulation strategies and counter internal threats and resistance.[90]

Condition 2: Severe Security Threats or External Threat

Doner et al. (2005) draw on Tilly's (1975) famous dictum that "war made the state, and the state made war" to emphasise that external threats compelled leaders to create strong institutions that promoted growth. The applicability of the war-making/state-making connection in the contemporary developing world has been a source of disagreement among scholars.[91] Migdal (1988) is among those who accept

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[88] Interview, Rutaremara, January 2015.
[89] Huggins (2014) defines control grabs as the power to control land and other associated resources such as water to derive benefit from such control.
[90] Segments of the population also appreciate the security that accompanies such state control (Ingelaere 2014).
[91] See Taylor and Botea (2008) for a detailed discussion.

Tilly's arguments. He suggests that the absence of warfare explains the presence of weak states in the developing world. He also argues that 'strong' states (e.g. South Korea and Israel) have achieved their strength because of past warfare. Other scholars, including Tilly (1992) himself, contest such claims. Reno (1998, 2003) argues that some African leaders rely increasingly on international capital and non-state coercive groups, rather than on the mobilisation of resources from their population, to combat the threat of local strongmen. Jackson (1990) argues that a different international environment operates today where national sovereignty is guaranteed. Other reasons include the decentralisation of control over coercion, the increased presence of irregular armed forces and the blurring of lines between legal and illegal violence in contemporary conflicts (Leander 2004).

Ruling elites use external threats to build perceptions of common enemies among other elites, including internal rivals. Collective memories and shared histories of warfare against other groups contribute to the salience of the threats of those groups. For ruling elites in Rwanda, external threats contributed to uniting elites (or the Tutsi population) against a common enemy. Rivals give up their differences to protect collective interests against external threats.

> "The military in Rwanda must always contribute to help our people. Most importantly, we must make sure our soldiers are disciplined and that they feel they are taken care of. Security is not simply about fighting an enemy. We can't keep waiting for an enemy. By addressing economic needs, the Rwanda Defence Forces (RDF) confronts another enemy of our country."[92]

Immediately after 1994, RPF cadres had a clear enemy: the retreating *Interahamwe* (and its allies, including Mobutu's Congolese government, which harboured *genocidaires*). During the Congo Wars that followed and for much of the 2000s, the Democratic Forces for the Liberation of Rwanda (FDLR) became the primary enemy of the Rwandan government. At different stages, donors (who withdraw aid) or the Belgian and French governments have also been regarded as enemies. Such perceptions rely upon collective memories of the genocide when the international community was perceived to have aided the Habyarimana government (in the case of France) or ignored the plight of Tutsis. The FDLR's presence in the DRC is repeatedly highlighted in interviews with government and military officials,

[92] Interview, Joseph Nzabamwita, RDF Spokeperson, January 2015.

as well as in Kagame's speeches. After foreign aid was cut in 2012, donors were also cast as common enemies. Links were drawn with the international community's refusal to intervene to stop the genocide.

> "Donors have done this before. They are not interested in the facts. What will happen to the Congolese population who rely on exporting minerals? For us, we just remember that once again, we have to do things on our own. Rwanda has always known that."[93]

> "These problems were created by the international community, our partners. In the end, they don't listen. They are so arrogant… They don't listen like they didn't listen when genocide took place in Rwanda. In fact, the ICTR should have tried some members of the international community instead... They have the power to screw up and blame somebody else. They've screwed up in the case of the Congo and they've blamed it on us."[94]

Condition 3: Scarce Resource Endowments or Scarce Revenue Sources

Doner et al. (2005) argue that East Asian developmental states operated in an environment of significant resource constraints and security threats, which created an urgent need for ruling elites to upgrade economic activities. Although the RPF government has enjoyed large amounts of foreign aid, it does not have sufficient export revenues or internal resources to enable it to run a trade surplus. One way for late developers to tackle this challenge was to ensure that the government controlled the financial sector and retained access to credit. Retaining access to credit and avoiding financial market liberalisation were basic prerequisites for growth accelerations in East Asian developmental states (Wade 1990, Putzel 2002).

Gerschenkron (1962) showed how Britain and late developers – Germany and Russia – addressed resource constraints in creative and varied ways. Britain used the stock market to fund large industrial projects. Germany adopted a 'functional substitute' by using investment banks because its financial sector was not as developed. Russia used a state development bank to fund industrial projects since it had a large peasant economy. Many African governments have been caught between the contradictory requirements of capital account liberalisation (imposed by donors in some contexts) and retaining control over financial instruments. Ethiopia is among the very few African countries where state-owned banks dominate the financial

[93] Interview, Alfred Ndabarasa, RDF Officer and High Commission of Rwanda in India, May 2013.
[94] Kagame (2012a).

sector (Allen et al. 2011). In 2013, the state-owned Commercial Bank of Ethiopia (CBE) retained control of over 70 per cent of assets in the banking sector (IMF 2013). The Ethiopian financial sector comprises other state-owned banks, a development bank and permits some private ownership of banks.

In contrast, Rwanda achieved full capital account liberalisation in 2010 – a striking difference from developmental states of the past. Rwanda's commercial banking sector is liberalised. Regional banks have recently flooded the sector. Rwanda now has 10 commercial banks and several smaller rural credit saving societies. Government officials stress that financial inclusion contributes to fostering inclusive growth. Formal financial inclusion is targeted to reach 80 per cent of the adult population by 2016, and 90 per cent by 2020 (BNR 2015). Bank of Kigali (BK) remains the largest bank in Rwanda. It retains a market share of above 30 per cent in almost all parameters, including assets, liabilities and profits. In 2012, BK officials said the government had begun selling its shares on the stock market and that the government only held a minority share in BK.[95] In 2015, the government directly owned only 29 per cent of BK. However, the Rwanda Social Security Board (RSSB) owned 25 per cent, taking the government's total shareholding to 54 per cent.[96] The government also had shares in I&M Bank (20 per cent), while 65 per cent of *Banque Populaire du Rwanda* (BPR) is officially owned by domestic cooperatives (although many representatives on the Board of Governors are closely linked to the government).[97] BPR made a loss of over 5 billion Rwf in 2013 and struggled to raise funds, with the Board insisting that Rwandans must retain 51 per cent of the bank's shareholding (BPR 2014). Collectively, local banks (BK, BPR and *Cogebanque*) retained more than 50 per cent of financial sector assets between 2008 (51.7 per cent) and 2014 (55 per cent).[98] BK was the most efficient bank, with efficiency measured in terms of expenses as a percentage of loans and advances (Ernst and Young

[95] Interview, James Gatera, BK, April 2012.
[96] Internal government documents.
[97] The government has one representative on the Board of Directors of I&M Bank – Rwanda. BPR's Board of Directors is primarily comprised by Rwandans, with many of the current board currently or previously employed by the government. The Board includes Diane Karusisi (Office of the President and NISR), Afrique Ramba (RSSB), Jean-Philippe Kayobotsi (previously Office of the President, Désiré Rumanyika (formerly BDF), Peter Ruyumbu (RRA) and Emmanuel Habineza (RCA). The CEO of BPR is Ephraim Turahirwa, who was previously Vice Governor of BNR).
[98] Cogebanque was established in 1999 by 42 Rwandan investors. COGEAR, a leading private insurance company, was the lead investor and held over 20 per cent shares of the bank in 2014. As of 2014, over 40 domestic institutions and private individuals held over 40 per cent of shares, while Tunisian, American and Belgian investors collectively controlled less than 40 per cent.

2013).[99] BK finances many large construction projects and other strategic investments.[100] Investment groups also use BK to access loans.[101] Since domestic banks operate in a competitive environment, the government only retains limited control over financial instruments compared to East Asian developmental states. Also, the government's developmental ambitions are often curbed by donor demands to embrace market-led reforms. However, there is often a genuine interest in such reforms.

> "It is a level playing field in the banking sector. You could say BK enjoys an advantage but the government also uses them for a lot of strategic projects, which can be a hindrance. The other banks are working competitively. The government actually wants faster liberalisation. But Rwanda is not at a stage of development where the banking sector can stand on its feet. The government should continue to regulate."[102]

The government also uses a number of other 'functional substitutes' to obtain access to cheap credit for large, strategic projects. The Rwanda Development Bank (BRD) remains active. BRD was initially established in 1968. Between 1974 and 1987, the Habyarimana government used BRD to advance loans worth over 6 billion Rwf to 501 operations. The BRD held equity shares in 23 companies and made an investment impact of more than 12 billion Rwf, creating employment opportunities for 8,400 people.[103] Between 1987 and 1994, the BRD focused on investments in the tea and manufacturing sectors. After 1994, the BRD suffered with more than 50 per cent of its portfolio comprising non-performing loans.

> "In the early years, it was a challenge. We didn't have a lot of capacity. In the end, every institution is about governance and capabilities. BRD was not different."[104]

In 2002, BRD began focusing on traditional export sectors. In 2005, the Rwandan government labelled BRD as the chief 'financier' of Rwanda's development. Since then, BRD has retained its position (40 per cent of market share) as the primary financier for medium- and long-term loans. Since 2008, it has been mandated to facilitate private sector activities aimed at poverty reduction. The BRD

[99] The BRD and CSS Zigama were rated as the next most efficient banks after BK.
[100] Interviews, BK and other commercial banks, January 2015.
[101] Ibid.
[102] Interview, Commercial Bank representative, January 2015.
[103] Internal BRD documents.
[104] Interview, Jack Kayonga – BRD, April 2012.

focused its resources on increasing efficiency across value-chains in the agriculture sector. By 2012, BRD was named the third-best managed development bank by the Association of African Development Finance Institutions. CNBC Africa named Chief Executive Officer (CEO) Jack Kayonga as Africa's Young Business Leader of the Year in the same year.

> "In the last few years, we have expanded our operations by launching new products like mortgage financing and retail banking. However, our main responsibilities continue to be in the agriculture sector, which most commercial banks see as risky. We are now (in 2012) investing more than four times what we were in 2008 in the sector."[105]

Alex Kanyankole, the former Director General of the National Agriculture Export Board (NAEB) replaced Jack Kayonga, now Chairman of Crystal Ventures Ltd., as the CEO of BRD in 2013. BRD recently financed the establishment of a coffee-roasting factory, jointly funded by the Clinton Hunter Initiative. In 2014, the BRD's agriculture and agribusiness loan portfolio was 33.3 billion RwF, with most agricultural loans restricted to coffee and tea production and processing and the import of fertilizer.[106] BRD also finances work in agriculture and livestock, manufacturing, hotels and tourism, mining, water and energy, mortgage and real estate, and health and education. BRD financed the expansion of tea plantations and tea factories, as well as investing nearly 10 million USD in coffee washing stations annually over the past few years.[107] Several hotels, including the Gorilla Hotel and Radisson's new investments, totalling approximately 30 million USD have also been financed in line with the country's MICE strategy.[108] BRD is also involved in financing projects in the industrial sector, worth up to 50 million USD.[109] In 2013, nonperforming loans comprised only six per cent of its portfolio. BRD also increased its profits between 2012 and 2013 from 3 billion Rwf to over 5 billion Rwf (Gasore 2014a). BRD also previously operated a commercial banking subsidiary, which was sold to Atlas Mara in 2014.

> "When we separated the bank, the idea was to play more of a technical role to development – concentrate on agriculture,

105 Ibid.
106 Internal World Bank document.
107 Interview, Alex Kanyankole, BRD, January 2015.
108 Ibid.
109 Ibid.

> affordable housing, manufacturing and exports. We have also embarked on an intensive campaign to mobilise resources from various other sources to make the bank double in size by 2019."[110]

Though BRD has gradually increased its developmental role, it has been unable to meet the needs of financing Rwanda's development strategy. The RSSB also partners with party-owned companies and military-owned companies on strategic projects. For example, it shared ownership with Crystal Ventures Ltd. in Building Materials Industries Ltd. (Ruliba Clays and East African Granite Industries). The RSSB also funded several construction projects in Kigali including the Pension Plaza and Vision City. In 2015, real estate projects comprised 21 per cent of its portfolio.[111] The Rwandan Stock Exchange (RSE) was launched in 2012. Six companies are currently listed on the RSE. The government also issued a $400 million 10-year Eurobond in 2013, with an interest rate of 6.6 per cent (Mugisha 2013). The money was injected into large-scale strategic projects: clearing the debt of the national airline (Rwandair) and unfavourable government loans for the Kigali Convention Centre (approximately $200 million), the completion of the Kigali Convention Centre and five-star hotel ($150 million), and the 28 MW Nyabarongo Hydropower project ($50 million).[112] In 2015, an additional five government bonds and two corporate bonds were also being traded on the RSE (Gasore 2015).

Despite the creation of these 'functional substitutes', the government is heavily reliant on donor funding to meet its economic targets. The reforms that are required to achieve structural transformation are now recognised to contradict the policies that have been recommended by donors over the last 30 years through the Structural Adjustment and Good Governance eras (Booth and Cammack 2013, Khan 2012, Kelsall 2013). Enacting market-led reforms has left the government with limited capacity to direct scarce resources (and credit) to strategic sectors.

[110] Ibid.
[111] Interview, RSSB Official, January 2015.
[112] The Nyabarongo project was initially funded through an $80 million loan from the Export-Import Bank of India (Interview, Angelique representative, October 2011). The government contribute approximately $17 million (Kwibuka 2015).

1.4C Dealing with Donors, Countering threats and Building a 21st Century Developmental State

This thesis focuses on two ways ruling elites in Rwanda have targeted self-reliance while dealing with the demands and threats of three constituencies. This is detailed briefly below and developed in Chapter 2.

Constructing narratives to retain legitimacy while masking accumulation

Anti-statist policies of donors gathered steam with the publication of the World Bank's (1981) Berg Report, which claimed that excessive and inefficient state intervention caused the litany of problems faced by African countries. Since then, neoliberalism has aimed to forge free markets across the African continent, changing the way development is conceptualised and realigning the balance of power between the capitalist classes and African working classes (Harrison 2010).[113] It has become increasingly difficult for African governments to retain policy space – the space "to use instruments and tools that industrialised nations took advantage of to reach their current levels of development" (Gallagher 2005, 1). Amsden (2007, 40) argued that room for experimentation contributed to the success of East Asian developmental states, with "real freedom to decide on policies crucial for the commencement of economic growth." Rwanda has been relatively successful in forging policy space (Hayman 2008). However, the withdrawal of foreign aid by donors in 2012 showed that such space was not guaranteed.

> "This money – maybe there will be some hurt. But when we were in the bush, we had much less. When things go wrong like this and when our so-called 'partners' betray us, it reminds us of our duty. We have achieved so much on our own. We will keep doing it."[114]

Though donor demands may have increased for late developers, navigating this environment to make progress is still possible. Such demands often force states into "isomorphic mimicry" – "adopting the camouflage of organisational forms that are deemed successful elsewhere to hide their actual dysfunction" (Pritchett et al. 2013). Governments also use deception – extraversion (Bayart 2000) or "politics of

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[113] Neoliberalism is defined as "a project to expand and universalise free market social relations" (Harrison 2005, 1306).

[114] Interview, David Kabuye, RPF Cadre, May 2013.

the mirror" – to exert control over policy reforms.[115] Deception can both be used to contribute to the self-serving needs of elites and also to mask policies that are essential to achieving strategic goals. Ruling elites in Rwanda appease donors to create policy space to pursue independent policymaking. Narratives of embracing market-led reforms, empowering cooperatives and smallholder farming help the government mask the facilitation of accumulation processes that are necessary for late development. Embracing market-led reforms has been inhibited by the weakening (and often, the shrinking) of the bureaucracy, which has led to 'capability traps' (where governments adopt reforms to ensure continued flows of external financing but does not retain the institutions to ensure the functioning of those reforms) (Andrews et al. 2013). In liberalised sectors, the government struggles to retain the capacity to discipline and monitor foreign investors and build reciprocal control mechanisms with such investors.

The government constructs narratives that appeal to popular assumptions about what is 'good' in liberal conceptions of development. Pro-privatisation and liberalisation narratives are developed. Narratives are developed about empowering smallholder cooperatives that assume mutual benefits are received by all cooperative members. Officials claimed that by joining cooperatives, farmers easily accessed inputs including fertilizers and enjoyed better access to finance. They also argued that the bargaining power of farmers increased and cooperative members had the opportunity to work and learn from each other.[116] These narratives fit with ideologically driven assumptions that efficient and egalitarian family-operated small farms provided an escape from poverty for the poorest rural Africans (Sender and Johnston 2004). These narratives fail to acknowledge that small farmers and small miners comprise a diverse group of individuals of varying age, sex, land holding, expertise, skill sets and political contacts. The RPF uses the 'mutual benefits' narrative to mask accumulation processes or 'control grabs' in some cooperatives. Huggins (2014) suggests such 'control grabs' are engineered by domestic elites to acquire wealth at the cost of vulnerable workers. This thesis argues that while domestic elites and actors may acquire wealth and profit from their participation in such 'control grabs', those elites who are given such benefits are expected to work in

[115] Chabal and Daloz (1999) use "politics of the mirror" to denote how political elites in Africa address foreign actors in adopting the language donors want to hear.
[116] Interview, Damien Mugabo, RCA, December 2011.

line with national goals.[117] Expansion of production in traditional sectors has also been associated with increased access to wage work. Empowering local elites and facilitating 'control grabs' are ways the government works to counter 'resistance to proletarianisation' (Sender and Smith 1990). While such processes are likely to be associated with negative effects, the resistance of workers is often romanticised (Van Damme et al. 2014). The protection of 'smallholders' is often associated with increased exploitation at the intra-household level (Sender and Smith 1990). The Rwandan government has enacted policies to counter existing patriarchy (Nabalamba and Sennoga 2014) by guaranteeing that women will receive their share of employment (and access to wage work) in the agriculture sector.

Masking exploitation is not uncommon among other late developing countries or indeed among many other actors involved in development. Through research in Uganda and Ethiopia, Cramer et al. (2015) show that the Fairtrade lobby ignores that the poorest rural people depend on wage labour incomes and pretend that 'smallholder' producers and members of cooperatives are homogeneous groups. Maintaining such deceptive images is essential to break into specialty consumption markets (particularly in specialty coffee and tea).

The government has retained some capacity to steer the economy in line with its national goals. However, there are several threats to this capacity. RPF officials describe the party as "flexible", constantly reacting to the requirements of the economy and the desires of its members. Senior party officials lament the difficulties in retaining original party ideals while having to adhere to donor demands.[118] There are debates among RPF cadres regarding the degree of privatisation that should be undertaken in certain sectors. The creation of a "governance state" impedes the strength of nationalist preferences against the power of neoliberalism.[119] In recent years, the government has also chosen to reduce its personnel in certain ministries to reduce expenditure and cut red tape.[120] This further reduces the strength and capacity of the government in its relationship with private firms. This thesis describes how

[117] There is evidence of such discipline occurring in the pyrethrum sector (Huggins 2014).
[118] Interview, Tito Rutaremara, January 2015.
[119] The "governance state" refers to the retooling of the state through administrative reforms and management techniques (Harrison 2004). It embeds neoliberalism and constitutes "a clustering of actions and interpellations, which render the notion of national sovereignty problematic" (Harrison 2004, 5).
[120] Interview, RDB and MINECOFIN officials, May 2013 and January 2015.

donors have opened up spaces for capitalist accumulation, which the Rwandan government has exploited in creative ways (with mixed success).

Maintaining a Developmental Political Settlement

The political settlement is "a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability" (Khan 2010, 4). It is an on-going process, rather than a one-off event. Any developmental state must be based on a political settlement, which is legitimised by a commitment to economic development. Elite bargains – the distribution of rights and settlements between individuals across a dominant group in society – underpin political settlements (Putzel and Di John 2012).[121] These terms should not be understood as fixed compromises among groups. Rather, they should be understood as continuing bargaining processes among contending elites (Di John and Putzel 2009). Tensions and bargaining positions between elites determine the terms around which they commit to economic development. Power and interests within the elite bargain change as the distribution of rents, strength of ideology and salience of external and internal threats are altered.

Recent research (Booth and Golooba-Mutebi 2014a, Booth 2015b) has incorporated work on the political settlement into the concept of the developmental state. They suggest that policy content, PDIA approaches of policymaking and certain kinds of political settlements would need to characterise developmental states. These kinds of political settlements are those where ruling elites have committed to economic development. Whifield and Buur's (2014) 'political survival of ruling elites' approach focus on similar developmental political settlements. In fact, all developmental states have been led by ruling elites who perceive economic development as a source of their legitimacy (Castells 1992, Kelsall 2013, Whitfield et al. 2015). This thesis details the political settlement in Rwanda, showcasing how competing demands of donors, rival elites and the population can sometimes inhibit and (at other times) motivate ruling elites to deliver economic development.

[121] See Laws (2012) for a literature review. The elite bargain in Rwanda specifically focuses on the distribution of power between military, civilian and economic elites (who hold the potential for violence). This 'potential' comes from shared experiences with other members of this group of people.

1.5 The Argument

Though the RPF government shares similarities with East Asian developmental states, it has also embraced governance reforms (to a greater degree) and followed a development strategy that contrasts with most developmental states. The RPF government has diversified away from the export of low-quality coffee, prioritising new exports (Figure 1.4) and has made progress in value-addition in coffee, tea and mining (Chapters 6, 7, 8). A developmental state is often recognised as such after it has achieved structural transformation (Fine 2013). Until the RPF government achieves similar goals, its status as a developmental state remains open and unpredictable.

Rwanda shares many characteristics with East Asian developmental states. It meets Wade's (1990) basic characterisation of a Developmental State. Conditions of 'systemic vulnerability' continue to be relevant in Rwanda. However, prioritising the services sector at the cost of the manufacturing sector, as well as liberalising its financial sector, sets it apart from most successful late developers.[122] The RPF has retained a developmental political settlement, with the goal of achieving self-reliance (not an 'autarchic' kind but one that reduces its dependence on foreign aid and reduces vulnerability to fluctuations in international commodity prices). To sustain economic development, the government has to retain legitimacy among three constituencies and counter any threat posed by these groups. Conditions of 'systemic vulnerability' motivate ruling elites to achieve self-reliance. However, the conflicting demands of three constituencies threaten the Developmental Political Settlement. Resulting vulnerability takes several forms. First, narratives (that are one way of deriving legitimacy from three constituencies) may be contested. Second, there are difficulties associated with organising labour to adopt new production techniques. Third, building reciprocal control mechanisms with capitalist partners (other than investment groups) has proven difficult. Fourth, embracing governance reforms has made it difficult to discipline and monitor private enterprises.

[122] Even Switzerland and Singapore, often depicted as having developed by emphasising the services sector, are actually among the most industrialised countries in the world (Chang 2007). Chang (2007) argues that Switzerland is not dependent on "black money" and "gullible tourists." In 2002, it had the highest per capita manufacturing output in the world – 24 per cent more than that of Japan and 2.2 times that of the United States. Similarly, Singapore produces 35 per cent more manufacturing output per head than Korea and 18 per cent more than the United States (Chang 2007, 215).

1.6 Structure of the Thesis

Chapter 2 details a theoretical framework, highlighting the vulnerabilities facing Rwanda's Developmental Political Settlement. Chapter 3 describes the methods used to obtain empirical evidence necessary to answer the research questions. Chapter 4 details the historical trajectory of elite politics in Rwanda, describing how the RPF government has countered threats from rivals. Chapter 5 describes Economic Nationalism (the RPF economic ideology). This chapter also discusses the use of formal and informal investment groups. An example of the pyrethrum sector is also detailed to highlight how investment groups have been used to achieve progress in priority sectors. Chapters 6, 7 and 8 illustrate the development of the coffee, tea and mining sectors respectively. Each chapter provides a comparison between the policies pursued by previous governments and the current RPF government. They also show how the RPF government has made progress in achieving ideological goals of self-reliance, while negotiating the conflicting demands of three constituencies. The RPF government's strategies are analysed in terms of how capital has been managed and labour has been organised, while pursuing value-addition and increasing productivity in these sectors. Chapter 9 presents a conclusion highlighting the central empirical findings of the thesis.

CHAPTER 2: THEORETICAL FRAMEWORK

This chapter details a theoretical framework for the Developmental Political Settlement in Rwanda. Conditions of 'systemic vulnerability' motivate ruling elites to commit to economic development but pressure to meet demands from three constituencies narrows the space in which elites can facilitate accumulation strategies necessary for economic development. The existing literature on the political settlement has largely focused on how rents are distributed by elites to manage the threat of violence. This chapter shows how ruling elites use narratives and ideology, violence (and the threat of violence) and rents to maintain political stability (a version of Tilly's focus on capital, coercion, and legitimacy in the early modern European state formation process). Albert Hirschman's (1970) Exit, Voice and Loyalty framework is used to illustrate how ruling elites retain the loyalty of domestic elites and persuade workers to adopt appropriate production strategies. Constraining voice of those who oppose such strategies or those who are excluded from benefits is essential to maintaining political stability. A Developmental Political Settlement depends on sustaining systems of accumulation necessary to achieve self-reliance while retaining legitimacy among three constituencies and negotiating challenges from actors who voice and exit systems of accumulation.

The empirical details in this chapter have been taken from existing academic literature and policy work. Interviews and documents obtained during fieldwork have provided some of the information presented in this chapter.

2.1: Ideology

The concept of ideology has been used in two fundamentally different ways in the social sciences (Thompson 1984). The first is a neutral conception of ideology – described as 'a system of beliefs' or 'symbolic practices', which refer to social actions or political projects.[123] The second conception links ideology to the process of sustaining asymmetrical relations of power or maintaining systems of domination. Within this conception, ideology is not restrictively understood as a 'set of beliefs.' Instead, as Marx views it, ideology works as an inversion of reality (Cramer and

[123] This definition has "remained constant in political science over time" (Knight 2006, 625).

Richards 2011). In this thesis, ideologies are "maps of problematic social reality and matrices for the creation of collective conscience" (Geertz 1973, 220).

There was no uniform theory of ideology within Marx's writing (Larrain 1979). Althusser (1971) built on Marx's work to argue that ideology represented the imaginary relationship of individuals with their real conditions of existence. Ideology does not represent the real relations, which govern the existence of individuals. For Althusser, ideology is a 'lived experience' where subjects are constituted in and through ideology (Purvis and Hunt 1993). He uses the concept of 'interpellation' to show how ideology constitutes people as subjects and situates subjects within specific discursive contexts. Human beings relate to their material conditions through ideology. Ideology legitimises the exploitation and unfairness associated with 'real' conditions of capitalist accumulation. The exploited accept such conditions as opportunities for their advancement whereas exploiters mask their domination by justifying exploitation through the attainment of collective achievements. To legitimise inequality, exploitation should not be perceived as negative but as "a directly relational factor that is at the same time a form of inclusion in a given social system" (Cramer 2006, 112). Thus, ideology is the means by which human beings relate to their world, making that world agreeable. It does not simply distort real relations but connects the individual with material conditions.

Althusser (1971) argues that ideology organises the behaviour of individuals in society. However, ruling elites can develop narratives that contribute to transforming ideologies. Maps of social realities are challenged through the contestation of memories and the roles of individuals who occupy positions within those memories. The dominant ruling class constantly transforms ideologies to ensure their interests are secured.[124] Workers or those who support dominant classes (in political causes, rebellion or war) are not simply obedient followers. Those who resist dominant ideologies may create their own ideologies. Hirschman (1971) argues that such social formations require ideologies even more than dominant classes. However, even these ideologies have a materialist relationship – since those involved have either been excluded from controlling systems of exploitation or are exploited within them or were never included in the first place. Gaining support among those who resist dominant ideologies is essential for rival ideologies to be relevant. For

[124] See Hall (1985).

example, nationalist military officers in Guatemala adapted their ideology to the desires of peasants and rural labourers to win their support (Paige 1983).

The concept of ideology is used to detail the contradictory nature of social reality, namely that "the division of labour can only manifest itself as a division of contradictory classes, as the exclusion of the majority from any development" (Larrain 1979, 45). The dominant class cannot solve problems associated with such unequal outcomes without ideology. Ideology hides the true relations between classes and explains the relations of domination and subordination as harmonious so labour acquiesces to the needs of the dominant class. Thus, ideology legitimises the class structure and becomes indispensable for reproduction (Larrain 1979). Dominant classes in the industrialised West often highlight the capitalist market as a symbol of human choice and freedom, rather than acknowledging its imperatives and compulsions (Wood 1994). Any dominant class must:

> "Represent its interest as the common interest of all the members of society that is, expressed in ideal form: it has to give its ideas the form of universality, and represent them as the only rational, universally valid ones."[125]

The historical roots of any society provide the basis of legitimacy for its rulers. In El Salvador, the ideology of the dominant class is rooted in the agro-export economy and the agrarian order of the late nineteenth and early-twentieth centuries (Paige 1993). The creation of capital through the extraction of surplus value forces elites to develop an ideology to mystify or divert attention from how that surplus value was created. The capacity of dominant classes to shape ideologies depends on their capacity to repress what Jameson called the "political unconscious."[126] Denial or repression of the political unconscious is "a means of survival" for those working in systems of exploitation (Dowling 1984, 118).

Ideology makes an "autonomous politics possible by providing the authoritative concepts that render it meaningful" (Geertz 1973, 218). Ideology

[125] Marx and Engels (1970).
[126] Jameson applied the "political unconscious" to literary texts. He (1981, 9-10) identified that "texts come before us as the always-already-read; we apprehend them through sedimented layers of previous interpretations". He emphasised that the "interpretive codes" that are usually used to interpret literary texts create "strategies of containment" that give the illusion that such interpretations are complete. Jameson gives us an "idea of History, intolerable to the collective mind, a mind that denies underlying conditions of exploitation and oppression much as the individual consciousness denies the dark and primal instinctuality of the unconscious" (Dowling in Paige 1997, 343).

provides a 'moral explanation', which can sustain individuals during chronic strain, either by denying it outright or legitimising pain through the goal of achieving a higher end. It can also provide a "solidarity explanation" in order to knit a social group or class together. It also "claims complete and exclusive possession of political truth" and "works towards a utopian culmination of history" (Geertz 1973, 198). Ideological goals make ideological action attractive to loyal actors and force these actors to work in line with achieving a common purpose (March 2003, Anselmi 2013). Ideology is also strengthened in direct opposition to opposing ideologies developed by rivals (Geertz 1973). It promotes "human dignity and clear conscience of a given class" and discredits adversaries (Jameson 1971, 380). For newly formed governments, ideologies of previous governments have to be transformed, destroyed or totally discredited to consolidate the legitimacy of new ideologies. Elite narratives (that shape and reflect ideology) hide the ways "in which history is denied or repressed" and act as the "work of political repression" (Paige 1997, 343).

2.2: Narratives

Ideologies are sustained, developed and communicated through the construction and repeated invocation of narratives. Paige (1997) used the concepts of ideological mystification, narratives and Jameson's idea of the 'political unconscious' to explain the political and economic transformation of Nicaragua, Costa Rica and El Salvador. He studied coffee elites in these countries and found that their narratives distorted the reality of the lived experiences of most of the population. The narratives of coffee elites were cast with clear goals in terms of "progress" (in El Salvador), "democracy" (in Costa Rica) and "liberty" (in Nicaragua). However, these narratives were all based on the same "organising principle" – elites in these three countries depended on an unskilled labour force of coffee pickers and the displacement of the rural population into informal and semi-proletarian sectors depending on agriculture exports (Paige 1997, 370). All political movements are historical products of a shifting political economy – defined by processes of accumulation, production, and class relations – with which leaders and followers engage in a process of mutual (yet unequal) influence (Harrison 2001a). Though elites cast their narratives in appealing terms, the histories of lived experiences of the population reveal ideological distortions. The discrepancy between elite narratives and empirical investigations of history and the current lived experiences of elites and the population reveal the “fundamental contradictions” in elite-led ideologies. These ‘contradictions’ are the same as those identified by Marx in the relationship of the primary producer to the extractors of surplus. The “realm of ‘exchange’ presents the freedom of the market and also conceal the subordination of workers to capital” (Hossfeld 2005, 10).

The concept of narrative was developed in literary studies but has also been applied within the social sciences, with some describing a ‘narrative turn’ in the social sciences (Atkinson and Delamont 2006). Narratives include stories that have a beginning, middle and end. However, they are not restricted to such stories since narratives are rarely organised by respondents in a clear sequence (Hernstein-Smith 1980). Instead, a narrative is a “mode of reasoning and a mode of representation” (Richardson 1990, 118), as well as a way “to conceive of and also tell about the world” and “make sense of life” (Adams 2008, 176). Narratives are social interactions with “someone telling someone else that something happened” (Hernstein-Smith 1980, 232), but also justifying why something happened or telling us why others were justified or wrong in letting it happen. Narratives justify the “exercise of power by those who possess it – situating them within tales that recount the past and anticipate the future” (Thompson, quoted in Paige 1997, 341). Narratives differ from ordinary discourse because they detail the stories of narrators or the stories they tell about their social groups. All narratives involve moral comments “about the way things are, the way things ought to be, and the kind of person the speaker claims to be” (Linde 1993, 81).

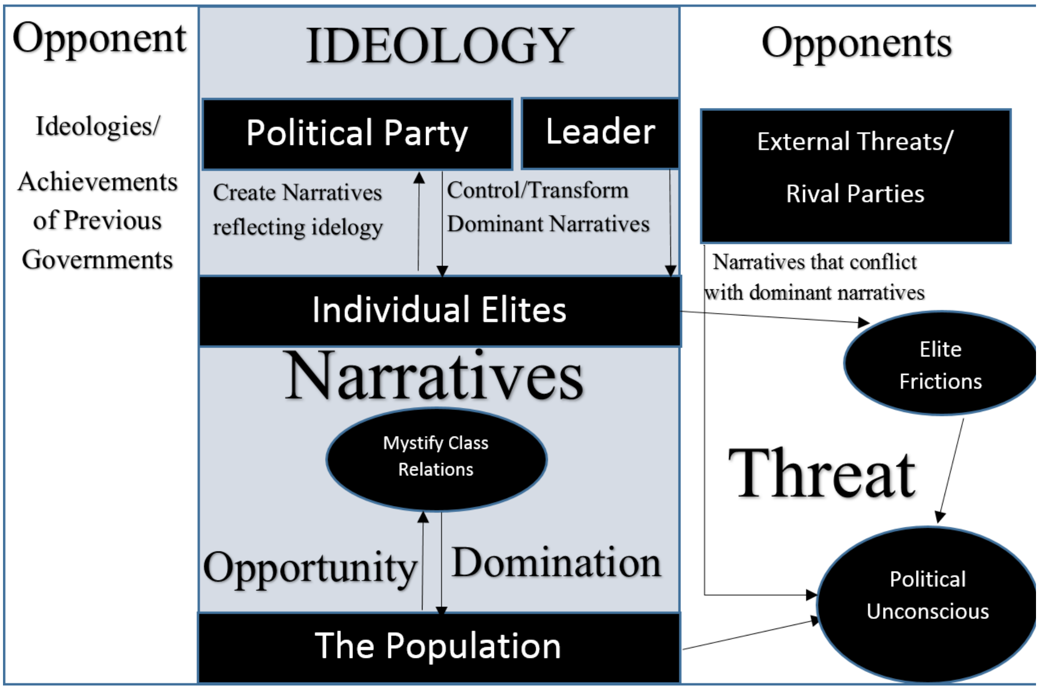
Narratives include individual narratives, which refer to the narrator’s personal story. They also include “social narratives”, which refer to situations when speakers tell stories about their social groups (Steinmetz 1992). The construction of narratives is strongly influenced by the “collective memories” of social groups (Halbwachs 1950). All narratives and the ideologies they support are historically specific to particular systems of exploitation. “As a tool of legitimisation and of sophisticated long-term management of collective action, ideology needs a specialised carrier, a political organisation” (Giustozzi 2011, 32). These political organisations consolidate and disseminate dominant narratives across society.

Dominant narratives cast particular individuals (usually leading figures) as heroes, rival groups as enemies and describe certain versions of history (usually discrediting rivals or previous governments). Through their individual and social narratives, individuals may challenge the narratives of dominant classes. Individuals challenge the power of leaders by denying their heroism within narratives or casting doubts over their adherence to values that are prized among their social group. At the cost of losing the support of their own social groups, individuals may choose to ally with enemies or offer versions of history that contradict the dominant narrative. Thus, challenging dominant narratives can discredit the authority of leadership or question the moral authority of the movement as a whole.

Box 2.1 details a framework of ideology as a system of domination. The figure shows that individual elites create narratives to construct ideology, which is usually carried by a political organisation with a leader. Political parties become carriers of the ideology and can use narratives to transform some aspects of the ideology, as changes occur within society or there is increased interaction with other narratives, which reflect other ideologies (e.g. those that donors may represent).

Ruling elites use narratives to mystify class relations to gain the acquiescence of the population. Exploitation associated with capitalist accumulation strategies is masked as opportunity through dominant social narratives. Elites who are excluded from benefits of capitalist accumulation (or those that may disagree with the ideology) may have individual narratives that conflict with dominant narratives. Through their narratives, rival elites show their dissatisfaction with the current system of domination developed by political parties (and leaders). The population may also use their own narratives to connect with their 'political unconscious'. The central task for ruling elites is to retain the 'legitimacy' of their ideology by ensuring no "constituency" or alliance of constituencies threatens systems of accumulation.

Box 2.1: A Framework of Ideology as a system of Domination



2.3: Political Settlements and Elite Bargains

The political settlements literature has become popular among donors and policymakers (AusAid 2011, DfiD 2010). This literature was developed as a response to the popularity of New Institutional Economics (NIE). NIE (and the Good Governance paradigm that followed) focused on how institutions – sets of rules that structure the interactions of agents – were necessary to ensure social interaction was possible (North 1990). NIE recognised that the market did not function optimally in late developing countries. However, the state's role was restricted to creating a facilitating environment for the private sector. Mushtaq Khan (1995) used the concept of the political settlement to argue that the impact of institutions depends on the balance of power between classes and groups affected by that institution. Creating new institutions was likely to face a political cost (or "transition cost") from groups that disagreed with such change (Khan 1995). Thus, NIE failed to recognise that institutions embodied power relations (Di John 2009a).

NIE's popularity allowed donors to ignore that politics and industrial policy were central to previous successful experiences of late development. Though industrial policy has re-entered policy discussions (Rodrik 2008), there is still some way to go before politics assumes a prominent role in such discussions.[127] Khan (2010) argued for such a role, finding that informally organised political power was necessary to generate a distribution of benefits to classes and elites. The limited size of the formal productive economy meant that "formal institutions" and rules could not generate rents in a way that guaranteed a minimum level of stability. Instead, informally distributing such benefits was necessary to create an asset-owning capitalist class and for this class to expand its interests with the help of the state. Industrial policy processes entail the negotiation of power between agrarian elites and industrial elites or other capitalists, with most actors having competing interests. For example, Hirschman (1968) explains that the lack of political power of industrialists can often be explained by the lack of industrial exports. Governments may continue to depend on agrarian elites because they contribute to a larger share of exports (required to import products).

Khan's (2010) analysis argues that the distribution of rents contributed to stabilising the political settlement and promoting industrial policy. Financial instruments and 'first-mover advantages' are ways to provide such rents.[128] Giving certain groups rents antagonises those who miss out. The excluded group is a threat to the existing regime and may resort to violence to protect its interests. Thus, outcomes of such choices depend on leadership's ability to withstand these threats. Each group's decision to impose changes is determined by their acquisition of "holding power" – "the capability of an individual or group to engage and survive in conflicts" (Khan 2010, 6). Governments must retain more "relative holding power" than rival groups to maintain political stability. If political settlements are to be 'developmental', ruling elites must allocate rents efficiently. Outcomes of industrial policy depend on the 'fit' between the particular policy, the rent allocation and its management as well as the political settlement. In South Korea, rents were allocated to large conglomerates with credible performance conditions. Failure to perform resulted in a withdrawal of rents. Such actions were critical to disciplining enterprises that were not producing competitive industries (Khan 2013). Conversely,

[127] Industrial policy does not refer to industries (e.g. textiles) alone. It also includes policies targeted at non-traditional agriculture or services. Recent successes include cut flowers in Ethiopia, mangoes in Mali, cotton in Burkina Faso and gorilla tourism in Rwanda (Lin 2012, 68)

[128] This includes tariff protection to raise domestic prices of some products, thereby providing rents to domestic firms in protected sectors, export subsidies, tax breaks, low interest credit and subsidized input prices, including utilities and infrastructure (Khan 2013a).

many countries that failed to withdraw rents could not do so because it was not politically viable. After initial successes, rational capitalists in Pakistan formed mutually beneficial alliances with political factions. These factions protected the rents of capitalists despite stagnation in learning and productivity growth (Khan and Blankenburg 2009). Varied performances of institutions can be explained through recognising differences in the organisation of the ruling coalition and the technological capabilities of productive entrepreneurs and their relationship with the ruling coalition (Khan 2010).

Khan (2010) differentiated between capitalist political settlements (occurring in developed countries and largely governed by formal institutions) and clientelist political settlements (occurring in late developing countries, with a substantial role for patron-client relationships).[129] North et al. (2009) similarly differentiated between Limited Access Order (LAO) societies and Open Access Order (OAO) societies.[130] North et al. (2009) assume that the struggle for development in LAO societies begins with the problem of endemic violence. To solve that problem, LAOs are developed by organising powerful members of society into a coalition of military, political, religious and economic elites. These elites limit access to valuable political and economic functions as a way to generate rents. In this situation, the powerful individuals who receive rents are motivated to cooperate with the ruling coalition and be peaceful. These individuals choose not to resort to violence because this would threaten their access to rents. Rents are created to "enable elites to credibly commit to each other to limit violence" (North et al. 2009, 274). This forms the basis of a stable elite bargain. LAOs had to meet 'doorstep conditions' to be considered OAO societies.[131] Instead, Khan (2010) argues that clientelist political settlements could only be 'capitalist' if productive 'capitalist' organisations were dispersed across society in such a way that formal institutions governed their interactions.

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[129] He also includes two other categories of political settlements: pre-capitalist political settlements and political settlements in crisis.
[130] Khan (2010) argues that "the broad clientelist political settlement" includes a greater degree of variation than categories of LAOs in North et al.'s (2009) analysis.
[131] OAOs satisfy the basic Weberian assumption that states possess a monopoly on the legitimate use of violence. OAOs are described to believe in the inclusion and equality of all citizens and entry without restraint into all aspects of economic and political life, as well as being characterised by "impersonal exchange" (North et al. 2009, 114). Doorstep conditions included: (i) the rule of law for elites; (ii) perpetually lived organisations in the public and private arenas; (iii) consolidated civilian control of the military and other organisations, which had the potential to enact violence.

The political settlements literature has made important contributions. Along with other studies of long-run economic growth in recent years (Fukuyama 2011, Acemoglu and Robinson 2012), the political settlements literature has emphasised the important role politics (and the distribution of rents) plays in the early stages of development. Such studies showed that models of state building have neglected how the state, rather than being a single actor, is a product of a historically determined balance of power between contending interests (Di John and Putzel 2009). These models also argue that political settlements are always dynamic and reflect the demands made on the state by different groups. A wide range of literature has developed along these lines, including studies of specific cases, such as Ghana (Whitfield 2011), Rwanda (Golooba-Mutebi 2013), Tanzania (Gray 2013), Uganda (Golooba-Mutebi and Hickey 2013), South Africa (Levy et al. 2014), Bangladesh (Khan 2013b, Hassan 2013) and Cambodia (Kelsall and Sieha 2014). This literature is also used to explain politics surrounding different topics including sector productivity (Whitfield and Therkildsen 2011; Whitfield and Buur 2014; Whitfield et al. 2015; Kjaer 2015), public services provision (Hirvi and Whitfield 2015) and urban transition (Goodfellow 2014).

Dominant works in this literature (Khan 2010, North et al. 2009) have been accused of retaining an economistic version of political analysis with institutional frames (Hickey 2013, Hudson and Leftwich 2014). Hickey (2013) argues that these dominant works focus on political elites, who are assumed to be utility-maximising rational actors. However, these dominant works have some differences. North and his colleagues (2009) retain a different conception of rents than Khan (2010).[132] North et al. (2009) argue that rents are necessary in the early stages of development but can be minimised in OAO societies. North and his colleagues are guilty of neglecting that the private sector can also engage in forms of rent seeking in advanced countries. Influence buying and rent seeking can be prevalent in advanced countries e.g. lobbying or political contributions (Khan 2006). Such forms of rent seeking are legal but are not necessarily productive. North and his colleagues perceive ‘market economies’ as emblems of inclusiveness. In reality, rent seeking takes different forms to empower the interests of capitalists at the cost of the ‘social impulse’ of the state. North et al. (2009) focuses primarily on elites. Khan (2010, 56)

[132] See Khan (2006) for a detailed discussion of a typology of rents.

includes “intermediate classes” in his analysis - elites who organize clients and use them in political confrontations.

These dominant works also retain similarities. They focus on the role of rents in determining political stability and economic transformation. In doing so, they ignore how ruling elites use ideology and violence to influence the behaviour of rival groups. These works mistakenly treat motivations to capture rents as the most important source of conflict between individuals in society. In reality, the motivations of individuals to resort to conflict depend on a complex set of factors rather than a single economic kind, with specific histories, social patterns and politics all contributing to actions (Cramer 2002, 2006). Dominant works account for this by including rents other than simply economic ones. They then argue that elites are motivated by a drive for political power. Individual elites may be motivated to violence against the dominant coalition because of material realities. However, their decisions must be justified through individual narratives in relation to values represented within ideologies if individual elites are to retain their holding power. For leaders and dominant political parties, decisions to discipline individuals must be made in line with ideological values if such decisions are to retain moral authority.

Violence and the Political Settlement

The political settlements literature has retained a very simplistic conception of violence despite recognising that the potential for violence is present through society, rather than being concentrated in the state (North et al. 2009). The literature does not directly acknowledge the effects of state-sponsored violence, while violence against the state (whether by elites or popular resistance) is regarded as inimical to development. Instead, violence should be seen as constitutive to the process of capitalist development (Cramer 2006). The political settlements literature primarily considers how ruling elites consolidate control over the monopoly of violence, which is the “ultimate claim to power” (Giustozzi 2011, 15). Thus, governments must consider how to control threats posed by political entrepreneurs and violence specialists (people who control means of inflicting damage on persons and objects) (Tilly 2003). Violence specialists do not derive their power from their use of violence. Instead, they “specialise in the strategic non-use of their control over violent means” (Tilly 2003, 38). In this thesis, it is argued that the use of violence against rival elites in Rwanda can signal that things are not going as planned or that 'legitimacy' is being threatened. This is similar to Gambetta's (1993) description of the use of violence by *mafiosos* in Sicily.[133]

Any definition of elites must include violence specialists, political entrepreneurs and economic elites (who provide much-needed rents to fund violence). Hickey's (2013) broad definition of political elites encompasses all those who are violence specialists themselves or can coordinate the activities of violence specialists. This group includes all those "who have organised capacity to make real political trouble" (Burton and Higley 2001).[134] For this study, political elites comprise RPF cadres who led the liberation effort or those who have gained power since 1994 and have the potential to threaten Kagame's leadership.

Giustozzi (2011) argues that controlling the monopoly of violence occurs through two very different processes. The first is the primitive accumulation of coercive power, which is often characterised by untamed, indiscriminate violence. Such violence tends to characterise the initial establishment of the monopoly. The second process is the consolidation of the monopoly of large-scale violence, which is threatened at various stages by rivals within and outside the ruling elite. Such claims directly question those (Khan 2010, North et al. 2009, Kelsall et al. 2010) who suggest that stability is a prerequisite for long-term development planning or for economic development. Hassan (2013) argues against Khan (2011), showing that investments continued to be initiated in Bangladesh despite regime change. A large number of power plants were fully operational and no contracts had been cancelled or disrupted by changes in government. There are also several historical episodes when war contributed to building a national identity (or at least retaining a collective purpose among elites) and fostering primitive accumulation in a society's push to achieve industrialization (Tilly 1992, Cramer 2006). While the monopoly of violence is being consolidated, several threats may emerge that could weaken the authority of ruling elites but these threats also discipline them to deliver ideological goals.

[133] Gambetta (1993) finds that the more stable and organised the mafia family, the less the likelihood of violence.
[134] This includes those holding valued assets, those who adjudicate over the distribution, allocation and regulation of property rights, those who are authorised to bargain on behalf of social groups, those who establish dominant ideas, local and national government, military and economic elites who interact and organise labour.

While the monopoly of violence is consolidated, governments may establish control over the distribution of rents by establishing centralised patronage systems (Putzel and Di John 2012). The existence of such structures reduces the possibility of substantial capital accumulation and political power outside formalised channels. The choice of centralised patronage also results in the exclusion of elites and private investors from establishing control over portions of the economy. Creating such systems is a political choice and may cause increased vulnerability, divorcing many excluded elites from material benefits. Ruling elites must ensure that rival threats cannot legitimise their challenges on the basis of popular grievances that accompany processes of capitalist accumulation.

2.4: Exploitation, Coercion and Accumulation in the Agriculture Sector

This section highlights how ruling elites use ideology to legitimise systems of accumulation and minimise resistance among the population. Any awakening of the "political unconscious" of exploited or excluded actors represents a dangerous challenge to ruling elites. Above all, the capacity of disenchanted ruling elites (with potential to challenge the monopoly of violence) to capitalise on the awakening of the "political unconscious" of the population must be negotiated. Such alliances have consistently proven to be the downfall of several governments (when greedy elites mobilise collective violence through capitalising on popular grievances among the population) (Keen 2012). This section reviews the existing literature on the agriculture sector in Rwanda, emphasising that dislocation and rural differentiation has accompanied successful capitalist accumulation. This review of the agrarian literature in Rwanda provides a basis for discussions in Chapters 6, 7 and 8, which discuss the historical transformation of the coffee, mining and tea sectors.

The unequal effects of capitalist accumulation are at odds with neoliberal norms, which support a capitalist worldview of socially harmonious progress (Harrison 2010). Harvey's (2003) recent discussions of "accumulation by dispossession" show that the deleterious effects of capitalist accumulation projects are not restricted to early stages of the creation of the proletariat in industrialised countries (Glassman 2006). Negative outcomes for segments of the population always accompany capitalist accumulation. Polanyi (1944) perceived the institution of the self-regulating market as a movement to commodify land, labour and money. The protectionist movement that followed worked as a counter movement to regulate the unequal effects of the market. Polanyi's analysis was criticised for being state-focused and for discounting the significance of imperialism and globalisation (Munck 2004, McMichael 2006). However, many scholars have argued against dependency theorists who equate the spread of globalisation with repressed potential for late development. Warren (1980) was influential in showing that the on-going expansion of wage labour in late developing countries signalled the deepening of the capitalist mode of production within late developing countries. Violent, unequal outcomes associated with capitalism may also be harnessed by national elites for productive processes in the long-term.

Violence is directly associated with "accumulation by dispossession" in late developing countries, as elites consolidate control over property.[135] Property institutions assign ownership and "organise the social relations of production and surplus appropriation" (Boone 2014, 307). Claims over property rights and resistance to them reflect struggles over surplus that are produced on land and how these surpluses are generated and allocated (Cramer 2006).[136] Controlling such conflict (and the potential for mobilising collective violence on the basis of such grievances) is essential to maintain a Developmental Political Settlement.

Legitimising systems of capitalist accumulation begins in the agriculture sector, given that large proportions of domestic populations usually depend on agriculture for subsistence and as a source of income. Governments in late developing countries concern themselves with how the social relations associated with land, labour and capital in rural areas are transformed in line with their economic goals. Kautsky (1966) coined the term – agrarian question – to analyse how the productive forces in agriculture could be developed. Lenin (1956) had also argued that the formation of classes in the countryside was achieved through a process of rural differentiation. Building on these works, Byres (1991) argued that any successful agrarian transition would result in dynamic national capitalist development through the investment of agriculture surpluses in the industrial sector.

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[135] See Springer (2013) on Cambodia, Huggins (2013a) on Rwanda,

[136] Boone (2014) provides a comprehensive account of the effects of conflicts over land rights for national politics across African countries.

Lerche (2013) identifies two groups who pose serious challenges to Byres' arguments. These groups stress that the consolidation of neoliberalism and globalisation forced the agrarian question to be rethought. One group argues that the main agrarian issue is the struggle by the peasantry against the international corporate food regime (McMichael 2008). The other group includes Bernstein (2006), who questions the relevance of the agrarian question today, given that the 'agrarian question of capital' has been bypassed.[137] The agrarian question continues to be debated within agrarian studies, with other questions added (Akram-Lodhi and Kay 2010) and case studies explored.[138]

The literature on the agrarian question has operated separately from donor understandings with regard to 'empowerment', 'participation' and sustainability'. Rural development has been broadly conceived across the African continent as an NGO-supported project to facilitate improvements in the security and productive base of smallholder farmers (Harrison 2001b). These policies are based around empowering cooperatives, which are perceived to result in mutual benefits for all members. This line of reasoning assumed smallholder farmers were a homogeneous group and acted like small businesses as efficient units of production, ready to take advantage of changing prices. Michael Lipton (1982) was among those who popularised such logic, which assumed that there was an inverse relationship between farm size and productivity. Similarly, Chayanov (1986) argued that under pre-capitalist conditions, small peasants resorted to self-exploitation where family farms did not count the costs of their own labour and farmed their own plots more intensively than capitalist farmers despite their lower labour productivity.

Arguments to promote smallholder farming and strengthening cooperatives have been criticised on a variety of counts. The categories of 'small farmers' and 'cooperative members' are not homogeneous groups (Cramer and Pontara 1998, Sender and Johnston 2004, Cramer et al. 2015). Cooperatives are often controlled by elites and prone to corruption.[139] Rather than falling within the category of 'small

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[137] The 'agrarian question of capital' refers to how pre-capitalist agrarian classes and social formations are transformed by emerging capitalist social relations of production. Bernstein (1996) argues that all pre-capitalist agrarian classes (peasant and landlord classes) have been transformed into capitalist farmers, petty commodity producers and 'classes of labour' within capitalist social relations.

[138] Examples include Lerche (2011) on India and Mueller (2011) on Tanzania.

[139] Examples include coffee cooperatives in Kenya (Mude 2007) and cooperatives in Ghana and Uganda (Young et al. 1981) and in Tanzania (Cooksey 2011).

farmers', the poorest rural people depend on wage work to meet subsistence (Cramer et al. 2008, Oya 2013). Chayanov's argument and neopopulist arguments are ahistorical in their interpretation of capitalist transformations around the world (Byres 2004). Those who assume a homogeneous collection of economically similar farms deny the basis of class differentiation, which holds that the unequal distribution of means of production generates exploitative production relations (Patnaik 1979). There is also evidence in India that large-scale farms were more productive than small farms and that the correlation between productivity and agrarian classes is better defined by the capacity to hire in and hire out labour (Rakshit 2011). Studies in Africa have also questioned the inverse farm-size/productivity relationship.[140] The persistence of a peasantry is also often described in romantic anti-capitalist terms. However, in a study on the West Usambaras in Tanzania, Sender and Smith (1986) found that married men were actually resisting the proletarianisation of their wives and ensuring the labour of their wives and children were expended on the 'family farm.' These authors (1986, 1990) argued that a rapid increase in access to wage employment would be a better policy option for governments choosing to tackle rural poverty. Policies that are geared to improving the conditions of smallholder farmers do not always result in improving the livelihoods of the most vulnerable groups in society.

These debates are extremely relevant for the agriculture sector in Rwanda. For most of Rwanda's history, more than 80 per cent of the population has been employed in agriculture. In 2012, this figure declined to 72.6 per cent (NISR 2012b).[141] The previous Habyarimana-led government had a peasant-centred ideology, with public rhetoric geared to increasing incomes of peasants and achieving food security (Verwimp 2000). Since policies were actually geared to increasing production of agricultural exports at the cost of food production and little was done to avert the 1989 famine in southern Rwanda, there is reason to doubt whether such policies had a 'pro-poor' motive (Verwimp 2013). Some argued that the RPF government intended "to get more people off the land" (Ansoms 2009b, 300; 2013) and pioneer a short cut to development that would bypass peasant agriculture (Henley 2013). However, such arguments equate an emphasis on

[140] See Zaibet and Dunn (1998) on Tunisia and Kevane (1996) on Sudan.
[141] Most Rwandans employed in agriculture have more than two sources of income and it is difficult to interpret the data. See Huggins (2013b) for details.

agriculture with attaching importance to smallholder farming. In reality, agriculture was always a priority sector although RPF officials initially reasoned that low productivity was because of the small size of holdings, dispersed settlement patterns and the scattered nature of cultivation (Des Forges 2006, GoR 2000). Today, Rwandan policymakers are targeting the transformation of agriculture from a subsistence sector to a market-oriented, value-creating sector (MINAGRI 2013).

To achieve such goals, the Rwandan government chose to develop a National Land Policy (NLP) in 2004 and instituted the 2005 Land Law. Before this decision, population increases had exacerbated land fragmentation and reduced the average size of holdings. Increasing fragmentation of land holdings led to conflict over land and a growing landless class (Musahara 2006, Bigagaza et al. 2002). In 2000, three-quarters of all households had an average landholding size of 0.71 hectares (Jayne et al., 2003). In 2006, more than 70 per cent of Rwandans owned less than 1 ha of land (Musahara 2006). By 2007, the average land parcel size reached 0.35 ha (down from 2 ha in 1960) (Sagashya and English 2009). Publicly, the RPF claimed that establishing a formal system of land rights was a way to avoid conflict and promote structural transformation.[142] Such decisions were based on the reasoning that decreasing agricultural output was because of informal land tenure systems and subsistence production (Pritchard 2013). The government abolished every form of customary tenure through the Land Law, encouraged families to cultivate land in common rather than through inheritance, and retained the right to confiscate land if subsistence farmers were not exploiting it efficiently (Pottier 2006).[143] The government also established a Land Tenure Regularisation (LTR) system in 2009, which was among the most low-cost and ambitious interventions of its kind worldwide (Ali et al. 2014). By 2014, 10.6 million parcels had been demarcated (85 per cent with full information); only 1.6 million parcels had not been assigned.[144] These processes have also resulted in conflicts (Pritchard 2013, Takeuchi and Marara 2014, Ansoms and Murison 2012, Ansoms et al. 2014). For a period, elites were able

[142] Rwanda was the first East African country to address gender inequality in land inheritance but this has not yet achieved desired results (Daley et al. 2010, Isaksson 2015). Poor male-headed households ensured rights of unmarried women and daughters were not documented or secured (Ali et al. 2014, Santos et al. 2014). Patriarchal values held by district authorities that implemented the LTR system also worked against gender inequality in land rights (Bayisenge et al. 2015).

[143] The Land Law allows the state to temporarily confiscate land only if land has been unused for three years or if certain procedures are not followed (Huggins 2009).

[144] Interview, DfiD official, January 2015.

to develop control over large pieces of land (Mutabazi 2011, Musahara and Huggins 2005). However, even critics (Ansoms et al. 2014) acknowledge that such practices have been monitored. The government argues that interventions in land policies have contributed to increasing agricultural productivity and modernising the agriculture sector (MINAGRI 2013).

In 2008, land consolidation was introduced to prevent the further fragmentation of land (Takeuchi and Marara 2014). Land consolidation was designed to ensure farmers received benefits of scale "in conservation measures, input utilisation and harvesting without undermining the principles of family land ownership and individual cultivation" (Booth and Golooba-Mutebi 2014b, S187). Under this programme, farmers retained ownership over their land but joined cooperatives and undertook synchronised planting and harvesting of certain crops. The land consolidation programme was also undertaken to tackle the government's objective in achieving food security. Concerns over food security were confirmed when Rwanda's 2006 Comprehensive Food Security and Vulnerability Analysis listed 52 per cent of households (43 per cent rural; 9 per cent urban) as food insecure or vulnerable. The Crop Intensification Programme (CIP) was introduced to address such concerns. Farmers, who opted to join, worked on consolidated plots and were organised into cooperatives. The government provided agriculture inputs, with extension services organised through cooperatives. Seven priority food crops were identified (maize, wheat, rice, irish potato, cassava, soybean and beans). There is some disagreement about whether farmers could join voluntarily (Kathiresan 2012) or whether they were forced to join cooperatives (Ansoms et al. 2014, Huggins 2013b). Not unexpectedly, CIP and land consolidation programmes were unpopular among farmers initially (Kathiresan 2012, Ansoms 2010). Cooperatives became a centre of power in rural areas since membership came with benefits in accessing inputs and extension services (Huggins 2014). Government officials argued that they challenged such control: "when many people unite together, we need to see what they are doing. This avoids the misuse of cooperatives by leadership."[145]

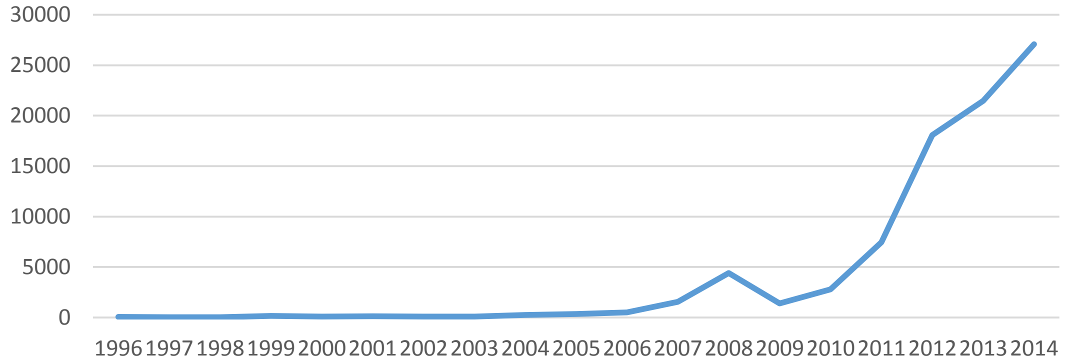
> "The influence some cooperative leaders have over cooperatives can tilt things in their favour. Sometimes, these people can keep the profits for themselves. Other times, they help farmers in seeing

[145] Ibid.

benefits. We want to edge out the corrupt managers and make sure cooperatives work for all members."[146]

Cooperatives were grouped under the Rwanda Cooperative Agency (RCA), which was established in 2008. By 2012, 4,600 cooperatives had officially registered. The area of land consolidated increased by 18 times between 2008 and 2012 from 28,016 ha to 602,000 ha (Mbonigaba and Dusengemungu 2013). There were immense productivity gains. Yield of maize increased five times between 2008 and 2012, wheat and cassava increased three times in the same period, while Irish potatoes, soybeans and beans increased two times, and rice yield increased by 30 per cent (Musahara et al. 2013). Gradually, the government developed surpluses in production of these crops, built post-harvest facilities and exported these crops and others within the region (Figure 2.1). Despite such improvements, food security remained an issue, especially in terms of retaining access to nutrients and the dangers associated with monocropping (Pritchard 2013, Ansoms and Rostagno 2012). The 2012 Comprehensive Food Security and Vulnerability Analysis and Nutrition Survey indicated steady improvement since 2006 in achieving food security. However, 21 per cent of households were still considered food insecure (WFP 2012).

Figure 2.1: Exports of Food, Fruits and Vegetables (Million Rwf)



Source: MINECOFIN

The RPF focused on reorganising the agricultural sector (in common with East Asian developmental states). The government invested in organising production and facilitating access to fertilizers and insecticides. Fertilizer application has increased from 4Kg/Ha in 2006 to 30Kg/Ha in 2013, while annual quantities of

[146] Interview, Magnifique Nzaramba, NAEB, March 2012.

available fertilizer have increased from 8,000 Mt to 35,000 Mt in the same period (GoR 2014). Fertilizer import and distribution has been privatised, with five importing companies operating in Rwanda. Investments were made in irrigation equipment. In 2014, a 50 per cent subsidy was announced on irrigation equipment as a way to transform subsistence farming into export-oriented agriculture (Tumwebaze 2014). The past two decades of RPF rule have been fraught with incidents where adverse weather, pests and diseases have affected production. In 2014, Cassava Brown Streak Disease struck cassava farms and pets damaged maize and banana crops (Bucyensenge 2014). Risks to the agriculture sector, including fluctuations in commodity and input prices and production-related shocks lost Rwanda $1.2 billion – the equivalent of 2.2 per cent of annual agricultural production (Agatumba 2015). Acting to mitigate these risks contributed to guarding against internal threats (and grievances among the population).

Similar to the broader scholarly debate on Rwanda, the debate regarding Rwandan agriculture is divided between those who view the government's interventions as progressive (Booth and Golooba-Mutebi 2012b, 2014b) and those who view such interventions as an example of "rural social engineering" (Newbury 2011, Ansoms 2008, Huggins 2014, Ingelaere 2010, Van Damme et al. 2014). Both sides of the debate favour the protection and empowerment of small farmers. Critics romanticise farmer resistance against RPF reforms (Van Damme et al. 2014, Huggins 2013a, Ansoms et al. 2014). Critics have even embarked on studies (Ansoms et al. 2008) that show that inverse farm size has been correlated with increased productivity in Rwanda. They argue that the RPF uses cooperatives to engineer control grabs and institutionalise control through top-down policymaking. Those who are more positive about policies emphasise that cooperative policies have benefits of "retaining family land rights and production incentives" (Booth and Golooba-Mutebi 2012b, 9). Recently, there has been some convergence between the two sides of the debate. Van Damme et al. (2014) have tempered criticisms, noticing that the government has adapted its policymaking after farmers resisted certain policies. Booth and Golooba-Mutebi (2014b) similarly argue that the government has learned-by-doing and adapts its policies. However, existing literature continues to equate good policies with favouring smallholder farmers, rather than focusing on whether the government has created opportunities to access wage labour.[147]

While the empirical evidence regarding the relationship between farm size and productivity is ambiguous, the government's preference to portray itself as favouring 'smallholders' (while masking the existence of 'control grabs') is understandable. To tap into high-end value-chains, perceptions must be maintained to retain 'coffee karma' (Zizek 2014) and produce specialty fair trade coffee. Such perceptions rely on consumers believing that their consumption habits are benefiting vulnerable 'smallholders' (Richey and Ponte 2008, Cramer et al. 2015). The government also uses assumptions associated with 'cooperatives' and 'smallholders' to speed up processes of rural class differentiation to facilitate capitalist accumulation. However, a more striking area of concern is the condition of the most vulnerable people who rely on wages to meet subsistence.

The existence of a landless population (or a population that requires access to wage work to meet subsistence) has been recognised within the academic literature on Rwanda (De Lame 2005, Clay et al. 1997). Rural differentiation was a source of conflict for much of Rwandan history and contributed to tensions leading up to the genocide (André and Platteau 1998, Verwimp 2005, Verpoorten 2012). In Kanama during the genocide, land conflicts were the primary source of tensions when the Hutu landless fought against relatively land-rich Hutus (Lemarchand 2013). Government documents (MINECOFIN 2002, MINALOC 2006) and scholarly work (Ingelaere 2007, Ansoms 2010, Somers 2012, Thomson 2013a) have detailed differentiation in the rural areas, particularly in terms of how individuals are viewed by others in relation to their control over means of production and how individuals may rise through such hierarchy. Table 2.1 highlights six categories of socioeconomic groups in rural Rwanda. The three poorest categories all depend on wage work to meet subsistence.[148] Similar categorisation was used by district

[147] Some government documents (GoR 2004), heterodox supporters (Booth and Golooba-Mutebi 2014b) and critics (Van Damme et al. 2014) share a focus on 'smallholders'.
[148] Howe and McKay (2007) describe the participatory approach through which such categories were devised. Many regions reported different ways of categorising groups. Table 2.1 details six key categories that were mentioned by participants across all provinces surveyed. Recently, there have been discussions to remove the usage of terms such as *abatindi* and number categories instead (Kwibuka 2014, Mbonyinshuti and Kwibuka 2015). In 2010, internal government documents showed that the top-2 rich segments comprised 16 per cent of the population, the next two segments comprised 58 per cent and the last two segments comprised 26 per cent. There was variation across

officials in deciding who would fall into the most vulnerable segment of the population as part of *ubudehe* public works programmes.

Table 2.1: Socioeconomic Profiles in Rwanda	
Abakire (The Money Rich)	They have fields, a lot of cattle and money. They sell a part of their production.
Abakungu (The Food Rich)	They have a lot of fields and cattle. They have a big house but no salaried job.
Abakene Bifashilje (The Poor with means)	They have a house with a minimum of one or two cows. They do not work for others.
Abakene (The Poor)	They have some land, but it is insufficient. They may have some small cattle but may occasionally need wage work.
Abatindi (The Very Poor)	They have a small field but it is not productive. They rely on wages to survive.
Abatindi Nyakujya (Abject Poverty)	They do not have fields or a land. They are destitute and rely on wages to survive.
Source: Adapted from Howe and McKay (2007), Ingelaere (2007)	

In 2002, national surveys indicated that 11 per cent of all households were landless, while another 70 per cent of households owned plots less than 1 ha (Musahara 2006). Women, widows and children probably headed around 43 per cent of vulnerable households (MINECOFIN 2007). In 2012, the government recognised that poverty was highest (76.6 per cent) among households that obtained half their income from farm wage work, followed by those with diversified livelihoods who obtained more than 30 per cent of their income from farm wage work (MINECOFIN 2013). A large number of Batwas (the third ethnicity in Rwanda) are also landless (Beswick 2011). Increased differentiation across the rural population was also evident. 83 per cent of households cultivated less than 0.9 ha of land, while only 1.9 per cent of households cultivated more than 3 ha of land (NISR 2012b).[149] The percentage of small cultivators who relied on wage labour as their primary source of income increased from 22 per cent in 2006 to 35 per cent in 2011; there has been a corresponding decrease in the percentage of independent farmers from 68 per cent to 54 per cent in the same period (NISR 2012b). Surveys conducted between 2000 and 2011 reveal that there was a significant move out of subsistence farming among the

districts in 2012. In Nyaruguru, the top-2 rich segments comprised less than one per cent, the next two segments comprised 70 per cent and the last two segments comprised 29 per cent (MINALOC 2013a). In Nyamasheke, the top-2 rich segments comprised less than 1 per cent, the next two segments comprised 61 per cent and the last two segments comprised 38 per cent (MINALOC 2013b).

[149] 0.9 ha was considered the minimum to meet subsistence (NISR 2012b). This meant a large share of this group would have relied on access to wage work to meet subsistence.

youth (84.9 per cent to 61.3 per cent) and a large increase in the share of youth (3.7 per cent to 9.9 per cent) who relied on waged farm employment or waged non-farm employment (7.4 per cent to 16.9 per cent) as their primary source of income (Malunda 2011).

In addition to the VUP programme, which was discussed in Chapter 1, the government has made other provisions for vulnerable segments of the population. The One Cow per family (Girinka) programme was established in 2006. By June 2012, 134,548 cows had been distributed to poor families and 40,352 cows have been "passed on to other families" (GoR 2013). Nationwide savings schemes have been created through the establishment of Umurenge Savings and Credit Cooperatives (SACCOs). The government pledged to make contributions to Umurenge SACCOs if locals reached a certain threshold of savings. Investments would then be dedicated to the district's productive activities (Golooba-Mutebi 2013). The spread of SACCOs has contributed to doubling the percentage of the population that enjoys access to formal financial services from 21 per cent in 2008 to 42 per cent in 2012. Despite these provisions, there is a clear failure to address the severe inequality in Rwanda. Worryingly, the government continues to pursue 'Say's Law' reasoning in arguing that individuals should create their own jobs after receiving the benefits of education (MINECOFIN 2013).

The academic literature focuses on empowering smallholder farmers. Some romanticise their resistance to reforms (Ansoms et al. 2014, Huggins 2010) while others claim that cooperatives continue to show signs of equal benefits for farmers (Booth and Golooba-Mutebi 2014b). The most pressing challenge facing the government is the provision of wage work. Very few scholarly articles (Ansoms and Rostagno 2012) acknowledge this problem. Though poverty is concentrated in rural areas, the government must also repress the 'political unconscious' of younger, educated youth, who cannot find work in urban areas. Kigali has the highest unemployment rate (14 per cent) in Rwanda (Mugabo 2015). Legitimising systems of accumulation depends on reacting to the needs of the population – either by providing access to wage work and committing more resources to redistribution or by coercing the population to work against active resistance.

2.5: Exit, Voice and Loyalty: Maintaining a Developmental Political Settlement through Retaining Legitimacy and Sustaining Systems of Accumulation

This section illustrates a relational framework for a Developmental Political Settlement in Rwanda. A variation of Hirschman's (1970) Exit-Voice-Loyalty framework depicts the dynamism of the political settlement and the options available to various actors. For the Developmental Political Settlement to remain intact, ruling elites use ideology, violence and rents to retain the loyalty of workers and other elites. Ruling elites must minimise resistance to systems of accumulation by restricting any opportunities for voice or exit. Box 2.2 illustrates this framework.

Hirschman's (1970) Exit-Voice-Loyalty framework is based on the two contrasting responses by consumers or members of organisations to deterioration in the quality of products they buy or to the benefits they receive. Exit refers to the act of leaving, generally because a better product is offered. It is also primarily a private action (a decision taken by an individual). Voice refers to the act of complaining or organising with others to protest. Voice becomes stronger when groups adopt it collectively.

Hirschman (1970) emphasises that the greater availability and use of exit options could weaken the development of voice. However, arguably he romanticises the space voice enjoys, with silence often being a more rational choice for the dominated than voice (Barry 1974). Scott's (1990) study of domination and resistance similarly shows that the oppressed in these societies end up being more subjects than citizens. Hirschman also does not consider that opponents who are 'locked in' within native countries might also be locked up (Birch 1975). Voice, rather than taking the form of political participation or irrational quarrels, may take lesser forms of more silent resistance from elites who fear anything more may jeopardize their survival. Hirschman's framework initially perceived exit and voice as clear alternatives, without noting that it is only through exit that some may be able to exercise their voice (Birch 1975).[150] As such, it is important to clarify that the

[150] Hirschman later recognised that the relationship between Exit and Voice takes many forms. He (1993) studied the events that led up to the fall of the Berlin Wall in 1989. He noticed that these events began with individuals making independent decisions to Exit. When the state chose to close down opportunities to Exit, the result was public Voice (through mass protest). "In some momentous

choices of exit and voice are not clear-cut. It is more useful to analyse these choices as avenues through which power is derived and negotiated, as alliances are formed.

Box 2.2 shows that capitalist accumulation within Rwanda would progress unhindered if all actors (elites and the population) were loyal to RPF ideology. In such a situation, elites collectively commit to economic development and the promise of realising their long-term collective goals (or the promise of rents in the long-term). Given that the benefits of capitalist accumulation are not distributed evenly, excluded elites may choose to voice their dissatisfaction or remain silent. If excluded elites are threatened with violence by ruling elites or given rents, they may take the option of silence or exit the country and work against Kagame's RPF. Alternatively, they may also receive rents in exchange for their silence. If disenchanted elites choose to exit, exit may work as a pathway for voice. Section 4.6 illustrates that former RPF cadres have exited and continued to threaten Kagame's legitimacy abroad.

The population may resist exploitation or exclusion from opportunities by voicing their concerns through resistance. However, the RPF's use of violence (and the threat of violence) would force some to choose silence. Alternatively, the RPF's distribution of benefits may convince the population to choose loyalty or silence. However, silence may also be an option if voice and exit are not feasible. Though silence is not a form of loyalty, it is a common option taken by those who do not have the option to voice or exit. Such silence does not threaten systems of accumulation and ruling elites would prefer it to active resistance. Coercion and the appeasement of the population (with redistributive benefits) are ways to minimise resistance. RPF rule would be threatened if popular grievances are mobilised by disenchanted elites who attack the legitimacy of RPF ideology and challenge the authority of the RPF government.

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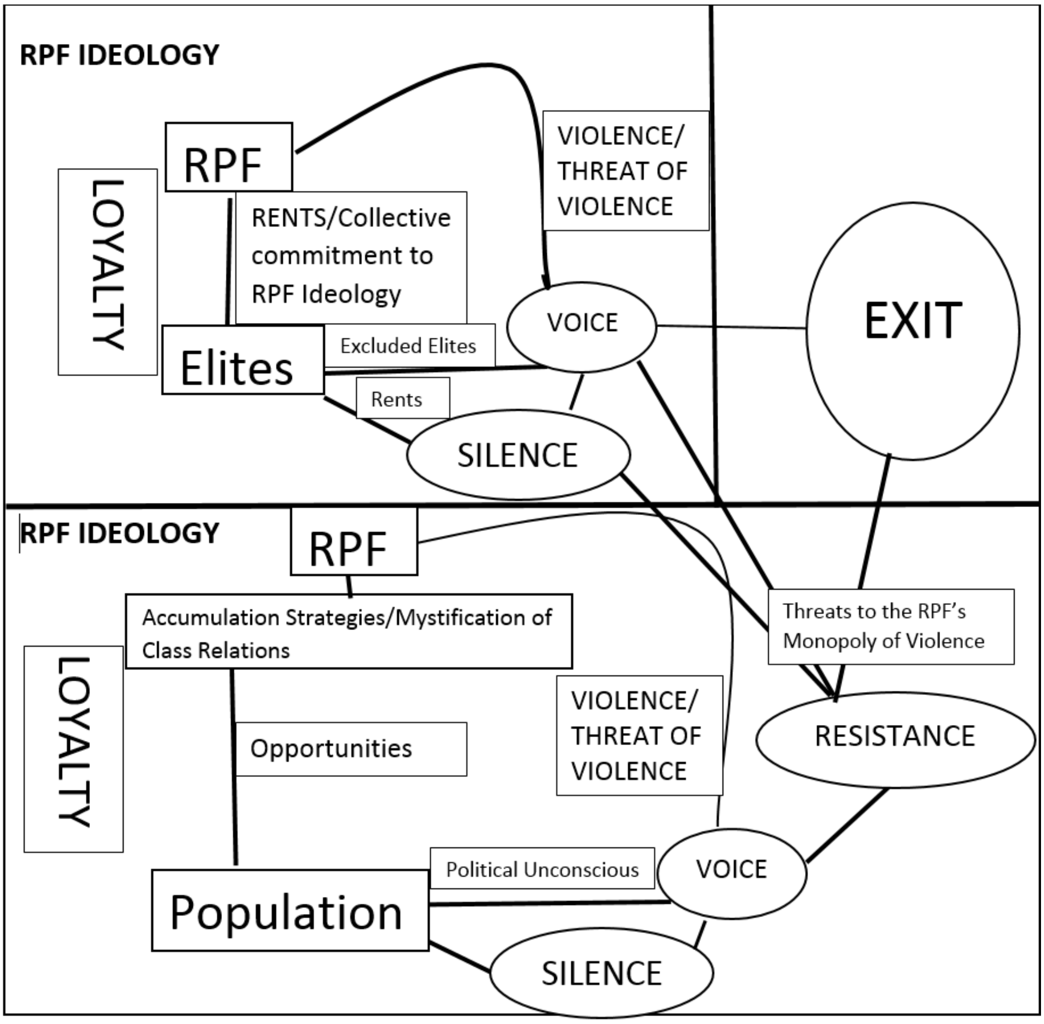
constellations, Exit can cooperate with Voice, Voice can emerge from Exit, and Exit can reinforce Voice" (Hirschman 1993, 202).

Box 2.2: The Developmental Political Settlement in Rwanda



The theoretical framework developed in this chapter illustrates the instruments used by elites in legitimising accumulation strategies. This chapter details the dislocation and inequality that has accompanied Rwandan development, including increasing rural differentiation among the population. The chapters that follow will show how the RPF government has successfully upgraded its economic activities. However, such achievements have taken place in an environment where inequality persists. Ruling elites have been able to centralise the capacity for coercion while managing capital and retaining legitimacy through developing narratives, delivering tangible results and protecting the ideology that legitimises their rule.

CHAPTER 3: METHODOLOGY

This thesis examines RPF narratives pertaining to economic development (in general and in the three sectors studied: coffee, tea and minerals) and the strategies pursued to maintain political stability and secure economic progress. Examining RPF narratives shows how ruling elites have made sense of their actions and how they legitimise their continued rule. These narratives operate in line with achieving the utopian goals of ideology. The RPF's 'utopian goal' is the achievement of self-reliance. Such goals are utopian in the sense that they appear as fantastic but that they can, in principle, be realised.[151] These narratives are legitimised by understandings and values that were developed through the collective memories of shared experiences of RPF elites. Varied narratives are developed to legitimise the policy choices of the government, with representatives (particularly, government and military officials) cognisant of the importance of tapping into the preferences of different audiences. Critics challenge the authority of the dominant coalition by contesting the RPF's collective memories of shared experiences, debating whether the RPF represents liberal values (market-led reforms, zero tolerance for corruption, 'inclusive' societies) and questioning whether narratives translate into actions. This thesis develops an understanding of RPF narratives and compares these narratives to evidence that has been collected (in the form of government statistics, other information gathered through interviews and detailing the evolution of policies and the composition of different sectors).

This thesis largely depends on qualitative methods, including structured and semi-structured interviews, informal exchanges outside the official interview setting, archival work in ministry offices, statistical data from government sources and public databases such as the World Bank database, existing academic literature and other documentation that was obtained through interviews in Kigali. Interviews (on their own) were viewed as insufficient to obtain information necessary to develop an understanding of the elite bargain or to develop a critical assessment of RPF narratives. It was initially assumed that "it is taboo among Rwandans to talk about politics in general" (Thomson 2013a, 140). Booth and Golooba-Mutebi (2011, 2012a, 2013) used interviews as their primary method to study similar issues.

[151] This understanding of utopia is derived from Mannheim. See Kumar (2006).

However, their arguments rarely recognise negative outcomes that have been associated with the RPF's development strategy. Though this thesis takes a similar line, arguing that Rwanda exhibits similarities with East Asian developmental states, it also highlights the vulnerability and unequal outcomes that have accompanied this process. All respondents – whether Rwandan or not – shared 'social narratives', which detailed how they viewed different actions pertaining to their experiences in Rwanda. RPF elites were also asked to share their individual narratives. This was true both of many senior RPF elites interviewed officially and others with whom 'informal exchanges' were sought outside the official interview setting. Field notes were maintained during fieldwork and observations were recorded daily.

Studying narratives shows how legitimacy is derived by individual respondents and by dominant coalitions. Individuals create narratives to portray the morality of decisions that they (or the organisations they represent) have taken. Contrastingly, narratives are also used to attack the credibility of rivals or a dominant class. Studying narratives in this way emphasises that "there is no single verifiable truth", "that knowledge is socially and politically produced" and that "methods of social science have the capacity to undermine the illusion of an objective, naturalised world which so often sustains inequality and powerlessness" (Ewick and Silbey 1995, 199). Ultimately, the narrative presented in this thesis is one narration, which is the result of the many narratives that respondents presented. To minimise the bias that has accompanied such methods, narratives are judged in relation to results and data (which often contradicts narratives).

The cross-disciplinary methods used have helped develop an explanation of the sources of vulnerability that threaten the legitimacy of the Rwandan government (either through dissent from its own support base or by highlighting the "fundamental contradictions" within elite narratives).[152] Critical studies claiming to have accessed the 'hidden transcript' in Rwanda (Ingelaere 2010, Reyntjens 2011) invariably end in 'fatalistic' high modernist predictions. Given that the thesis is focused on a top-down narrative, the arguments made are vulnerable to speculation. To guard against such problems, the thesis only uses information obtained from formal methods – interviews, economic data and archival work. Any information

[152] "The case for cross-disciplinary work in international development is a strong one because research priorities should be set by the practical problems that development involves, more than the puzzles that are generated out of theoretical speculation" (Harriss 2002, 494).

obtained from ‘informal exchanges’ (which are not verifiable elsewhere) is not used directly in the thesis. Informal exchanges were used in addition to interviews and other data to develop an understanding of the context in which elites operated. They were also used to understand responses to rumours that were rife in Kigali and served as signals to the biases and loyalties of certain individuals. Informal exchanges were important sources to understand how RPF elites viewed their history. Most names and specific details about companies were first mentioned during informal exchanges and then triangulated using other sources (e.g. newspaper articles and interviews). The evidence presented could not have been extracted either by simply obtaining data from government sources or by relying on interviews in official settings.

‘Social narratives’ were analysed while developing an understanding of the chronology of formal positions occupied by respondents. In the early phases of fieldwork, this was difficult. However, in fieldwork undertaken in 2013 and 2015, some understanding of the past history of respondents was already gauged prior to most interviews. When interviewing respondents, it was important to judge why they chose to argue for the government line or against it. For private sector respondents, understanding their relationship with the government in the past helped to explain why they chose to criticise or support the government. Understanding the bias of donors (and their attitudes to market reforms and their concern for achieving democracy) was equally important. No one group can monopolise control over how different actors perceive policies. Through comparing narratives with competing narratives and other data collected, it is possible to develop a more balanced understanding of what may constitute reality.

There has been very little academic work undertaken in the three sectors that have been studied or the political economy of Rwanda in general. Historical records represent a “thoroughly selective account of what happened” (Cobley 2001, 30). Pottier (1995) previously described how one could choose which historian to read when writing about Rwanda to suit a particular purpose. Eltringham (2004) goes further, stressing that the meaning of history and the ability to construct a narrative (even a personal one) is a source of power in Rwanda. This thesis has used a variety of sources to obtain historical data including other academic work (Lemarchand 1970, Prunier 1995, Pottier 2002, Mamdani 2001), autobiographies (Carr 1999, Gasana 2002, Voigt 2004), policy documents (from international organisations), government documents, EIU reports, newspaper articles and interviews.

Fieldwork in Rwanda was conducted for 12 months between October 2011 and January 2015. Research was primarily conducted in Kigali. Visits were also made to mining sites, tea factories, coffee farms and other towns. Interviews were also conducted abroad with embassy officials and other relevant respondents. A total of 458 interviews have been conducted: 178 interviews with government and military officials; 78 interviews with respondents working in Rwandan companies (of which, 23 interviews were conducted with representatives from investment groups) and 71 interviews with respondents working in foreign companies in Rwanda; 91 interviews with donors and consultants; 18 interviews with local and foreign academics and journalists; 12 interviews with members of local think tanks and Non-governmental Organisations (NGOs) and 10 interviews were conducted with local Rwandans (including former child soldiers and genocide survivors). Of the 149 private sector interviews, 36 were undertaken in the coffee sector, 29 in the mining sector, 18 in the tea sector (representatives of every company) and 66 were undertaken with other respondents, including with PSF representatives. Government and military respondents included ministers and high-ranking generals, as well as junior government officials. In most cases, access was obtained relatively easily.[153] Many government officials and some owners of companies (foreign and domestic) never responded to interview requests.[154] Some foreign investors (in the mining sector) refused interview requests.[155] There has been very little engagement with individual farmers or miners although many respondents were cooperative leaders or 'straddled' as government officials. When farms and mines were visited, farmers and miners were often asked questions through others. These opportunities were not used effectively (and are not counted as interviews). Most claims made about such groups are derived from existing academic work or through interviews with cooperatives and private sector representatives and government officials.

[153] Studies of the Rwandan economy have been less popular among researchers. The story was also perceived to be a 'good' story (such feelings were expressed by several government officials).
[154] The choice to avoid an interview request was interpreted as an individual preference, rather than being 'government-directed.' No trends were identified among those who ignored or rejected interview requests.
[155] This may have been because of the negative publicity around 'conflict minerals' in periods when interviews were requested. On a later visit, some of these individuals were open to be interviewed.

This research was conducted with the permission of the Rwandan government. Research permits were obtained during the course of fieldwork.[156] The Institute for Policy Analysis and Research – Rwanda (IPAR) was the host institution for this research. Permits were obtained without difficulty. Ministry officials were extremely helpful in granting access. Very few respondents enquired about research permits. Such experiences with research permits tally with the experiences of other researchers who study Rwanda from a 'top-down' perspective.[157]

In the very early stages of fieldwork, interviews were structured and questions were set prior to the interview. However, interviews later became less structured and more fluid. Most interviews took place within formal office environments. More than 90 per cent of interviews took the form of semi-structured interviews, with the stated aims of accessing the 'social narratives' of individuals. Semi-structured interviews are commonly used across the social sciences to achieve such purposes (Sarantakos 2005), primarily through creating a 'conversational space' for narratives to be told (Elliott 2005). Some interviews were undertaken in 'informal' environments e.g. some military officials preferred to meet in bars and coffee shops, rather than in offices. Building rapport with informants contributed to accessing individual narratives, rather than hearing the RPF narrative repeatedly. Some respondents were interviewed several times and over several years.

The narratives of individual elites showed agreement with the ideals of RPF narratives. Individual elites stressed that the liberation effort was fought as a reaction to the vulnerability they experienced. All elites claimed they were fighting for democracy and freedom. They often highlighted the corruption and exclusionary policies of the Habyarimana regime. Most elites (especially RPF cadres who led the liberation effort) expressed dissatisfaction with the Kagame-led dominant coalition. Some of these elites justified their disenchantment by claiming that the dominant coalition was working to further individual interests. However, the government argued that some senior RPF cadres who faded from prominence were punished because of corruption charges or some form of indiscipline (Chapter 4).

[156] Permit procedures were the same as described in Jessee (2012). However, it was not necessary to go through Rwanda's National Ethics Committee (RNEC) since research methodologies did not involve biomedical investigation.
[157] Many young researchers have had similar experiences.

RPF narratives appeal to the 'collective memory' of vulnerability experienced by cadres who fought in the liberation effort.[158] Narrative scholars have highlighted that "memory embodied in narrative made a significant contribution to the formation and maintenance of the self-image of people" (Cobley 2001, 38). Appeals to this collective memory emphasise the importance of solidarity within RPF ranks.

> "When we came back, we had almost nothing. We had to start up fresh. At that point, leadership was crucial. It was not the time for us to think about ourselves. We had to think about how to work together for what was good for Rwanda. Whenever there is corruption now, it hurts us. With the little bit that is taken away, we can do so much."[159]

The narratives of individual elites (with whom relationships were developed and even those who were interviewed in formal settings) were not accepted directly. Instead, their individual histories were explored and their relationships with the dominant coalition were analysed (through interviews with other people about these elites and through learning about their trajectory through RPF hierarchy). Rumour, suspicion and envy played a part in these narratives. Different elites viewed each other with a mixture of rivalry and loyalty. However, there was a strong sense that their group shared a common past against distinct 'others' (as enemies) or that their group (those who liberated the country) was 'special' within Rwanda, compared to others in the country. Following a meeting with one senior RPF cadre before reaching Rwanda, field notes indicated:

> A new Prime Minister was appointed a few days ago. It seems (name withheld) was as surprised as anyone. He doubted the new Prime Minister's competence and said that no one expected it. However, he did say they wouldn't have appointed someone from 'his' group.[160]
>
> The Kayumba-Kagame split is very interesting. (Name withheld) said Kagame and Kayumba ruled the country for years together. However, some people think that Kayumba was corrupt or that he was getting too powerful. Eventually, many people fell out with Kagame during this time. (Name withheld) seemed against both

[158] Collective memories of vulnerability are powerful because they shape the identity of particular groups. In Cambodia, the Khmer used the memories of Vietnamese southward expansion and the continued influx of Vietnamese settlers to build a sense of vulnerability that enforced a collective Khmer identity (Takei 1998). The fear that such threats could reappear highlight the importance of solidarity within groups.

[159] Interview, Nzabamwita, RDF, May 2013.

[160] Field notes (after interview with senior RPF cadre), October 2011.

> Kayumba and Kagame but was generally quite unhappy that 'a new group' is taking over.[161]

Expectedly, when individual elites portrayed the dominant coalition within their social narrative as negative, they detached themselves from blame.

> (Name withheld) seems to be very angry about everyone. He romanticises the old days and the liberation effort and is quite angry at how people have fallen apart. He says that most people are greedy and have forgotten what they were fighting for.[162]

These exchanges are important to show that the dynamics of 'consensus' assumed in the academic literature are not harmonious. None of these notes are facts. They are simply perspectives that were developed about how respondents viewed their environments. Most interactions (and evidence that included the exclusion of senior RPF cadres) showed that elites grappled for power within an established hierarchy. Ideology – founded on collective memories of shared experiences of vulnerability and strengthened because of the salience of external and internal threats – held the elite bargain together and forced elites to commit to ideological goals.

3.1: Narratives, Information and Rumours

The dominant narratives of a society are the narratives of its ruling class.[163]

Narratives are not a method. They are "resources with which to investigate the phenomena of which the narratives make an account" (Hyvarinen 2008, 447). RPF narratives were easily accessible and constantly repeated through interviews with government officials. There were some dominant features of these narratives, which had hardened over time through the identification of common opponents. At various stages, opponents were identified as retreating Hutu elites (after the genocide in 1994), the Congolese government (since Rwanda became involved in the Congo Wars since 1997), the international community (periodically when donors threatened to withdraw foreign aid) and former RPF elites (who fell out with the government and became rivals abroad). As is expected of any government, the RPF government actively ignored the achievements made by preceding governments. The RPF demonised the agricultural dependence of previous governments, stressing that a

[161] Field notes (after interview with prominent but younger RDF officer – involved in liberation effort but not very senior), December 2011.
[162] Field notes (after interview with excluded RPF cadre), May 2013.
[163] Paige (1997, 341).

focus on agriculture alone was backward (ignoring that preceding governments invested in the industrial sector despite focusing primarily on cash crop cultivation).[164] RPF narratives presented the image of a unified party. RPF officials and other elites regularly identified common goals as self-reliance, pro-poor development and ethnic inclusion. There was a common understanding that liberty and freedom would be achieved through economic development. Value-addition was portrayed to address vulnerability to fluctuations in international prices and provide benefits for the population.[165] RPF narratives also acknowledged that Rwandan nationals were most likely to take strategic economic risks.[166]

Table 3.1 shows the variety of methods that were used to access different narratives and evidence. Social narratives were accessed through interviews, informal exchanges and rumours (to some extent). Though there were clearly differences between the social narratives of many RPF elites and the dominant RPF narrative, there were some similarities. After the genocide, the RPF's legitimacy was based on retaining support among its elites. All elite respondents positioned the RPF as a progressive movement. Most respondents said that the RPF prioritised security and providing basic needs to the population during the 1990s. Individuals emphasised the values of their struggle, highlighting the importance of self-sacrifice, as well as their commitment to democracy and inclusive development (and directly opposed it to the corrupt values of preceding governments). A valuable ideal was a commitment to self-sacrifice in the name of solidarity and allegiance to national goals.[167] Corruption attacked the core ideals of the RPF, which "prided itself on history and incorruptibility" (Verhoeven 2012, 275). As expected, individual elites did not admit their own indiscipline.

[164] Narratives hide the ways "in which history is denied or repressed" and act as the "work of political repression" (Paige 1997, 343).
[165] Kagame (2008) said, "value-addition at different stages in the production chain is already leading to significant results – one of which is the tripling of coffee farmers' incomes in the last six years."
[166] "No big company has done anything. It is all done by Rwandans themselves" (Interview, Rose Kabuye, May 2013).
[167] The New Times (2014).

Table 3.1: Methods and their uses		
Methodology	**What was obtained?**	**Uses**
Structured Interviews	Specific details; 'social narratives'; RPF narrative	Some evidence; narratives
Semi-structured Interviews	Social narratives; individual narratives; specific details; RPF narrative	Some evidence; narratives; triangulation
Informal Exchanges	Individual narratives; Social narratives; RPF narrative	Triangulation; Signals to obtain further information; narratives
Archival Work, Documentation	Statistics; Official narratives	Evidence; histories; economic data
Rumours	Social narratives	Signals about loyalties; understanding the importance of issues to different groups

The narratives of individual elites justified their own decisions through history, often engaging directly with how these elites sacrificed their own interests and worked for the nation's advancement. Often, individual narratives reflected "self-aggrandizing motives", as respondents told stories in which their roles were exaggerated or entirely recast (Wood 2003, 35).[168] Individual RPF elites romanticised their roles in the reconstruction of Rwanda. For example, three senior military officials expressed regret that they did not leave the RPF to pursue jobs abroad. These officials said they gave up such opportunities to work for Rwanda. However, they now regretted making such choices (especially since they no longer felt they were given the positions they deserved). Individual elites departed from RPF narratives in other ways. Within the first few months, semi-structured interviews and informal exchanges with elites revealed resentment towards Kagame and disagreement with many of the government's policies. Many elites criticised Kagame during informal exchanges. Field notes indicated:

> I met with (name withheld) today. Generally, people don't seem to like Kagame and are pretty scared of him. He said that Kagame is now the only person with real authority. People are suddenly charged with corruption and he said that often these charges are

[168] Such narratives were sources of confusion. In depicting a picture of power relations between elites, additional verification was sought from other sources.

> wrong. Kagame also makes money himself but nobody can say anything about that.[169]

These feelings were expressed for a political purpose – to challenge Kagame's moral authority without challenging RPF ideology (and the party's values). These narratives neglected why elites themselves had been 'disciplined' by the RPF.[170] The strengthening of RPF narratives has coincided with needing to prove leaders represented certain values.[171] Kagame (2012a) highlights how RPF cadres sacrificed individual benefits in the 1990s. Such speeches appeal to collective memories of shared experiences among cadres who fought in the liberation effort.

> "When the war was over, RPF fighters spent two years without getting a salary, not because they didn't need it but because there was nowhere to draw it from… I proposed an idea; since you survived two years without salary and 4 years before that, why don't we use this money to buy things that will help us fight the insurgency, and everybody agreed."

Ideology forced individuals to show that their actions were in line with values that were important through their shared experiences. If individuals were perceived as corrupt or favouring the views of opponents or betraying collective memories, it affected their legitimacy within the community. Adhering to collective memories and the values that were central to the RPF ideology was crucial if elites were to maintain their legitimacy. It was also essential that the dominant coalition be perceived to represent such values and strengthen collective memories (by appealing to them or highlighting the threats of opponents).

Government officials skilfully navigated how they communicated with their audiences. They often spoke of the value of embracing market-led reforms. However, it must be noted that some officials were committed to such values. Such responses were true for most junior officers and in initial meetings. In such interviews, government officials repeatedly spoke of their commitment to privatisation and the values of market competitiveness

[169] Field notes, May 2012.

[170] For example, one individual never acknowledged that he had been disciplined for 'grabbing land' in the Eastern Province.

[171] These values included placing the interests of the nation ahead of that of the individual, and zero tolerance for corruption within RPF ranks.

> "We will have no future without a private sector. There is an understanding that when the private sector grows up, our country will also grow up."[172]

> "Market competition is part of our philosophy. The private sector has to lead development. It is not the government's job to be in business. That was what the last government did."[173]

At other times, narratives that argued for state interventionist policies were developed (usually by senior government officials). Some social narratives reflected beliefs in market competitiveness and private sector-led development, showing that government policies are often a product of two simultaneous needs: of appeasing donors and using state intervention to develop strategic sectors or take big risks.

> "Engaging with the market will make the Rwandan economy more competitive. We don't control any traditional sectors. We go into a sector, build it and then let the private sector take care of the rest."[174]

Some RPF cadres and other private sector respondents also questioned policies such as the use of investment groups. Respondents often attempted to tap into what they believed were shared biases towards the values of market-led reforms. Statements below (one interview and field notes after a discussion with one senior military officer) highlight this trend:

> "It is not like a free market. The RPF has companies, which is known about. Government also helps us but not in the same way. It is okay. Museveni did the same thing in Uganda. It is frustrating for us – the small guys – that we don't get the same help."[175]

> "It is surprising that some of these military officers don't agree with Horizon and Crystal Ventures Limited (CVL).[176] He said he thinks these companies, especially Crystal Ventures, were pretty inefficient. He said they should just liberalise and let individual Rwandans lead the way."[177]

[172] Interview, MINICOM junior official, March 2012.
[173] Interview, MINECOFIN official, March 2012.
[174] Interview, Rwangombwa, MINECOFIN, May 2012.
[175] Interview, Domestic Private Sector, February 2012.
[176] These investment groups will be discussed in Chapter 4.
[177] This senior cadre often spoke of his preference for competition and market-led reforms and assumed that such biases were shared. Field notes, February 2012.

In two later research trips in 2013 and 2015, respondents often adjusted their narratives during interviews. They adjusted to biases that were presented by the interviewer, closer to heterodox readings of Rwanda's economic success.

The Place of Rumour in Rwandan Narratives

Rumours are forms of news that are disseminated outside the auspices of formal media or formal organisational authority (Donovan 2007). Rumours are colloquially understood as metaphors of falsity or distortion but such understandings reduce our capacity to analyse rumours as a social practice (ibid). Creating rumours is common social practice in societies where information is withheld or when gaps exist within official narratives.[178] Rumour creation is often represented as benign or even as a survival mechanism.[179] However, rumours exist in direct opposition to the information expressed in dominant narratives. Rumours threaten the legitimacy of dominant narratives and creating and spreading rumours are political acts. Rumours "reveal the power and uncertainty in which Africans have lived in this century" and "encourage a reassessment of everyday experience to address the workings of power and knowledge and how regimes use them" (White 2000, 43). Information contained in rumours is not used as evidence in this thesis. Rumours were only a signal to understand frictions among elites.

Governments often perceive rumours as threats to the authority of their own narrative. Central and Eastern African leaders understood that what made rumours powerful were that people believed them (White 2000). In 1984, after several coup attempts in Cameroon, rumours became a source of worry for the government. President Paul Biya publicly addressed the threat of rumours:

> "As for the truth, many of you confuse it with rumours. But rumour is not the truth. Truth comes from above; rumour comes from below. Rumour is created in unknown places, then spread by thoughtless and often malicious people, people who want to give

[178] Rumours are important sources of information when free press is non-existent. "In a repressive political environment, oral networks often provide the best source of news and evidence of resistance to dominant groups or organisations" (Duffy 2002, 177).
[179] Such benign representations perceive those who create rumours as helpless. People simply use rumours to "make sense of the situation" or "stand in for knowledge" (Fujii 2009, 149). Nordstrom (2004) argues that rumours were used during the Mozambican civil war to shape understandings about the environment. "When the truth is too dangerous to tell, people don't stop talking. Instead, they shape truth into stories" (Nordstrom 2004, 143).

themselves a spurious importance. Cameroonians, pay no heed to the rumours, which are spreading through the country"[180]

In India, the rumours spread by similar 'malicious people' were viewed by the Indian colonial administration as a "necessary instrument of rebel transmission in popular peasant uprisings" (Guha 1983, 256). While officials viewed peasant insurgencies fuelled by rumour as evidence of peasant irrationality, peasant insurgents used rumours to spread the message of revolt (Das 1998).

Rumours are used to challenge the moral authority of leaders. "Rumour is the officials' term for information they have not engendered, shaped or controlled" and the recognition of rumours "declares the weakness of official channels of information" (White 2000, 210). In the Philippines, rumours spread by mobile phones eroded the legitimacy of President Joseph Estrada and contributed to the civilian-backed coup in 2001 (Rafael 2003). Spreading false rumours were a "traditional technique for discouraging the enemy and for rallying faithful followers" in Central Africa (Vansina in Pottier 2007, 840). Ellis (1989) argued that all African politicians were aware of the power of rumours.[181] He described President of Gabon Omar Bongo's use of a daily newspaper column. The column criticised individual ministers and publicly accused them of corruption or incompetence.[182] Bongo succeeded in "reducing the power of popular rumour and in keeping government ministers in a semi-permanent fear of denunciation by the press" (Ellis 1989, 328).

Rwanda scholarship is characterised by "unnecessary secrecy and its inevitable counterpart, unrestrained rumour mongering" (Booth and Golooba-Mutebi 2012a, 384). Some Rwanda scholars (often those with privileged access and those who accept the RPF narrative) criticise those who use rumours for "rumour-based guesswork" (Booth and Golooba-Mutebi 2013).[183] When such scholars dismiss the importance of rumours, they side with dominant narratives and question the legitimacy of voices outside those narratives. A number of Rwanda scholars admit to using rumours, including information within rumours (Beswick 2010, Reyntjens 2013). This thesis demonstrates that rumours should only be understood as signals about politics and are best analysed depending "on those who recount them and in

[180] Biya quoted in Ellis (1989, 325).
[181] Ellis (1989) highlights the widespread prevalence of "pavement radio" – the popular and unofficial discussion of current affairs in African towns.
[182] The 'anonymous' senior journalist who wrote the column worked for the Presidency (Ellis 1989).
[183] Booth and Golooba-Mutebi (2013, 19) refer to this as "the new Kremlinology of rumour-based guesswork in the Rwandan context."

what context" (Ellis 1989, 323). During informal exchanges and semi-structured interviews, rumours were often discussed or were introduced by respondents. Understanding why certain individuals chose to accept rumours or spread rumours themselves (trying to make rumours legitimate) is important to understand how power is contested through social narratives.

One rumour spread by rival Tutsi elites (who were once Kagame's allies) accused Kagame of buying two executive jets worth $100 million with government funds (Nyamwasa 2010). Other loyalists, including Nshuti Manasseh and Hatari Sekoko, are often mentioned to be involved in this acquisition. This story has been discussed with respondents.[184] The government denied these allegations. These rumours have been accepted by Reyntjens (2013) as facts. Scholars who agree with RPF narratives ignore them. This rumour was recognised as true by some senior RPF cadres and other Rwandans interviewed. For some donors (who rarely disregard rumours), this was a fact. Since corruption allegations tarnished Kagame's legitimacy as an upholder of RPF values (zero-tolerance of corruption), this rumour held some resonance with excluded RPF cadres (who were interviewed). The recognition of rumours is indicative of political inclinations. However, it does not mean that information contained in the rumour is true.

Another rumour attacked the government's image of embracing market-led reforms. In July 2011, Tom Gutjahr, the foreign CEO of telecom firm Tigo, was given 24 hours to leave Rwanda.[185] It was rumoured that Tigo was asked to roll out network coverage in the Muhazi sector where Kagame owned a lake house. Gutjahr refused. The party-owned newspaper, *The New Times*, later accused Gutjahr of embezzling funds. This story was popular among donors and foreigners who worked in the private sector. However, Rwandans showed little interest in this rumour. The political purpose of spreading this rumour would have reduced the credibility of the RPF's 'market-led reforms' narrative. Elite respondents and senior RPF officials discredited this rumour. This rumour only related to the 'public image' of the RPF and not its internal values.

> "Many foreigners talk about the manager who got fired from Tigo. I talked to some Rwandans about it and no one cared. But it is still

[184] Some respondents agreed with Kayumba's claims that Kagame is often guilty of hypocrisy when charging elites with corruption.
[185] Interview, Tigo Representative, March 2012.

> pretty shocking that Kagame would do this to an important investor like Tigo."[186]

One rumour was almost universally discredited. In May 2012, there were rumours in Kigali that a man had set himself on fire after government officials in Rubavu (Western Province) confiscated his shop. These stories had similarities to the story of Mohammed Bouazizi, whose possessions were confiscated by government authorities in Tunisia in 2011. Bouazizi later became a symbol of the Tunisian revolution. A story appeared on a Rwandan newspaper website before being taken down. A rumour spread that the government ordered the newspaper to take the story off its website.

> "He set himself on fire after being beaten up by local defence forces near Rubavu last week. His name was Mutabazi Sadic. The RDF confiscated peanuts that he was selling as part of his business. (Name withheld) said the government had nothing to do it. Instead, he said Sadic was known to be taking drugs. I wonder how he could possibly know this. But nobody is talking about it and no expatriates have heard anything about this."[187]

On reflection, it was strange that such rumours had reached Kigali. However, it was not surprising that the rumour faded from relevance relatively quickly. Disenchanted Tutsi elites lacked the motivation to spread such rumours because these elites had little interest in popular mobilisation. Many elites that were excluded were tarred by corruption charges themselves. These elites simply desired better treatment or a replacement of the dominant coalition with one that was more favourable to their interests. The choices of why some elites spread one rumour while ignoring other rumours were indicative of their grievances and their political loyalties. Rumours are only relevant for analysis in terms of who is telling them and why they are being told.

3.2 The Academic Narratives about Fieldwork in Rwanda

The extent to which Rwanda scholars have been cast in opposition to each other is relatively rare among scholarship that pertains to specific countries. There are debates about how to view the reign of certain controversial leaders such as

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[186] Field notes, March 2012. Tigo was the first foreign investor to be allowed to invest in the domestic telecom sector.
[187] Field notes, May 2012.

Ethiopia's Meles Zenawi (De Waal 2013, Lefort 2013).[188] However, there is rarely such sustained disagreement between groups of academics. Filip Reyntjens (2011, 2) outlined "a broad consensus" within the international scholarly community (who study Rwanda). Some exceptions were also highlighted.[189] The 'consensus' criticised the RPF for its authoritarian leadership. This group perceived most government initiatives to be aimed at extended state control and limiting political space. Reyntjens (2013) criticised donors and 'exceptions' for being fooled by the RPF.[190] Others in 'the consensus' argued that the RPF government controlled the information that was accessed by researchers (Braeckman 2003, King 2009). The 'exceptions' differed from the consensus in arguing that the government's policies were aimed at delivering benefits to the wider population.[191]

These divisions are complicated further since most influential academics no longer undertake fieldwork in Rwanda. This creates a danger, as Clark (2013a) writes, "of armchair critics who prefer to denounce Rwandan authoritarianism from afar but without deep empirical knowledge of conditions there." However, these 'armchair critics' are still important voices to be heard within academic debates. Many of these academics retain large networks of contacts in Rwanda. Many no longer do research in Rwanda because they have been declared *persona non grata* by the RPF government.[192] Some are not actually 'banned' but fear for their safety if they return to Rwanda. Others 'within the academic consensus' such as Bert Ingelaere and An Ansoms continue to conduct fieldwork in Rwanda. In reality, there is no neat correlation between choosing a side and being allowed to do fieldwork in Rwanda.[193] Those who are perceived as pro-RPF are accused by those within the 'consensus' of engaging in self-censorship to maintain access.

New researchers must contend with the sharp divide within the scholarly community (who study Rwanda). In a recent debate, Clark (2013a) questioned

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[188] De Waal lauds Meles' developmental strategy. Lefort criticises Meles for never being able to put that strategy into practice.
[189] Clark and Schabas were highlighted as exceptions.
[190] Fergal Keane and Stephen Kinzer (journalists who wrote books about Rwanda) have admitted that they were 'wrong' about the RPF after writing their pro-RPF books.
[191] Most academics retain some nuance in their arguments. However, leading Rwanda scholars frame the academic debate in an extreme way. As such, most researchers are usually pulled towards the extreme ends of this continuum.
[192] Clark (2013a) identifies three senior academics among the very few who have been officially declared *persona non grata*: Filip Reyntjens, Gerard Prunier and Rene Lemarchand. Many other academics claim to have been blacklisted in this way.
[193] Such observations have been made after attending several conferences and speaking with many Rwanda scholars (especially younger scholars).

whether some researchers have exaggerated the difficulties of doing research (and the surveillance they endure) in Rwanda to draw attention to their own research.[194] He recounts an incident where one student mentioned that she was being followed everywhere she went by the RPF. Rwanda scholars often claim that they are being watched. Researchers and expatriates (in general) who work in Kigali operate in an environment of mystery and secrecy.[195] Such treatment is perceived as the norm (when it is actually an exception).[196] Rumours about the fieldwork environment have had a political effect on the academic environment. Such outcomes may not have been intended (by older academics) but many researchers tend to assume (whether rightly or wrongly) that they are under surveillance when they arrive in Rwanda.

There is a diversity of research being undertaken in Rwanda by a varied group of researchers. Researchers have had varied success in gaining access, obtaining permits and retaining independent control of their research. Some researchers have accused the government of using the research permit procedure to obstruct access for foreign researchers.[197] Some applications for research permits take six to eight months, some take a few weeks. Regardless of nationality or origin of institution, researchers have had varying experiences in obtaining these permits.[198] Most researchers who have had difficulty gaining research permits study local communities or 'sensitive' topics. Many permits are delayed because their host institution in Rwanda may have their own procedures. There are delays during 'rush' periods at the Ministry of Education or in holding Ethics Review Board meetings in Rwanda (if fieldwork requires ethical clearance).[199]

Doing research in Rwanda poses difficulties. The government is sensitive about protecting its reputation and chooses to be protective given past experiences with other researchers. Researchers must be aware of the politicised environment –

[194] See Clark (2013a, 2014b), De Lame et al. (2013), Jessee (2013).
[195] Many expatriates said that their emails were monitored. Some claim that their phones are tapped. There is very little evidence for either of these claims. Harsh treatment of researchers by local officials is common in other settings. FTEPR (2014) describes how a group of researchers were accused of being 'land grabbers' by locals in Uganda and had to leave the research site because of a threat to their lives. In Ethiopia, FTEPR (2014) cites an example of researchers being held by local police.
[196] Thomson (2011, 331) had her passport confiscated and was sent to a "re-education camp."
[197] See Jessee (2013), Thomson (2013b). Clark (2014b) claims that the research permit procedure is similar to other East African countries e.g. Uganda.
[198] Nationality and other factors play a role in determining perceptions about researchers. Researchers are a "plurality of selves – being male or female, gay or heterosexual, married or unmarried, western or not, young or old and so on" (Mollinga 2008, 7). However, perceptions of identity are constantly reshaped in the eyes of respondents.
[199] Ethical reviews are only required for medical research or research that involves a psychological study of subjects.

both in Rwanda and within academia – when they are collecting and analysing their findings. Many researchers must choose whether to self-censor their work not only to gain future access to sources in Rwanda but also to protect their sources.[200] When researchers return home and begin publishing their work, they are confronted with facing the strength of the 'consensus' within the scholarly community. Fisher (2015) argues that articles submitted to journals are inevitably judged by reviewers on the basis of which side they take and editors have done little to avoid such occurrences. Thus, researchers are faced with the choice of staying within the 'consensus', attacking the 'consensus' or avoiding any activist stance. Researchers should also be wary of fitting activist stances in the same way they should avoid giving into temptations to self-censor their work to retain access.

The narrative presented in this thesis will inevitably anger some group. Choices have been made with full awareness of the politicised environment within Rwanda and the international scholarly community. Self-censorship has been undertaken only to ensure that the security of sources remains protected.

3.3: Interview Strategies

Every interview began with a brief verbal introduction of the research project. Very few respondents requested that interviews be anonymised although some interviews have been anonymised to protect the safety of respondents. Most interviews began with a request made to respondents to detail their past work history. Such questions helped determine how individuals had risen up in hierarchies and assisted in building a 'basic' chronology of respondents' life histories.

Given the sensitive nature of doing research in Rwanda, care was taken about using certain words (e.g. regime, dictatorship, Hutu, Tutsi) during the course of interviews.[201] There were some tense moments in interviews when the government's

[200] The impulse to self-censor research findings is prevalent in other contexts. In Ethiopia, Hammond (2011) was held in detention by government authorities. Later, she was reluctant to write publicly about the full story, fearing that she would be forced to leave Ethiopia or that she would be arrested again. Brun (2013) describes her experiences in Sri Lanka where silence was a survival strategy for continuing research after a Sri Lankan colleague was kidnapped. In Rwanda, Somers (2012) described the urge to self-censor his writing after 'internalising' the restrictive environment of field research.

[201] Public mention of ethnicity was outlawed in 2002 (Clark and Kaufman 2009, 9). Such stringent rules do not hold today. Since 2013, ethnicity has been mentioned in interviews and informal exchanges regularly. Initially, ethnicity was only discussed once respondents introduced the subject.

narrative was challenged (e.g. by detailing the achievements of past governments).[202] On one occasion, the term ‘developmental state’ was used to compare Rwanda with East Asian countries. The senior government official replied:

> “We’re not a developmental state. Those were authoritarian governments. Rwanda is a democracy that puts its people first.”[203]

Gradually, it became clear that words should be chosen carefully during interviews. Respondents were also careful in their communication during their interviews, trying to ensure that a shared understanding developed. It was equally crucial to show how terms such as ‘developmental state’ and ‘neopatrimonialism’ were understood when they were used in interviews.

Many respondents treated interviews with scepticism, at first. Respondents justified this by saying most researchers did not undertake detailed fieldwork and criticised Rwanda without understanding how things have changed since the genocide. Thus, there was a need to convince respondents that there was empathy for RPF narratives. However, this ‘empathy’ was not false. RPF narratives were often convincing. In other moments, such narratives were treated with scepticism. Different beliefs were maintained about certain topics during the course of fieldwork. Sometimes, the government’s reasoning made sense, often the private sector’s accusations made equal sense and other times, the suspicions of donors reappeared in findings. Respondents’ perceptions of the researcher changed over time, just as the researcher’s view of his environment transformed.[204] More important than ‘siding’ with the government narrative was the need to show an understanding of the government narrative and the willingness to engage with it.

It is likely that respondents treat researchers as ‘useful idiots.’[205] However, an effort has been made to critically assess the narratives that were presented during interviews. Attempts by respondents at exaggerating their own contributions and

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[202] In negotiating these tense moments, a choice was made to empathise with the respondents’ view to calm the interview environment. Interview strategies developed through experience and never achieved a ‘perfect’ formula.

[203] This moment was handled by showing empathy with the respondent’s view. Interview, Office of the President, May 2012.

[204] “The researcher as a human subject is in flux, dealing constantly with shifting realities and contradictions” (Nilan 2002, 368-9).

[205] This term, attributed to Lenin by Judt (2006), was used by Soviet leaders to identify foreigners who had chosen to support the Soviet cause in their own countries or in general. ‘Useful idiots’ for the Rwandan government would be those who support the government in foreign countries.

importance were critically assessed and rechecked with other sources. Nevertheless, some respondents may have been more convincing than others.

3.4: Obtaining Access

Gaining access to respondents depends on serendipity, social networks and specific circumstances (McDowell 1998). Introductions from others contributed to developing new contacts during the course of fieldwork. Before beginning research, four entry points were established within the government, private sector and the military. Eight signed letters from different individuals (including dignitaries at Rwandan High Commissions in India and the United Kingdom (UK) and academic supervisors) were presented at every interview (during the first stage of research in 2011 and 2012). After every interview, respondents were asked if they could suggest other possible sources. The use of snowballing techniques contributed to success in gaining access. Equally, "getting close to some people often precluded the possibility of getting close to others" (Duneier 2011, 3). Four individuals were entry points – providing introductions to several respondents. However, introductions from research institutions, chance meetings and official interview requests often led to other interviews. Many different avenues were pursued and respondents were approached in a polite yet persistent manner (Yeung 1995).

Efforts were made to develop a variety of alternative entry points to protect those who initially assisted in finding sources.[206] Because the research environment in Rwanda was understood to be enveloped in suspicion, observers (outside Rwanda) are quick to make judgments that are both damaging to other researchers' reputations and these researchers' contacts.[207] Many introductions actually developed on a sector-specific basis or within particular government and military circles. Though original entry points helped in gaining access to certain institutions and political circles, many contacts were made outside their influence.

Fieldwork began with 'casting a wide net.'[208] The first two months were spent learning more about the environment, attending meetings about the economy and understanding the organisation of the government and the private sector. Sector

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[206] These entry points were all elites with power and prominence within Rwanda. However, given the friction between elites in Rwanda, protecting such sources is also important.
[207] For example, one 'pro-RPF' Rwanda scholar has been accused of being related to President Kagame. Such claims have no factual basis.
[208] Emerson et al. (1995, 29) emphasise that when "first venturing into a setting, field researchers should 'cast their nets broadly'."

studies began during this time but gathered pace only after the first two months of fieldwork. It was understood that accessing elites would be difficult because "they establish barriers that set their members apart from the rest of society" (Hertz and Imber 1993, 3). Often, interviews were requested weeks in advance and sought repeatedly (Gokah 2006). Obtaining new sources and making headway during research was not easy. There were days with several interviews and some days with repeated cancellations. Safety of informants and personal safety were prioritised above the receipt of information.[209] Careful choices were made in choosing what questions to ask during interviews. Topics such as the genocide were never brought up unless introduced by respondents. Gradually, confidence grew and relationships developed. Building trust with the respondent was essential. Patience was just as important. Many interview appointments were cancelled or delayed regularly.

Luck contributed to success during fieldwork. A Rwandan military official (who became an 'entry point') was a PhD classmate at the same university. Some contacts in the minerals sector were developed while waiting outside government offices. Several contacts in the tea sector were introduced by a prior contact in the Indian tea sector. The discovery of one military investment group (a military-owned investment group not covered in the existing academic literature) was made because a friendship was developed with a relative of the company's CEO.

3.5: The Politics of Data Collection

Data is usually obtained in most African countries despite scarce resources at individual statistical offices (Jerven 2011). The Rwandan government has prioritised the need to collect data. However, an increase in data collection does not mean that reliable data is being captured. The government may direct bureaucrats to manipulate data to meet certain targets, necessary to achieve certain governance indicators. Simultaneously, bureaucrats are pressurised to achieve performance targets.[210] Such pressure may force bureaucrats to manipulate data. Many respondents were sceptical of the accuracy of data.[211]

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[209] Pottier et al. (2011) prioritise the need for researchers to adopt such strategies.

[210] "We all have performance targets broken down by departments and broken down by individuals. Each individual here focuses on a specific sector. I have to register a number of investments in the energy sector every year. At times, quantifying them is a problem" – Interview, RDB Investment Officer, May 2012.

[211] Interviews with several coffee exporters and tea factory managers.

The data used in this research has been obtained from a variety of sources. Most historical data is used from existing academic work, data from international organisations or archival data at NAEB or Ministry of Natural Resources (MINIRENA). For data since 1994, statistics were obtained directly from government offices. Most macro-data was either received from BNR, Rwanda Development Board (RDB) or MINECOFIN. It was difficult to access the NISR. However, the data that was required was either publicly available or was accessed through other government offices. Sector-specific data was also collected from NAEB, MINIRENA, RDB and other government departments. Planning documents were shared by government departments and by former consultants.

3.6 Bias

Attempts were made to develop a range of contacts that held different views. In relation to the sectors, a variety of government officials, donors, consultants, cooperative representatives and representatives from the private sector were interviewed. An attempt has been made to recognise biases. Writings and field notes from an earlier period indicate a personal stance much closer to RPF narratives. While the government view was not accepted uncritically, it was only a year after the first fieldwork stay ended that a more detailed critical view was formed. Distance helped in reducing susceptibility to bias while also "devising workable accommodations between the need to protect subjects and the needs of external audiences" (Wacaster and Firestone 1978, 274). Bias came to the fore most clearly in 'informal exchanges' where some senior RPF cadres complained about the dominant coalition. This influenced the narrative to be against Kagame's position but not against the RPF's achievements. However, care has been taken to overcome this bias. Equal criticism is reserved for those who criticise Kagame for his individual practices while noting that the government also accuses them of similar activities.

3.7: Conclusion

Ethical standards that depoliticise the research process are themselves guilty of prescribing to a particular political motivation. Bourgois (1990) criticised North American anthropological research ethic codes for refusing to acknowledge concerns about injustice. He (1990, 43) wrote: "the eminently political orientation of a supposed apolitical commitment to empirical research must be appreciated for its internal consistencies and ultimate ethical poverty.” In choosing research methods, procuring data and presenting findings, attempts were made to recognise the politicised environment in the context that was studied. Attempts were made to understand the politicised academic environment (studying Rwanda) in which the research will be placed. There is no attempt at making a political statement regarding the nature of regime.

Protecting respondents was of paramount importance and an attempt was made to anticipate the consequences of this research (Pottier et al. 2011). Creating an effective research dynamic required asking people to reflect on personal beliefs, behaviours and experiences (Webster et al. 2014). This led to proximity in relationship with participants (Bryman 2008). While this proximity was created, attempts were later made to establish a ‘distance’ between the researcher and the ‘researched’ (Sumner and Tribe 2008). This was achieved by ensuring that there was limited dependence on individual gatekeepers. Relationships continued during the course of research but favours, apart from introductions to others, were never sought from respondents. Despite these attempts, it has been difficult to manage the perceptions of others regarding relationships with respondents. However, an expectation of reciprocity or ‘giving something back’ among respondents has never been expressed (apart from an expectation that publications will be shared) (Harrison et al. 2011). It is understood that findings could be used as political instruments (May 2011). However, it is hoped that research findings and their analysis highlight the ways that unequal power relations, ideology and (the threat of) violence have determined both developmental and regressive outcomes.

Chapter 4: Elite Politics in Rwanda

This chapter shows that regime change in Rwanda has only occurred when rival elites have legitimised their challenges by mobilising the grievances of the population against the presiding government. The current government has achieved economic progress and retained a Developmental Political Settlement while combating political challenges from rival elites. It has retained legitimacy by navigating the conflicting demands of three constituencies by developing and protecting narratives (backed up by the threat of violence), as well as enacting reforms and delivering results in line with those narratives. These narratives contribute to legitimising systems of accumulation (and economic development). These dominant narratives, showcased in the publication of VISION 2020 in 2000, help the government vocalise its commitment to achieve its ideological goal (self-reliance). To achieve this goal, the RPF expects its cadres to abide by certain values (discipline, self-sacrifice and anti-corruption). Appeals to self-reliance are used as 'moral' instruments to contain discontent among elites.

Frictions between RPF elites threaten the Developmental Political Settlement. Rather than focusing on the transient alliances developed by elites, scholarship (Acemoglu and Robinson 2012, Khan 2010) and policy work (DfiD 2010, OECD 2011) have argued that developmental outcomes are usually associated with 'inclusive' elite bargains or political settlements rather than exclusive ones. The language is now "shifting to achieving an 'inclusive enough' settlement or coalition" (Ingram 2014, 10). Ljiphart's (1977) 'consociational theory' was influential in promoting reasoning, which favoured 'inclusive' political bargains over 'exclusionary' ones. He argued that power-sharing structures could achieve stable democratic governments in plural societies where political alignments were fragmented through ethnic or religious divisions. Lindemann (2008) built on such reasoning, arguing that political stability across Sub-Saharan Africa is determined by the capacity of ruling political parties to overcome historical levels of high social fragmentation and maintain 'inclusive' elite bargains. He suggests this occurred in Zambia where the presence of an ethnically inclusive coalition explained the absence of civil war in the post-independence period. In Uganda, exclusionary elite bargains "produced enduring antagonism between the country's major tribal groups and thereby become a key driving force behind the various insurgencies since 1962" (Lindemann 2010, 59). However, these arguments have not always proven true. Elite polarisation was associated with developmental outcomes across East Asia (Vu 2007). Also, 'inclusive elite coalitions' in Botswana were associated with structural inequality and destitution in some marginal groups (Hickey 2013).

Rather than propose 'inclusive', 'inclusive enough' or 'exclusionary' coalitions, it is better to argue for a more dynamic understanding of bargains between elites. Instead, "countries might oscillate, Albert Hirschman style, between more exclusionary and more inclusive arrangements for assuring stability" (Levy 2013).[212] Highlighting the dynamism of political alliances in this way goes beyond existing scholarship on Rwanda. Those who are positive about the RPF government, argue that it is "more inclusive than at any other time after independence" (Golooba-Mutebi 2008, 29). However, critics (Reyntjens 2004, 2006, 2011; Gokgur 2012; Ansoms 2009b; Beswick 2010) argue that an increasingly narrow coalition of RPF elites has consolidated control over politics and the economy.

Immediately after 1994, the RPF was still concerned with possibilities of renewed ethnic conflict, with an insurgency in the Northwest. By the early 2000s, security threats in the Northwest and in the DRC were contained. Many former Hutu RPF leaders were also either in exile or had died, eliminating any possibility of those individuals mobilising segments of the population on the basis of ethnic differences. Other Hutu elites chose loyalty to the RPF government. Since the early 2000s, elite politics has largely been contested between senior Tutsi RPF cadres who led the liberation effort. During this process, the RPF gradually empowered younger cadres within the party and the military, who did not play a prominent role in the liberation effort. "For the RPF, there is always 30 per cent youth in every activity. The youth represents 35 per cent of the executive. In all levels, we are ready for the youth to take over."[213] This chapter will show how threats from rivals have been negotiated, while the party is being regenerated– with young cadres and evolving support bases.

Historical details have been collected based on available sources and interviews. Specific dynamics of elite politics (and the facts) are developed using secondary literature, newspaper articles and interviews. Informal exchanges helped

[212] See Hirschman (1979).
[213] Interview, Rutaremara, January 2015.

in developing an understanding of the sources of friction among elites and contributed to understanding the way respondents viewed their environment. They also helped in highlighting the significance of issues and in triangulation.

4.1: Ethnicity, Politics and Regime Change in Hutu-led Rwanda

Ethnic identities were contextually and socially created in Rwanda.[214] They were not "rigid, unchanging or universal" but "fluid and individual" (Newbury 1998, 83). Ethnic distinctions were rooted in labour arrangements, including *ubuhake* – an unequal clientship contract where a Tutsi patron would give a cow to a Hutu client, and in return the Hutu would be tied to his patron.[215] Prior to the 1959 revolution, ethnic groups were not easily defined across Rwanda. While many of the rich may have been Tutsi, there were also poor Tutsis. There were also rich Hutus. In pre-colonial Rwanda, regions such as the Northwest were never under Tutsi rule. European settlers avoided the complexity and diversity of experiences that determine ethnic distinctions. Today, these settlers are blamed by RPF elites for institutionalising ethnicity through the introduction of identity cards.[216] The RPF's own revised 'ethnicity' narrative focuses on the "social mobility" and "mutual benefits" of *ubuhake* cattle clientship.[217] Patron-client relationships of various kinds may have provided benefits for some Hutus but such relationships were largely exploitative. In reality, social mobility was not pervasive and was an exception, rather than the norm.

Waves of violence occur because of a switching in coordination or salience when political enterprises successfully link violence specialists around politically fractious distinctions (Tilly 2003). The Bahutu Manifesto was the "first open revelation of fundamental social disharmony in Rwandan society" where a Hutu counter-elite led by Grégoire Kayibanda agitated against a political monopoly held by the Tutsi (Lemarchand 1970, 114). Kayibanda's *Mouvement Social Muhutu*

[214] The Twa is the third ethnic group in Rwanda.
[215] Some (Maquet 1961, Prunier 1995) perceive *ubuhake* to have been the most widespread form of labour arrangements in pre-colonial Rwanda. Actually, *ubuhake* was neither universal nor exclusively hierarchical (Newbury 2001). Other labour arrangements such as *ubureetwa* were much more widely prevalent. These patron-client relationships had varied outcomes: it took the form of quasi-slavery, it developed an alliance structure or even provided opportunities for social mobility for Hutu clients.
[216] Pottier (2002) claims it was actually during the reign of King Rwabugiri that ethnicity was institutionalised through the bonded labour service of *ubureetwa*.
[217] The 10 cows thesis suggests that there was social mobility within the ethnic groups.

(MSM) had taken a strong anti-Tutsi stance. *L'Association pour la Promotion Sociale de La Masse* (APROSOMA) called for freedom of oppressed groups in general, applying to both Hutu and Tutsi (Newbury 1988). By 1958, conservative Tutsi elements around the monarchy had created an atmosphere of anxiety among the Tutsi elite, hardening the group's own position on race relations. Tutsi solidarity included references to their Hima descent and as a by-product, included references to their status as conquerors.[218] Tutsi solidarity was a consequence of paranoia surrounding the Belgian administration's tacit support for Hutus (Lemarchand 1970, 155). However, as with "the very nature of dyadic relationships, based on reciprocal obligations between patron and client, the Hutu masses had little consciousness of themselves as a group" (Lemarchand 1970, 96). The 1959 Hutu revolution began sporadically as groups collectivised to mount struggles against local chiefs. Kayibanda led the charge. He converted MSM into a tightly knit party – *Mouvement Démocratique Rwandais-PARMEHUTU* (MDR-PARMEHUTU). His party was able to build networks of violence specialists around ethnic distinctions, while APROSOMA's moderate claims lost support.

Rwanda gained independence from Belgian rule in 1962. Kayibanda became President of the First Republic (1962-1973). In independent Rwanda, elite politics was usually contested between regional Hutu alliances, rather than on the basis of ethnic differences (Uvin 1998). Ethnic differences were only used to highlight the dangers posed by an external Tutsi threat. Fear bound Hutu elites together in opposing such threats when the salience of such threats was recognised. Kayibanda's new Southern Hutu elite simply replaced the Tutsi elite. The MDR-PARMEHUTU abolished the monarchy and patron-client relationships.[219] However, little was done to address social inequality, including the provision of education and job opportunities to the Hutu population (Mamdani 2001).

Initially, Kayibanda's opponents were APROSOMA stalwarts who were slowly eased out of administrative responsibilities (Prunier 1995). Northern Hutus presented a more dangerous threat to his rule. Ethnic distinctions were used to bind Hutus politically, as was done during two episodes of *inyenzi* attacks in 1962 and

[218] This rhetoric was later seized upon by MDR-PARMEHUTU, who interpreted Tutsi and Hutu as two different races and reasoned that Tutsis had no right to political participation.
[219] The revolution abolished *ubureetwa* in 1959 and appropriated *igikingi* (the land of the Tutsi notables) for redistribution to the landless (Mamdani 2001, 134)

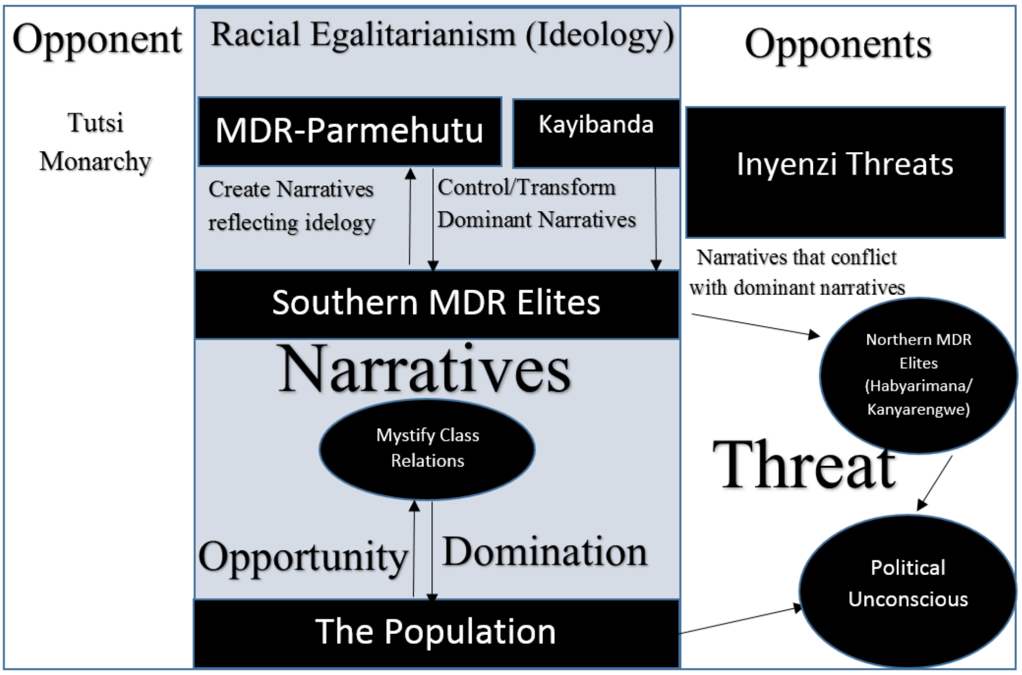
1963-64 when Tutsi refugees attempted to return to Rwanda.[220] The widespread Tutsi massacres in 1963/4 were "the culmination of intermittent violence directed at Tutsi" (Eltringham 2004, 42). Kayibanda's power was later weakened by accusations of political paralysis, elite discontent and a faltering economy. The interests of Northern elites were preserved by the Hutu revolution but Kayibanda restricted their access to lucrative business opportunities and political power (Verwimp 2003). After the 1972 massacre of Hutus in Burundi, Kayibanda stressed the threat posed by *inyenzi* Tutsis. In January 1973, Kayibanda's government led purges against Tutsis in schools and universities and later in the public and private sector. Government officials justified the purge in the name of creating "ethnic proportionality" (Straus 2006). This later developed into an opportunity for expressing political and regional frustration (ibid). Instead of binding the population against a common enemy, Kayibanda's gamble eroded his legitimacy. Peasants were more concerned with local grievances while elites were divided by regional distinctions (Prunier 1995). Homes and businesses of Hutu officials in the Kayibanda regime were attacked and Northern elites took the opportunity to mount a coup, with the stated objectives of ending ethnic division and regional favouritism while restoring national unity (Reyntjens 1985, Straus 2006).

Box 4.1 illustrates how Kayibanda's ideology of 'racial egalitarianism' was used to develop common enemies in Tutsi opponents (both through the memory of former monarchist rule and as external threats at the time). Frictions were motivated by the increasing consolidation of power among Southern elites at the cost of Northern elites. Recruitment of civil servants and economic benefits was geared to empower Southern and central elites (Lemarchand 1970). However, the army largely recruited from the North (De Lame 2005). Box 4.1 shows that Northern elites, whose rents were threatened by Southern elites, moved against Kayibanda. In 1973, Habyarimana successfully mounted a bloodless coup against Kayibanda. He then became the President of the Second Republic (1973-1994). In Butare in 1973, Habyarimana said, "the coup d'état we did, was above all a moral coup d'état. And what we want… is to ban once and for all, the spirit of intrigue and feudal mentality. What we want is to give back labour and individual yield its real value"

[220] *Inyenzi* is the Kinyarwandan word for cockroach. It was a word used by Hutu radicals for Tutsis, who were seen as an 'alien' race in Kayibanda's Rwanda.

(Habyarimana, quoted in Verwimp 2000, 335). The coup was 'popular' among large segments of the population because of the corruption that was associated with the Kayibanda regime and because Habyarimana promised to reduce ethnic violence (Reyntjens 1994, Jefremovas 1997).

Box 4.1: Illustration of Threats during the First Republic (1962-1973)



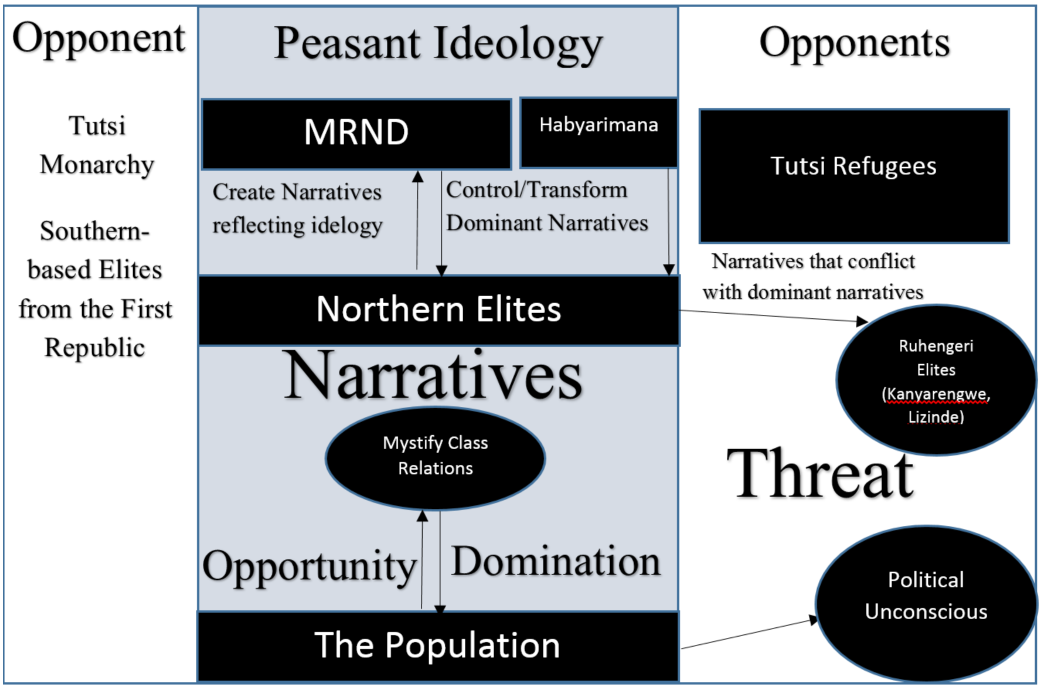
Kayibanda cast the differences between Hutus and Tutsis as a racial issue. Habyarimana recast the difference as an 'ethnic' issue (Mamdani 2001). During Habyarimana's reign, Tutsis were recognised as indigenous to Rwanda, rather than being perceived as invaders as they were during Kayibanda's reign. Gasana (2002) claims that Habyarimana's decision to portray 'reconciliation' as forward thinking and Hutu extremism as backward (and associated with the past) was part of his strategy to gradually exclude Alexis Kanyarengwe from power.[221] Kanyarengwe tried to gain the support of other Hutu elites on the basis of Hutu power but he was unable to muster enough support (Gasana 2002). Habyarimana marked ethnic unity symbolically by declaring the day of the coup as "a day of peace and reconciliation" (Verwimp 2004). However, Tutsis were actually excluded from power during Habyarimana's reign. Throughout Habyarimana's reign, there were almost no Tutsi *bourgmestres* or *préfets* (Prunier 1995, 75). A quota system remained. Allocation

[221] Kanyarengwe (part of a group of Hutu elites from Ruhengeri) was among the group of officers who mounted a coup against Kayibanda. Kanyarengwe was perceived as a threat to both Kayibanda and Habyarimana (Prunier 1995, Gasana 2002).

took place first on a regional basis (60 per cent of posts to Northerners; 40 per cent to Southerners) and then on an ethnic basis (within each region, 90 per cent of posts were reserved for Hutus) (Mamdani 2001). Tutsi participation in politics (one Tutsi minister in the cabinet till 1979) and in the formal economy was regulated, although this was loosely enforced (Prunier 1995). Tutsis were safer during the 1970s but their power, as an ethnic group, was regulated (Mamdani 2001).

In 1975, Habyarimana renamed his party, the *Mouvement Révolutionaire National pour le Développement* (MRND), and effectively centralised power. During the 1970s, he successfully played off groups of Northern Hutu elites from Ruhengeri (Bagoyi clan) and Gisenyi (Bashiru clan) against each other.[222] Box 4.2 illustrates how Habyarimana developed a 'peasant' ideology, which romanticised the position of Hutus as real peasants of Rwanda and cast clear enemies in Tutsi refugees (and the Tutsi population) (Verwimp 2000, 2013). A strong economy and high coffee prices in the 1970s assisted Habyarimana in organising labour to coffee production. When the economy suffered because of fall in coffee prices, some Ruhengeri elites (led by Theoneste Lizinde and Stanislas Biseruka) attempted a coup in 1980. However, the coup failed and Habyarimana later relied increasingly on the Gisenyi group.

Box 4.2: Illustration of Threats during the Second Republic (1973-1980)



[222] Clan differences may be a basis for intra-elite rivalry in Rwanda today. However, detailed information has proven difficult to find.

Some within the Gisenyi group later championed Hutu power – an ideology that cut across party lines and embodied Hutu solidarity (Des Forges 1999). This came to the fore when the economy was under stress after tea, tin and coffee prices had fallen by 1984. Towards the end of the 1980s, Habyarimana was forced to increasingly rely on foreign aid. Aid was made conditional on opening up political space and Hutu Power elements later used such space to mobilise support for their groups by identifying a common enemy – the Tutsi.[223] There were genuine revolutionary pressures in Rwanda at the time. Basic socio-economic inequality was crosscutting among ethnic groups – Hutu, Tutsi and Twa (De Lame 2005). Grievances brought about by economic inequality were easily mobilised through highlighting ethnic differences. To maintain his own power, Habyarimana was forced to side with, and increasingly empower a Hutu Power militia that "left a deadly retaliatory force in readiness after his sudden death" (Tilly 2003, 110). Habyarimana was "captive – and possibly the victim – of a civilian/military oligarchy determined to hang on to its privileges" (Lemarchand 1994, 602).

Kayibanda's political discourse was racial egalitarianism. Habyarimana had previously organised political discourse on an economic basis – focusing on empowering the population through an emphasis on agriculture. As political space opened and political discourse focused on ethnic distinctions, Habyarimana struggled to impose his power within an increasingly contested political space. The *akazu* (who were also Hutu Power advocates) were the winners.[224] They mobilised individuals to violence in the name of ethnicity. The state (led by Habyarimana but in name only) coordinated massacres directly against Tutsis.[225] Hutu Power succeeded and ensured that a new 'wave of violence' snowballed into genocide.

4.2 The Birth of the RPF

The RPF was formed as a response to the vulnerability experienced by refugees and a collective desire among Tutsi refugees for security. Following the

[223] Many *genocidaires* may have been personally motivated by other reasons, including promises of houses, land and vehicles (Des Forges 1999).
[224] *Akazu* referred to "the inner group close to President Habyarimana with the connotation of abuse of power and privileges; since the group was made up largely of family members of Habyarimana's wife who controlled most of the big enterprises in the country and influenced internal and external policy; it was also nicknamed *Clan de Madame*" (Adelman and Suhrke 2000, 367).
[225] While Tutsis and Tutsi sympathisers were primary targets, Hutus and Twas were also victims.

mass exodus of Tutsis beginning in 1959, the presence of Rwandan Tutsi refugees led to tensions at the local level in their adopted countries. Often, tensions emanated from competing claims over land (Mushemeza 2007). New ‘home’ governments of Rwandan refugees manipulated local anti-Rwandan sentiments and mobilised support against refugees. The Amin and Obote governments in Uganda and the Mobutu regime in the Congo both singled out these refugees for political advantage. In Tanzania, promises to bestow citizenship status on Rwandan refugees had been plagued by “implementational ineptitude” (Reed 1996, 483). Meanwhile, Habyarimana was reluctant to allow these refugees to return given the scarcity of land within Rwanda. When refugees were allowed to return, they were quarantined in bad conditions, as in Nasho in Eastern Province in 1982 (Rudasingwa 2013). Banyarwanda refugees from Uganda formed the Rwanda Alliance for National Unity (RANU) in 1979, with a clear political programme of returning to Rwanda.[226]

At RANU’s meetings, members identified themselves as the oldest refugees in Africa and directed their actions to tackling problems associated with this status. ‘Objective conditions’ were identified for which RANU members sought solutions. These included Habyarimana’s exclusionary dictatorship, which was run on the basis of sectarianism and provided few freedoms for Rwandan people.[227]

> “These were the debates we looked at. We wanted to solve poverty in Rwanda. To address sectarianism as a problem since that government discriminated against people. Welfare of all the people of Rwanda was the most important.”[228]

RANU called for a broad-based inclusive Rwanda where refugees would be allowed to return.[229] Initially, RANU was inspired by a radical leftist ideology and advocated the abolition of the monarchy and replacement of capitalism through the creation of a socialist state (Reed 1996). RANU’s establishment represented the beginnings of the creation of a vanguard movement, with individuals devoting themselves to the struggle for the liberation of Rwanda. Hutu elites in Rwanda highlighted similarities between RANU and the *inyenzi* who had attempted to

[226] The founders were not among the most discriminated segments of the refugee community but they played on discrimination within countries of exile to “motivate other less fortunate Banyarwanda refugees to join RANU” (Mushemeza 2007, 102).
[227] Interview, Tito Rutaremara, January 2015.
[228] Interview, Rutaremara, January 2015.
[229] Habyarimana did not recognise the existence of refugees, which RANU claimed to represent. Instead, he claimed that they had been “resettled in neighbouring countries” (Reed 1995, 49).

reclaim their land in the 1960s.[230] Founding member Rutaremara wrote a document entitled *Dukore Iki?* in 1983, echoing Lenin's 'What is to be done?' (Kimonyo 2014). However, there was limited progress in building a 'refugee consciousness' within the refugee community.[231] As Rutaremara said, "by 1985, RANU was still only restricted to young intellectuals. It was not yet a mass, dynamic movement."[232]

RANU was unable to appeal to varying shades of opinion and chose to temper its Marxist rhetoric by 1987.[233] RANU was renamed RPF in 1987. Four political papers were adopted, including a political programme (with objective conditions), operational guidelines, a code of conduct and a zero option (to return to Rwanda through violent action).[234] An Eight Point Plan was adopted, which presented a clear message to a broader audience. The central themes were democracy, national unity and the right of return of refugees, while corruption would be replaced with the rule of law (Reed 1996). Rwigyema was the first Chairman. Unlike RANU, the RPF had a permanent cadreship, although it was still voluntary.

> "We want to be progressive and most importantly, we wanted people to be educated politically. Now, we had values. We will always do self-analysis about what we are doing. We would always do things for the people and the goal would be self-reliance. We don't want any one from outside. If they come, they are welcome but we don't need them. We needed to fight negative tendencies. When we changed to RPF, we also began to focus more on women and youth. Women have nothing to lose and much to gain – they are a true revolutionary group. Then we sensitised and created cells, mobilised the youth and created structures including the Congress and the Political Bureau. By October 1990, we were doing it. We were a big movement."

RANU's eventual success was down to the experience of their members in Museveni's National Resistance Army (NRA). Two of their prominent members – Rwigyema and Kagame – were part of the inner clique who 'returned to the bush' to begin a civil war against the Obote government. Obote had strategically persecuted Tutsis within Uganda while Museveni relied on them for military support (Reed

[230] RANU later changed its name to avoid being confused with *Union Nationale Rwandaise* (UNAR) – (RANU spelt backwards) (Mushemeza 2007). UNAR was the predominantly Tutsi party associated with rhetoric around Tutsi supremacy in 1959.
[231] By 1983, the clandestine RANU still only had about 100 members (Kuperman 2004).
[232] Interview, Rutaremara, January 2015.
[233] There was also dissent in relation to RANU's attitude to the monarchy, with many equating it with an antipathy for religion. Anti-monarchist rhetoric was tempered in the new organisation.
[234] Interview, Rutaremara, January 2015.

1995). Rwandans within the NRA were sent on training missions abroad (Otunnu 1999). Many held senior posts. Rwigyema was Deputy Commander of the NRA and later became Deputy Minister of Defence. Kagame was Head of Intelligence and Counterintelligence. Peter Bayingana was Head of the NRA Medical Services. Chris Bunyenyezi and Sam Kaka were commanding officers.[235] These officers rallied support for Museveni within the Tutsi community. Led by Rwigyema, they were "instrumental in recruiting, training and sensitising refugees, a process which crystallised into a military and political organisation that later made empowerment of refugees a reality" (Mushemeza 2007, 104). Gradually, support among the NRA cadres grew and the RPF transformed from a "merely socio-political organisation to a political-military organisation" (Rusagara 2009, 174). Until the late 1980s, many of these cadres were primarily concerned with the NRA's success (Essack 1993). However, two events motivated Rwigyema and others to prioritise returning to Rwanda. The Ugandan parliament forbade non-citizens from owning land, specifically naming Banyarwanda refugees (Mamdani 1996) and Rwigyema was removed from his position as Deputy Minister of Defence. Peter Bayingana, the NRA's Director of Medical Services, was similarly sidelined earlier (Amaza 1999).

In October 1990, the military wing of the RPF – the Rwandan Patriotic Army (RPA) – invaded Rwanda. Rwigyema led the RPA. He had led a parallel command structure within the NRA, code-named 'Inkotanyi'.[236] The group largely consisted of Rwandan Tutsis whom Rwigyema and Kagame had recruited to support Museveni's NRA. By the time Rwigyema's group reached Rwanda, their numbers had increased by thousands.[237] Refugees in neighbouring countries joined the effort. The war effort was funded by several businessmen including Valens Kajeguhakwa, Tribert Rujugiro, Silas Majyambere (Hutu), Assinapol Rwigara, Vedaste Rubangura and Evariste Sissi. The RPA succeeded in recruiting other Tutsi refugees and some claim they even set up 36 cells within Rwanda by the end of 1987 (Misser 1995). However, they were unable to convince a significant number of Hutus to join their cause. Hutus

[235] Kaka was a leading commander during the liberation struggle. He was named the first Chief of Defence Staff after the genocide. He later retired from the military and became a senator and later, a Commissioner in the National Human Rights Commission. In 2007, he was arrested (and later released) (along with Frank Rusagara) for obstructing the arrest of businessman, Assinapol Rwigara.
[236] The Kinyarwandan translation is 'tough fighters' – a legend that continues to be attached to RPF cadres in the region.
[237] Reed (1996) estimates the number of RPA officers and supporters as 10,000 by the time they reached Rwanda. Prunier (1995) estimates this number at 2,500.

who did join the RPF cause included those who had quarrelled with Habyarimana.[238] Most leading RPF members were Tutsis and had Ugandan roots. However, several leading figures, including Denis Polisi, Rutaremara and Jacques Bihozagara, were from other countries or had worked outside the region.[239]

The RPA suffered a major setback when Rwigyema died on the second day of battle.[240] Two other senior officers Bayingana and Bunyenyezi died soon after. A month later and upon his return from a training course at Fort Leavenworth in the United States, Paul Kagame assumed command of the RPA.[241] After military setbacks, Kagame made the decision to regroup in the Virunga mountains. President Museveni gave tacit support, with southern Uganda used as a base for operations (Scherrer 2002). Many military officers interviewed referred to their time in Virunga as a formative experience for the movement. They endured difficult conditions and cadres made efforts to remind them of the purpose of fighting the war. Kagame retrained, reorganised and recruited for his army, relying on a network of contacts in Uganda and abroad (Waugh 2004). Many senior cadres helped him, including female leaders such as then-Financial Commissioner Aloysia Inyumba who raised funds for the liberation effort. In early 1991, Kagame launched two RPF military operations that were significant. The RPA took control of Gatuna – a border post on the transport corridor to Mombasa. A raid on Ruhengeri prison was launched, which freed former allies of Habyarimana, including Lizinde and Biseruka. Lizinde and other freed inmates joined the RPA's military effort.[242] The RPA only held Ruhengeri for a day before withdrawing to the mountains. In the process, they increased (what is now glorified as) "the mythic power of the guerrilla forces", gained military equipment and reinvigorated their movement (Rucyahana 2007, 50).

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[238] Prominent Hutus within the RPF included Alexis Kanyarengwe and Pasteur Bizimingu. Kanyarengwe had been in exile after escaping from Rwanda in 1980 and later became RPF Chairman. Bizimungu had worked under Habyarimana's leadership, leading the electricity and water utility company, ELECTROGAZ. He later became President of Rwanda.

[239] Rutaremara was in France for most of the 1980s but remained an active member of RANU. He has served as the RPF's General Secretary, an MP and the Chief Ombudsman. He is currently responsible for internal discipline within the RPF. Polisi served as Third Vice-Chairman of the RPF. He later served as a parliamentarian, the Party's General Secretary and as Ambassador. He currently serves on the Rwanda Elders Advisory Council. Bihozagara served as a minister and ambassador.

[240] There are contested narratives concerning whether Rwigyema was killed by his own officers (Bayingana and Bunyenyenzi) or by a bullet from opposition forces (Prunier 2009, Reyntjens 2013).

[241] Antagonism existed between Bayigana's group and Rwigyema's group prior to the war (Bamurangirwa 2013).

[242] Some of these inmates (including Lizinde, Biseruka and Captain Muvunanyambo) led a coup attempt against Habyarimana in 1980.

4.3 The Civil War and Genocide

Habyarimana's authority was vulnerable to three constituencies – donors, rival elites and the population. Because of reduced global coffee, tea and tin prices, the national budget was under increasing strain. There was also increasing resentment among the population, with the government imposing increasingly coercive policies, including forced coffee cultivation. Rising inequality characterised this period. Though 86 per cent of the population lived below the poverty line, the income share of the wealthiest decile of the population increased from 22 per cent in 1982 to 52 per cent in 1994 (Uvin 1998, 115). Donors made aid conditional on opening up political space, which made it increasingly difficult for Habyarimana to manage opposition from domestic elites. This aid formed the life support for Habyarimana's government until it was cut in 1993.[243] The imposition of a structural adjustment programme resulted in cuts in health and education spending, which contributed to increasing popular grievances (Uvin 1998).[244] During this period, the ruling MRND chose to highlight ethnic differences to retain its grasp on power. This strategy would eventually culminate in the rise of Hutu Power elites and the genocide that followed in 1994. Specifically, the *akazu* and its supporters perceived the genocide as the only strategy through which they could retain their hold on power. Box 4.3 details a chronology of events that led up to the genocide.

[243] The imposition of structural adjustment led to an increase in user fees in health and education, and even access to water "contributed significantly to social tensions and fears" (Newbury 1995, 14).
[244] This included both a requirement for a devaluation of the Rwandan franc, as well as removals of subsidies of Rwandan producers (Storey 2001)

Box 4.3: CHRONOLOGY (compiled from various sources, not exhaustive)

1 October, 1990: RPF invades Rwanda

4 October, 1990: FAR fake an RPF attack on Kigali

October/November 1990: Rwigyema, Bayingana and Bunyenyezi killed

23 January 1991: RPF attack on Ruhengeri Prison; followed by FAR-organised massacres of Tutsis in Bagogwe; opponents of MRND assassinated (mostly Tutsi victims)

June 1991: New constitution adopted in Rwanda.

October 1991: Habyarimana relinquishes some authority, appoints Sylvestre Nsanzimana as Prime Minister; representative from one another party included in cabinet.

January 1992: Massacres of Tutsis organised in the Northwest. Opposition parties organise protests against Habyarimana government.

March 1992: Tutsis massacred in Bugesera. Habyarimana accepts agreement with opposition parties to form a new government, with an MDR representative as Prime Minister.

April 1992: New cabinet established. MDR's Dismas Nsengiyaremye appointed Prime Minister.

April-June 1992: RPF continues attacks, including taking Byumba.

July 1992: Arusha talks begin.

November 1992: Mugesera makes infamous speech inciting violence in Gisenyi

January 1993: Massacres organised in Bugusera against Tutsis.

February 1993: RPA launches lightning attack on Kigali; halted by French troops.

March 1993: New ceasefire agreed.

May 1993: The MDR's Emmanuel Gapyisi murdered.

July 1993: Uwilingiyimana replaces Nsengiyaremye as Prime Minister.

August 1993: Arusha Agreement signed.

5 October, 1993: UNAMIR established.

21 October, 1993: Assassination of Burundian President Melchoir Ndadaye

November 1993: Frouald Karamira makes 'Hutu Pawa' speech.

January 1994: Formation of Transitional Government continues to stall. Dallaire warns superiors in New York about the training of *Interahamwe* militias.

6 April, 1994: Habyarimana's plane is shot down. Genocide begins shortly after.

8 April, 1994: RPF restart military operations.

21 April, 1994: The UN cuts its forces by about 90 per cent to around 270 troops.

22 June, 1994: Operation Turquoise authorised.

4 July, 1994: The RPF take Kigali.

18 July, 1994: The RPF take Gisenyi and establish control over the country.

19 July, 1994: New Rwandan government sworn in.

Habyarimana pursued a two-track strategy, permitting political liberalisation as a response to pressure from donors, while promoting internal repression inside Rwanda (Newbury 1995). Before the RPF invasion, Habyarimana established a national commission to prepare a new constitution.[245] Immediately after the invasion, Habyarimana's government staged a fake attack on Kigali, which led to the imprisonment of 8,000-10,000 people (mostly Tutsi businessmen and intellectuals) (Verwimp 2011). This fake attack drew foreign support, with foreign troops (French, Belgian and Zairean) contributing to FAR efforts in pushing the RPA back to Uganda. The Rwandan army also began a recruitment drive, with the army growing from 9,335 troops in 1990 to 27,913 in 1991 (Melvern 2004). Habyarimana repeatedly used the perception of the RPF as an external threat to legitimise violence against Tutsis over the next few years and deflect pressure from opening up political space. Tutsi civilians, perceived as allies to RPF invaders, were victims of arbitrary arrests, assassinations and organised massacres (Lemarchand 1995, Vandeginste 2003). From 1990 to 1993, between 2,000 and 10,000 Tutsis were killed in massacres and murders (Mann 2005).[246]

The RPA's successful guerrilla warfare strikes (including in Ruhengeri) in 1991 were met with retaliation by the Habyarimana government with massacres of Tutsis in Kinigi and assassinations of Tutsi politicians and businessmen. Habyarimana's opposition in Rwanda took the opportunity to establish political parties. Working in the tradition of Kayibanda's party, *The Mouvement Démocratique Républicain* (MDR) was re-established in March 1991. Other parties, including the *Partie Social Démocrate* (PSD) and *Parti Libéral* (PL), were established soon after. Most parties, including the ruling party, used militias to conduct violence against Tutsis or opposition members.[247] Most prominent among these groups was the *Interahamwe*, the ruling MRND's youth wing, which took at least 200 lives during 1992 and 1993 (Des Forges 1999). The ruling MRND not only had advantages in recruiting youth members and organising violence but also led in spreading extremist messages. Habyarimana's close associates "incited hatred among

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[245] Reyntjens (1996) makes an unconvincing argument that the RPF was prompted to invade the country because of Habyarimana's decision to embrace democratic reforms. Even though Habyarimana made these claims, there is little evidence of his willingness to cede political control.
[246] It is difficult to determine the precise number of Tutsis killed. Verwimp (2004) estimates the number at 2000.
[247] Militias included the MRND's *Interahamwe*, PSD's *Abakamobozi* and the PL's *Jeunesse Liberal*.

the population with impunity" through local journal *Kangura* and Radio Rwanda (Verwimp 2013, 127). Extremist elements in the military also propagated extremist messages. Theoneste Bagosora led a military commission in December 1991 that identified Rwanda's "principal enemy" as "Tutsi inside or outside the country, who are extremist and nostalgic for power" (Straus 2006, 25).

In June 1991, a new constitution was accepted. In October, Habyarimana finally ceded some power by appointing a new Prime Minister (Sylvestre Nsanzimana) and inducting a member from a different party into the cabinet. Opposition parties pressured Habyarimana to enact democratic reforms promised in the constitution. In November 1991, the PL, PSD and MDR signed a joint memorandum that highlighted the regime's refusal to enact democratic reforms (Prunier 1995). During this phase, ceasefires were agreed (in March and September) but were violated soon after. Low-intensity operations continued, with the RPF succeeding in its guerrilla operations. Massacres against Tutsis also took place (including in the Northwest and in Bugesera in early 1992). Habyarimana organised many of these massacres to deflect from his increasing isolation (Eltringham 2004).[248]

Increasing frustration among opposition parties led them to organise a rally against the Habyarimana government in January 1992. Habyarimana bowed down to pressure and in April, Dismas Nsengiyaremye (MDR) was appointed Prime Minister. Habyarimana also resigned as chief of the armed forces. Nsengiyaremye publicly criticised Habyarimana for his 'double language' in negotiations with the RPF (Bertrand 2000) and told him to reign in MRND cadres that were destabilising the country (Prunier 1995). In March, the extremist *Coalition pour la Défense de la République* (CDR) party was established. CDR worked closely with extremists within the MRND. During this period, the RPA made advances, including taking the town of Byumba. In June 1992, the RPF and the new Rwandan government began talks in Arusha. The prospect of a settlement in Arusha contributed to the polarisation of Rwandan politicians. Hardliners argued that Habyarimana had ceded too much to the RPF in ministerial positions, the military and the parliament. Another critical issue was the stipulation of a right to return for refugees (particularly

[248] Many MRND allies, including Hassan Ngeze, were involved in organising the Bugesera massacre (Eltringham 2004).

for the RPF). Some RPF officials admitted that they agreed to talks to gain credibility, legitimacy and support from the international community so that a UN force would be deployed to reduce the risk to RPF cadres in Kigali (Cohen 2007). Des Forges (1999) argued that the RPF was also motivated for tactical reasons because their forces were spread out and they were strategically disadvantaged.

While talks were underway, extremist propaganda continued within Rwanda. In November 1992, Leon Mugesera (MRND) gave a speech in Gaseke commune and called for Tutsis to be sent back to Ethiopia via the Nyabirongo River and for Hutus to mobilise against the invasion. This speech was a call for retaliation and self-defence (Straus 2006). Until the Arusha Accords were signed in August 1993, massacres continued (in Bugesera in January 1993), as did violence between opposing parties and between the RPF and the government.[249] In February 1993, the RPA launched a lightning attack against Kigali, which was only repelled with help from French soldiers. The government became increasingly aware that France stood between itself and defeat (Barnett 2002).

Opposition parties also fought for power among themselves as they began to consider the establishment of a transitional government as a realistic possibility. In the MDR, Faustin Twagiramungu (Kayibanda's son-in-law) and other moderates worked to exclude extremists such as Frodauld Karamira and Donat Murego. In July 1993, Nsengiyaremye was not allowed to extend his term and Twagiramungu was able to force through the appointment of Agathe Uwilingiyimana as Prime Minister (Des Forges 1999). The appointment of the transitional government was continually postponed as Hutu Power segments developed across parties and began to work against moderate Hutu elements. In neighbouring Burundi, the first Hutu President Melchior Ndadaye was killed in a military coup led by Tutsis. His death convinced many MRND politicians that genocide was the only rational option (Lemarchand 1995). In November, Karamira accused the RPF of links to Ndadaye's assassination and called for all Hutus to unite collectively against the Tutsi threat, baptising his wing of the MRND as 'Pawa' (Gasana 2002, Melvern 2004). Some Hutu elites openly embraced exclusivist nationalism that framed Tutsis as a common enemy

[249] Prominent politicians, including possible MDR Prime Ministerial candidate Emmanuel Gapyisi, were assassinated (African Rights 1995). Gapyisi was organising an alliance across party lines between those who were equally opposed to Habyarimana and the RPF (Des Forges 1999). Other politicians like Prime Minister Nsengiyaremye and Defence Minister James Gasana fled to Europe.

(Straus 2006). As Karamira developed this rhetoric, Twagiramungu and Uwilingiyimana maintained their original position of fighting for freedom and democracy for all Rwandans and engaging in talks with the RPF (Eltringham 2004). These splits were evident in most other parties (Prunier 1995). The PL was originally denounced as a Tutsi party and a branch of the RPF (Chretien et al. 1995). Justin Mugenzi, who was the PL's leader, had been previously called *ibyitso* (an RPF collaborator). Mugenzi became the leader of the extremist wing of the PL and marginalised prominent Tutsi leader Landwald Ndasingwa (Prunier 1995).[250]

There was little progress in establishing a Broad Based Transitional Government, as outlined in the Arusha Accords. In the months that followed, there were increasing warnings that extremist wings had begun to organise large-scale violence (Des Forges 1999). Death squads had operated within Rwanda since 1992 under the direction of Habyarimana and his wife's family (Reyntjens 1996). In 1993, UNAMIR troops reported that Habyarimana had publicly expressed intentions to distribute grenades to the *Interahamwe* and the CDR (Des Forges 1999). In January 1994, Twagiramungu accused the Defence Ministry of training more than 1,000 members of the *Interahamwe* (Orth 2001). The *Interahamwe*, the CDR's militias (*Impuzamugambi*), the Presidential Guard, the FAR and the gendarmerie had all been prepared to conduct the genocide (African Rights 1994). The RPF was also not counting on peace to hold and was preparing for renewed war (Jones 2001).

On 6 April, 1994, a plane carrying Habyarimana, Deogratias Nsabimana, President Cyprien Ntaryamira of Burundi, and key hardliners Elie Sagatwa and Juvenal Renzaho, was shot down on its approach to Kigali. Immediately, Hutu hardliners blamed the RPF for shooting down the plane. Hutu extremists painted Habyarimana's assassination as "undeniable proof" that Tutsis would do anything to regain power (Turner 2005). Within hours, *Interahamwe* roadblocks were set up in Kigali and houses were searched (Prunier 1995). In a few hours, the fastest genocide of the twentieth century was underway (Straus 2006). The Presidential Guard, militias and the army largely conducted it. The first victims were the Prime Minister, opposition politicians (including Ndasingwa) and large numbers of Tutsis. Among the opposition politicians, Twagiramungu only survived because the killers had the wrong address (Guichaoua 1995). The genocide took the lives of over 800,000

[250] Ndasingwa built Hotel Chez Lando. His sister is the current Foreign Minister Louise Mushikiwabo.

people, with a large number of them Tutsis.[251] It is difficult to estimate the number of Hutus who participated in the slaughter. The government estimates the number in the millions (Mamdani 2001) and others argue it was between 175,000 and 210,000 (Straus 2004).[252]

On 7 April, Kagame warned Dallaire that the RPF would strike if the killings were not stopped (Dallaire 2003). Kagame restarted military operations the next day. Meanwhile, the head of the Presidential Guard Bagosora tried to seize power and install extremists in positions of authority. Though some military officers (like Marcel Gatsinzi and Leonidas Rusatira) opposed such moves, the interim government was largely controlled by extremist elements. Bagosora and other Hutu Power elites drew up lists of victims, legitimised and promoted violence against Tutsis. On 12 April, the interim extremist government moved to Gitarama and 1000 *Interahamwe* militia also accompanied their relocation (McDoom 2014). Fifteen days into the genocide, most Tutsi gathering sites were attacked and destroyed, with more than half of all victims killed on those sites (African Rights 1995, Kuperman 2001). The killings did not erupt all over Rwanda at the same time. Rural Kigali and Kibungo prefectures were the first zones of widespread genocidal killings (Davenport and Stam, quoted in Boone 2014, 246). The genocide began later in most other prefectures and was limited to one or two communes in some of these prefectures (Straus 2006, Des Forges 1999). Some government officials and army officers also resisted orders to kill Tutsis in some provinces (Des Forges 1999, Verwimp 2013). However, Hutu Power elites legitimised the killing of Tutsis (using instruments such as extremist journal, *Kangura*, and radio station, RTLM). Though some perpetrators used this opportunity to settle individual scores, the genocide was promoted and legitimised by Hutu Power elites who saw the elimination of Tutsis as the only way to retain power.

The RPF's victory resulted from a "total war strategy and disarray in the FAR, which was distracted by the demands of the genocide" (Gourevitch and

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[251] The exact numbers have been debated. Some (Prunier 1995) claim that 800,000 people died, with 3/4th of them Tutsis. Des Forges (1999) argued that at least 500,000 Tutsis died and this was 3/4th of the Tutsi population. Using UN data, Reyntjens (1997) argued 600,000 Tutsis were killed. Verwimp (2013) estimates that roughly 81 per cent of Tutsis living in Rwanda died. He also argues that around 4 per cent (or nearly 300,000) of the Hutu population died. Uvin (2001) cited the number of deaths at one million. Straus (2006) argues that 75 per cent of the Tutsi population died. The RPF (GoR 2002) estimates that 1,074,017 people died, with over 93 per cent of them Tutsi.

[252] Straus (2006) argues that 7-8 per cent of the Hutu population committed the killings.

Kagame 1996, 167). Earlier, in June, France received Security Council approval to deploy a force – Operation Turquoise – to save lives and to preserve "territory and legitimacy" for the interim government (Des Forges 1999, 24). Though the operation may have saved some lives, it allowed many Hutu Power elites to flee Rwanda (Des Forges 1999, Lemarchand 2001). Kagame's forces took Kigali on July 4 and two weeks later, their victory was complete.

Kagame calls the genocide "the defining event in Rwandan history" (Gourevitch and Kagame 1996, 167). Events in 1994 signalled clear winners (RPF leaders) and losers (Hutu extremists). RPF rule has been legitimised through positioning its cadres as saviours of Rwanda, following the genocide. The RPF's victory was also a victory for its ideology and the central goals of the struggle were permanently lodged within the ideals of those cadres who shared experiences during the liberation effort. RPF cadres argue that they achieved this victory on their own. The international community failed them and French forces colluded with their enemies (Wallis 2006).[253] Observers have strengthened this position by showing that foreign actors (such as the UN or the United States) ignored the genocide (Barnett 2002, Lynch 2015).[254] Kagame and the RPF have been cast as heroes within RPF narratives. These positions have been contested on several counts.

The most contested debate has centred on which group was responsible for shooting down Habyarimana's plane.[255] Initially, scholars (Prunier 1995, Des Forges 1999) seemed convinced that extremist political and military leaders had shot down the plane. Many *akazu* members lied about their whereabouts on the night before the plane was shot down. Many senior officials, including Bagosora (who was in direct contact with the Presidential Guard and key leaders), seemed in control of events at the time (Des Forges 1999, Melvern 2006). The Presidential Guard's decision to immediately target leaders who were in a position to take charge of the government also supports such claims. Extremists were also not content with the concessions made by Habyarimana in the Arusha agreement. Most damning is the geometric-

[253] In 2008, Rwanda's Mucyo Commission published a 337-page report that explored the French government's role during the 1994 genocide. It accused France of financing the Habyarimana government, training the *Interahamwe* militias and instructing French soldiers stationed in Rwanda to turn a blind eye to the genocide. RPF Senator Antoine Mugesera accused Kofi Annan of having "a heavy responsibility" in the genocide (Ellison 2001).
[254] International intervention is unlikely to have stopped the genocide although it may have reduced its scale (Kuperman 2001).
[255] See Verwimp (2013, 150) for a list of arguments on both sides.

ballistic research report by the French judges Trevedic and Poux, which found that rockets were fired from the Kanombe military base, which the Presidential Guard had occupied.

Other scholars (Straus 2006, Reyntjens 2013) have accused Kagame of ordering Habyarimana's assassination. French judge Brugière conducted an investigation, which supported these claims. Observers who claim that the RPF are responsible have relied on testimonies of former RPF officers who have left the country in exile. Such officers include Abdul Ruzibiza, Theogene Rudasingwa and Kayumba Nyamwasa. However, these observers seem willing to take these testimonies as evidence, without acknowledging that exiled officers have an incentive to delegitimise the RPF.

It is impossible to know who is responsible for assassinating Habyarimana and the others who were on that plane. Melvern (2008) argues that "whoever is eventually found guilty will carry the moral responsibility for starting the genocide." Regardless of who shot down the plane, the RPF is not responsible for murdering large numbers of Tutsis after the plane was shot down. Those killings were conducted by Hutu Power elites who had taken control of the government. However, the continued contestation of memories among different groups has political implications for the legitimacy of RPF rule.

The RPF government and many scholars argue that the genocide was pre-ordained and followed a master plan (Prunier 1995, Des Forges 1999, Longman 1999, Verwimp 2013). However, other scholars disagree and argue that the genocide was a strategy improvised by elites out of opportunity and threat (Mamdani 2001, Mann 2005). Inflammatory claims centre on denial of the genocide. Davenport and Stam (2009) used spatial mapping software to show that most victims were Hutus (500,000-700,000) and not Tutsis (300,000-500,000). Davenport and Stam's (2009) assumptions regarding the population of Tutsis in Rwanda is estimated on the basis of calculations regarding Tutsi numbers in the 1991 census. Some (Herman and Peterson 2010, Collins 2014) have used these claims to argue against the occurrence of genocide in Rwanda. However, the calculations on which these claims are made are dubious because the population of Tutsis is likely to have been underreported because of the Habyarimana regime's exclusionary policies (Des Forges 1999). One estimate has underreporting at around 40 per cent (Verpoorten 2005). Originally, it was acknowledged that the RPF ended the genocide (African Rights 1995). However, others argue against casting the RPF as heroes, citing evidence that Kagame was more concerned with outright victory than saving the Tutsi population (Reyntjens 2013, Des Forges 1999, Kuperman 2004, Dallaire 2003).

Critics have also argued that the RPF engaged in revenge killings after the war was over. The RPF was criticised for ignoring these crimes (Pottier 1996, Prunier 2009) and for killing hundreds of thousands before, during and after the genocide (Reyntjens 1996, Des Forges 1999). RPF supporters also recognise that such killings took place (Gourevitch 1998, Melvern 2004). Kagame admitted that individuals carried out revenge killings (Gourevitch and Kagame 1996). However, he clearly differentiated between such killings and those that occurred during the genocide, arguing that since many of these soldiers were being tried in courts, it showed that the killings were not state-sanctioned (ibid). Reyntjens (2009) acknowledges that some military officers were prosecuted but notes that “sentences were lenient” and no one was charged for massacres. He cites the example of Fred Ibingira, who was charged with negligence (but acquitted of the charge of murder) after 2,000 people were killed in an internally displaced camp in Kibeho (Reyntjens and Vandeginste 2005). However, there is no convincing evidence that the RPF government launched plans through the state to target Hutus (as a group) specifically. There is no excuse for those reprisal attacks but they do not amount to genocide.

This thesis takes the position that genocide was conducted by Hutu Power elites in Rwanda. A variety of factors led to the genocide. There were a number of factors that contributed to tensions, including conflicts over land (André and Platteau 1998), gender dimensions (Burnet 2012, Taylor 2001), regional tensions, population pressure, the weakening economy, donor demands and the politicisation of ethnicity. Official discourse on the 1994 genocide maintains the ethnic division that the RPF-led government denounces in theory: moderate Hutus are victims of politicide while Tutsis are victims of genocide (Eltringham and Van Hoyweghen 2000). Developing a story that clearly outlines the parties involved as two ethnic groups downplays the class and regional dimensions of conflicts.

This thesis does not have any additional information to add to the debate regarding who shot Habyarimana's plane, the exact numbers of the genocide or reprisal killings. However, it stresses that contesting claims of the RPF's (and Kagame's) position as saviours and heroes of the country following events in 1994 are central to Rwandan politics today. While the dominant coalition protects such beliefs, rivals contest those beliefs to threaten the credibility of ruling elites.

4.4 Countering Hutu Threats, Establishing the Monopoly of Violence

After the genocide, the RPF continued to fight opponents within the country and in DRC. There was a genuine distrust of the population and Hutu RPF elites were a possible threat (because they could potentially mobilise popular grievances). The RPF maintained the appearance of a broad-based coalition but understood that Tutsi security depended on monopolising political control among Tutsis (or ensuring the monopoly of violence was shared with those who were loyal to RPF ideology).

After 1994, Vice-President Kagame led the dominant coalition within the RPF, which comprised the Tutsi Ugandan inner clique and other loyalists (including some Hutu politicians). A scattered group of Hutu RPF members and other political parties opposed the dominant coalition. Other political parties included *Mouvement Démocratique Républicain* (MDR), the *Parti Social Démocrate* (PSD) and the *Parti Démocrate Chretien* (PDC). President Bizimungu (RPF) and Twagiramungu (MDR) were both Hutus. Nine ministers were Tutsi while 12 were Hutu. Under labels of "power-sharing" and "national unity", the 1994 government represented (on paper) "a genuine government of national unity" (Prunier 2009, 7).[256]

The unity did not last long. While the RPF may have envisioned a society where broad-based inclusion could mean open political competition, the party's own survival quickly became predicated on Tutsi rule (Mamdani 2001). The RPF's central concern till 2000 was countering security threats inside and outside Rwanda.[257] Hutu ministers such as Interior Minister Seth Sendashonga and Prime Minister Twagiramungu protested against the military's reluctance to reign in reprisal killings. Kagame replied by "defending the honour of the army", either

[256] Reyntjens (2013) disagrees with this, suggesting it was a façade from the beginning.
[257] This opinion is expressed in interviews often.

denying the charge or claiming the security forces were doing the best they could (Prunier 2009, 9). Twagiramungu later resigned while Sendashonga was fired in August 1995. Soon after, both left Rwanda. Others such as Lizinde followed.[258] The initial years were a "period of massive imprisonment, arrests and killings, both public and discreet, of an unprecedented magnitude" (Ruzibiza, quoted in Reyntjens 2013, 10). Kanyarengwe was among those who chose silence as a method of protest, rather than exit.[259] He officially resigned "because he wanted to devote himself to other functions" but he may have resigned in protest against massacres committed by the RPA in Ruhengeri (Kanyarengwe's home district) (Reyntjens 2013, 18). When Hutu leaders chose to exit, many of them attempted to form new coalitions outside Rwanda as an alternative to power. Exit was a pathway to voice for some of them. However, Kigali countered such attempts. For example, Sendashonga had begun to build support (even meeting Ugandan government officials to apprise them of his plans) before he was allegedly assassinated on RPF orders (Prunier 2009).

After Kanyarengwe's resignation, the façade of 'power-sharing' gave way to executive dominance. By 2000, even Bizimungu had resigned.[260] When Hutu leaders decided to voice their protest and challenge the regime, such protests were not tolerated. Bizimingu's attempt at establishing a new party in 2001 led to his house arrest (Reyntjens 2011).[261] He was imprisoned in 2004 and given a 15-year prison sentence.[262] Other Hutus and rival party leaders such as Pierre-Celestin Rwigyema,[263] Bernard Makuza[264] and Vincent Biruta seized the opportunity to prove their loyalty to the RPF.[265] Kagame replaced rivals with loyalists, thereby consolidating his power and position. The 2003 constitution was established, which legalised the existence of a multiparty system, with restrictions (Golooba-Mutebi 2013). Critics (Reyntjens 2006, Beswick 2010) have argued that the constitution has

[258] Lizinde was shot and killed in Nairobi in 1996.
[259] Kanyarengwe died because of poor health in 2006.
[260] Although he resigned "for personal reasons", charges of tax fraud, corruption and illegal dispossession of land were levelled against him (Reyntjens 2004, 181). Kanyarengwe's position was delegitimised publicly (as is the norm when officials are excluded).
[261] He established the *Parti démocratique pour le Renouveau-Ubuyanja* (PDR-Ubuyanja)
[262] He was released in 2007 but did not engage in any form of outright protest.
[263] He replaced Twagiramungu as Prime Minister in 1995 and remained in the post till 2000. He was later accused of being involved in the genocide and fled Rwanda. This case was suspended in 2011. In 2012, he returned to the country and was elected to the East African Legislative Assembly.
[264] Makuza was Prime Minister from 2000 to 2011. He then became a member of the Senate.
[265] Biruta served as the Speaker of the Parliament. He has also served as Minister of Education and President of the Senate. He is a Tutsi and a PSD leader.

allowed the RPF to consolidate power under the guise of multiparty democracy although there is very little space for dissent in Rwandan politics. Supporters argue that national dialogues and forums for political parties ensure that the government listens to divergent voices within Rwanda (Golooba-Mutebi 2013). By the early 2000s, the Kagame-led RPF established a monopoly of violence and power among its Tutsi cadres and loyal Hutus.

The position of many Hutu leaders was insecure but many have assumed prominent positions. For instance, Marcel Gatsinzi had been Chief of Staff of the Rwandan Armed Forces (FAR) in April 1994. Gatsinzi was removed from his post in the early 1990s after publicly opposing the genocide. He was reintegrated into the RPA after the genocide and was eventually promoted to the rank of General. He later served as Minister of Defence and then as Minister of Disaster Management and Refugee Affairs.[266] During this time, Gatsinzi was repeatedly accused of genocide charges. Emmanuel Habyarimana preceded Gatsinzi as Minister of Defence, serving from 2000 to 2002. In 2002, he was removed from his position for his "extreme pro-Hutu" views (BBC 2003). He fled Rwanda in 2003. Boniface Rucagu, a popular Ruhengeri politician, was arrested on genocide charges six times between 1994 and 1997 (Kinzer 2008). In 1997, he was appointed Governor of Northern Province to wean the Northwest away from Hutu extremism (Booth and Golooba-Mutebi 2013). He currently serves as head of the National Leadership Training Programme, *Itorero*.

The RPF disciplines Hutu opponents who challenge dominant narratives or mention ethnicity in political campaigns. In 2010, Victoire Ingabire, President of *FDU-Inkingi*, returned to Rwanda to contest the elections. She challenged the RPF discourse by publicly saying that Tutsis were not the sole victims of the genocide (at a genocide memorial centre). After the speech, she was arrested and charged with "genocide ideology, minimising the genocide and divisionism" (Waldorf 2011, 58). Ingabire is still in prison today. There may be genuine grievances among the population today (as the scholarly 'consensus' suggests). However, Tutsi elites (and rivals) collectively guard against the mobilisation of such grievances.

[266] He was retired in 2013.

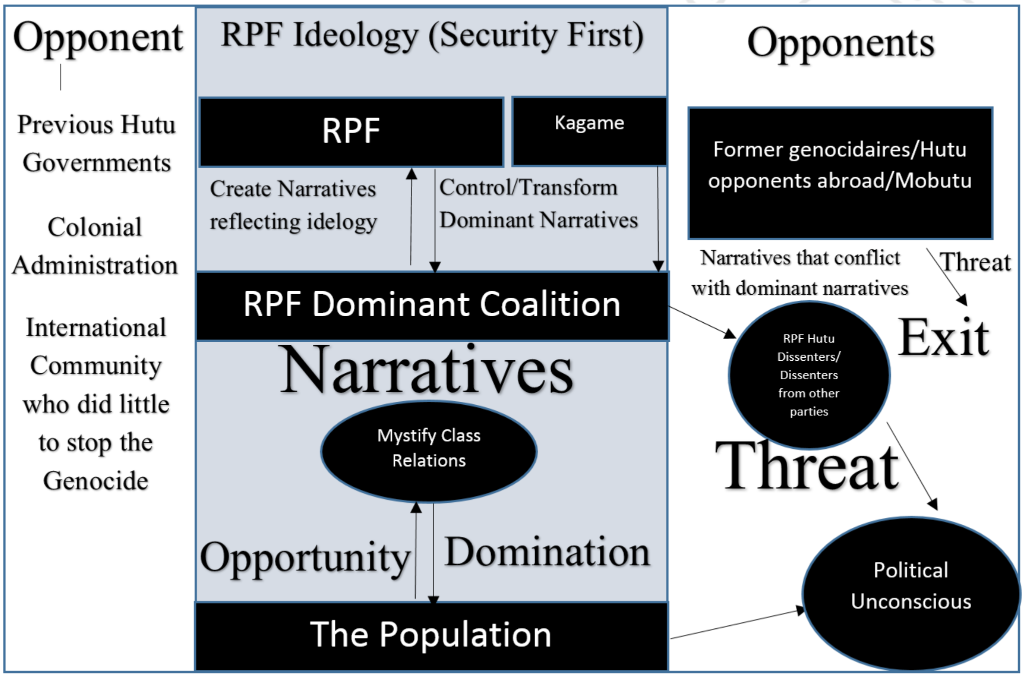
Some prominent loyal Hutus remain in positions of power. Pierre Damien Habumuremyi served as Prime Minister between 2011 and 2014.[267] Francois Kanimba has served as Minister of Trade and Industry since 2011.[268] Anastase Murekezi is the current Prime Minister.[269] The government's paranoia is justified by the threat Hutu leaders pose in mobilising the population on the basis of ethnic divisionism. Critics (Lemarchand 2006) argue that 'real' power sharing would have led to a more equitable distribution of power. Reasoning follows that the RPF's methods only mask increasing inequality between ethnicities and will end in renewed ethnic conflict (Ingelaere 2010). However, there is limited opportunity to instrumentalise ethnic differences. The more pressing threat to the current government comes from within its RPF Tutsi elite. Box 4.4 illustrates that the RPF ideology was legitimised through historical experiences, including its position as saviours after the genocide (with Kagame as the leading figure) and shared refugee experiences during the liberation effort. RPF ideology was strengthened through distancing itself from the reigns of previous Hutu leaders and the colonial administration) and the threat posed by former *genocidaires* abroad. To retain its monopoly of violence, the RPF works against threats posed by opponents within the country (dissenters) or alliances between opponents abroad that could galvanise the dissatisfaction of segments of the population.

[267] Habumuremyi's rise was surprising for many within Rwanda. "Even for me, this is a shock. He had no reputation. If anything, he had a corrupt reputation" (Interview, senior RDF officer, January 2012). He had served the government since 2000 in posts at the National Electoral commission, as a Representative in the East African Legislative Assembly and as Minister of Education. In 2014, Habumuremyi was removed as Prime Minister. Three explanations were presented for this reshuffle: i) it was a political decision ahead of the next election; ii) One of Habumuremyi's relatives was in the FDLR and returned to Rwanda without going through the demobilisation process (Long 2014); iii) He was involved in "business deals conducted through members of his family" and his "propensity for photo ops" (Kanuma 2014a). The second and third propositions delegitimised Habumuremyi as acting for his own benefit and against RPF values.

[268] Kanimba was Chairman of the Governance Task Force, which negotiated the first structural adjustment Programme in Rwanda. He had worked for the Habyarimana government for 11 years in the Ministry of Economic Planning. From 1995-2000, he was the World Bank's Chief Economist in Rwanda. He then worked at BNR till 2011, serving as the Governor of the Bank for nine years.

[269] Murekezi is a PSD member. He previously served as the Minister for Public Service and Labour.

Box 4.4: Illustration of Threats during the First Phase of RPF Rule: The Primitive Accumulation of Coercive Power



4.5 Consolidating the Monopoly of Violence: From Security to Discipline

Senior RPF cadres were the primary rivals to Kagame's power. They retained individual holding power and shared the collective memories and experiences of the liberation effort. Though few of them were accorded the same degree of heroism within the narratives of the genocide as Kagame, many cadres were respected because of their contributions during the liberation effort and after 1994. Since 2000, Kagame has countered their power and capacity to collaborate against him. Appeals to the collective memories of shared experiences of these elites are used to draw their loyalty while gradually reducing their access to rents. In this way, the dominant coalition strengthens the moral appeal of RPF narratives to counter the moral authority of others' choices to betray the RPF cause. The moral authority is also bolstered by the dominant coalition's own threat of violence.

Kagame's consolidation of power has been a gradual process. Starting in 1994, Kagame retained some degree of control over most decision-making despite the government being led by President Bizimingu and the RPF by Chairman Kanyarengwe (Reyntjens 2004, Prunier 2009). Kagame was 36 when he became

Vice-President in 1994. Other RPF leaders also demanded power and had the Loyalty of cadres. Apart from those already mentioned, other senior leaders included Polisi, Rutaremara, Patrick Mazimhaka,[270] Frank Mugambage,[271] Charles Murigande,[272] Joseph Karemerera[273] and Theogene Rudasingwa.[274] As Kagame increased his hold on power in the 1990s, he relied on several military officers. Most prominent among those were Kayumba Nyamwasa,[275] Patrick Karegeya,[276] James Kabarebe[277], Charles Kayonga[278] and Karenzi Karake.[279]

When senior RPF cadres are excluded, they are 'publicly' accused of corruption, collaborating with enemies or advancing their own interests above that of the nation. Such acts go against values (anti-corruption, self-sacrifice), which are perceived as necessary to pursue ideological goals (self-reliance). Kagame's supporters defend him by suggesting that corruption charges are genuine.[280] Many prominent RPF cadres – Kayumba, Karake and Kabarebe – had substantial holding power of their own, after leading military victories in the late 1990s. In interviews and exchanges with other military officers, it was clear that these individuals commanded respect from their peers and subordinates.[281] Evidence of holding power can be determined by the formal positions that individual elites occupied during and

[270] Mazimhaka was Second Vice-Chairman of the RPF. He later served as minister under the Bizimungu government and became a Special Envoy for President Kagame. Between 2003 and 2008, he was Deputy Chairperson of the African Union's Africa Commission.
[271] Mugambage was the first National Police Chief. He is the current High Commissioner to Uganda.
[272] During the liberation effort, Murigande was the RPF Spokesperson in the United States. He was later appointed Minister of Foreign Affairs and is the current High Commissioner to Japan.
[273] Joseph Karemerera is a founding member of the RPF. He served as Minister of Health, Minister of Education and later as an Ambassador. He is currently a Senator. He was also part of a team, along with Rutaremara and Antoine Mugesera, that was tasked to come up with a "transition formula" that would deliver "change, continuity and stability" after 2017 (when Kagame is supposed to end his term as President) (Rutayisire 2013). As early as 1999, Karemerera had charges against him for corruption, highlighting his delicate relationship with Kagame (Reyntjens 1999). Mugesera was also a Senator and had previously been the Chairperson of Ibuka (the most prominent survivors' organisation).
[274] Rudasingwa served as the RPF's General Secretary, Ambassador to the United States and as Director of the Cabinet.
[275] Kayumba led the Directorate of Military Intelligence (DMI) and was Chief of Defence Staff.
[276] Karegeya was the former Chief of the External Security Organisation. He is credited with a pivotal role in establishing Rwanda's intelligence services.
[277] Kaberebe is revered as a hero within the RDF, primarily because of his exploits in the military efforts in the DRC. He has served as the Chief of Staff in both the Rwandan and Congolese militaries (under Laurent Kabila). In 2014, he remained the Minister of Defence.
[278] Kayonga held command positions during the liberation effort. He served as a brigade commander in counter-insurgency operations in the late 1990s. Kayonga was the Defence and Military Advisor to the President and the Chief of Staff of the Army (land forces). He was named CDS in 2010.
[279] Karake had earlier served in the NRA. He led efforts at containing the insurgency in the Northwest. He later headed DMI and the National Security Services (NSS).
[280] Interview, two senior RPF cadres, May 2012; Interview, Senator, January 2015.
[281] Interviews and informal exchanges.

after the liberation effort. For military elites, holding command positions shows that they have developed loyalties within military networks. If elites choose to exit, the government's decision to highlight them as threats or as 'terrorists', show their continued relevance among elites in Rwanda.[282] Not everyone who exits and is accused of terrorism has the same holding power. Individuals such as Joel Mutabazi and Abdul Ruzibiza were not prominent officers during the liberation effort and are less threatening than officers such as Kayumba Nyamwasa and Patrick Karegeya.

Possible rivals were slowly weeded out.[283] In 2000, Joseph Sebarenzi, the Speaker of the National Assembly, resigned. He (2009) claims that he chose to resign because he was under pressure from RPF cadres whom he had begun to investigate. The government began inquiries against Mazimhaka and Emmanuel Mudidi, then-Minister of Education. Reyntjens (2013, 14) said Sebarenzi was accused of "dictatorial tendencies." Sebarenzi fled to Uganda and later to America. Sebarenzi (2009) said that Kagame's exclusion of Tutsi elites was motivated by "fear of his enemies." Because individual elites, even within Rwanda, support such claims, it is clear that Kagame's decisions to act against senior figures antagonise others. However, elites continue to trust Kagame as the best option given that an alternative (e.g. an election) may result in a Hutu victory.[284]

Destroying the reputation of others was essential for ruling elites if their actions (either the RPF's punishments or the challenges of rivals) were to be legitimised. This is true of the 'Gang of Four' – Kayumba, Karegeya, Rudasingwa and Gahima – who established the Rwanda National Congress (RNC) in December 2010. In 2010, this group published the *Rwanda Briefing*, which accused the RPF government of corruption and nepotism, human rights violations and marginalising Hutus (Nyamwasa et al. 2010). Senior RDF officials Richard Rutatina and Jill Rutaremara (2010) defended the government against such accusations and accused the 'Gang of Four' of hypocrisy. Kayumba's relationship with Kagame became frosty, starting in 2001 when he went on a 'study tour' to the UK in 2001. However, he was reintegrated into the dominant coalition on his return. Rumours spread that he

[282] See Kagame (2010), Ssuuna (2013), Musoni (2014a), Stevis and Barker (2014). Karegeya called such accusations 'a political tool' (Mukomobozi 2014).
[283] For a selected list of Tutsis who went into exile in the early 2000s, see ICG (2002).
[284] Though a critic, Sebarenzi (2009, 227), shares a distrust of elections. He argues Tutsi security would be "in jeopardy, a view shared with most Tutsi I [Sebarenzi] speak with share, and for good reason."

was plotting a coup in the early 2000s.[285] He was later sent to India as Ambassador. One observer – Prunier (2009, 302) – argued that Kagame was particularly worried about "pre-empting the Kayumba-Kabarebe faction from organising a coup." Karegeya was also identified as a possible threat because of his extensive contacts in the Ugandan government. In 2005, he was arrested for indiscipline, subordination and desertion. He spent 18 months in prison. After his sentence ended in 2007, he fled to South Africa. Rudasingwa developed a reputation abroad and was responsible for establishing the Office of the President, serving as Kagame's key civilian aide. In 2005, he fled from Rwanda and moved to the United States after being gradually eased out of political responsibilities.[286] Rudasingwa joined his brother Gerald Gahima, former Attorney General and Vice President of the Supreme Court, who had gone into exile in 2004 after being accused of corruption. In 2010, the four were indicted for "menacing the authority of the state, ethnic divisionism, terrorism and forming a terrorist group" (Reyntjens 2013, 95).

Kagame's interests should not be equated with that of the entire RPF. "The RPF is a deeply divided, fragile, paranoid party" (Clark 2010). There are schisms between elites and immature factions vie for power within the centralised hierarchy.

> "The RPF is a mass movement. There are always problems inside. We had the first generation and the second and now, we are on the third generation. When a movement becomes a bigger group, these internal divisions will happen."[287]

Kagame used a group of loyal Tutsi elites – mostly within his intelligence services – to batter the power of the older cadres of the RPF's Tutsi elite. These new loyal cadres may have manipulated Kagame to increase their own power.[288] Among the new group of loyalists were intelligence officers such as Jack Nziza,[289] Tom

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[285] He returned to Rwanda after his 'study trip' and was installed as head of the NSS. During this stint, it is rumoured that he planned and even attempted a coup (Reyntjens 2013).

[286] He was sacked from his post of Chief of Staff at the Office of the President in 2004, two weeks after his brother was forced to resign as Vice President of the Supreme Court. Rudasingwa (2013) writes about how he was frequently warned to avoid depicting himself as a hero and working for his own individual interests.

[287] Interview, Rutaremara, January 2015.

[288] Rivals make these charges (Rudasingwa 2013).

[289] Until 2013, Nziza was the Permanent Secretary in the Ministry of Defence (MoD). He was then made Inspector General of the RDF. He has also worked at the DMI and is perceived as Kagame's 'eyes and ears' within the military ranks.

Byabagamba[290] and Emmanuel Ndahiro.[291] Rivals accuse this group (primarily Nziza and Ndahiro) of promoting the image that Kayumba was building an "army-within-the-army" to overthrow Kagame (Rudasingwa 2013, 382). The new group of loyalists do not occupy a stable position within the hierarchy. This group of loyalists compete against each other and other senior cadres. Intelligence services organised informal power networks. Increasing surveillance over the lives of elites has been used to impose discipline in line with uniform party behaviour.[292] Leadership has ensured an atmosphere of mutual suspicion among elites so that they do not voice dissent through collective action.

The 'Gang of Four' publicly argues that they formed the RNC because they disagreed with the direction of RPF policies. This group rejected the corruption charges that had been levied against them (Nyamwasa et al. 2010).[293] Booth and Golooba-Mutebi (2013, 9) identify the RNC as "a marriage of convenience among four people with different views and very different reasons for breaking relations." Frictions in the relationship between Kayumba and Kagame emerged in 2001. Internal discipline within the party was used as a tool to consolidate the monopoly of violence and legitimise the exclusion of senior RPF cadres. Elites who had secured vast amounts of land in Eastern province without permission were disciplined.[294] Ruling elites used their authority to administer discipline on those who had contradicted internal values of the party. Regardless of whether such accusations

[290] Byabagamba was the head of the army's Presidential Guard. In 2011, he fell out briefly with Kagame but returned a few months later as the head of the Counter Terrorism Unit in the MoD. Byabagamba's wife, Mary Baine, previously headed the RRA. She also served as permanent secretary in the Ministry of Foreign Affairs.

[291] Ndahiro was Kagame's personal doctor and later served as Karegeya's replacement at the External Security Organisation (ESO). He then became head of the NSS. In 2011, he was replaced in this position by Karenzi Karake.

[292] Interviews with senior RPF cadres supported these claims. Nyamwasa et al. (2010, 33) accused such individuals of "committing egregious human rights abuses, including arbitrary arrests and detentions, torture, politically motivated criminal prosecutions and detentions, extra-judicial killings and enforced disappearances of opponents and critics."

[293] Rudasingwa (2013) admits he was disciplined by Kagame for allocating gift shops to Kayumba's wife when he was in-charge of building the Intercontinental Hotel. Such incidents show that Kagame had grounds to discipline these individuals.

[294] Former Minister of Local Government Protais Musoni, Musoni's brother Theoneste Shyaka (collectively 351 ha) and Brig. Gen. Sam Kaka (115 ha) were among the senior officials accused of such offences. Other officers whose land was later redistributed included Charles Kayonga (334 ha) and Frank Rusagara (387 ha). All these individuals retained 25 ha of land (Kimenyi 2008). Others included Alfred Nkubiri (508 ha), Patrick Ngoga (384 ha), Edgard Rwangabwoba (380 ha), Fred Ibingira (320 ha), Kayumba Nyamwasa (207 ha), Aloys Muganga (199 ha), James Kimonyo (176 ha), Charles Muhire (119 ha) and Theoneste Mutsindashyaka (105 ha) (Reyntjens 2013).

were true, the charges affected the legitimacy of individuals against whom these accusations were made.[295]

In 2010, the RNC appealed across ethnic lines to Hutus in exile. Rudasingwa (2013) lists the Hutus who joined the organisation. This appeal lost them the support of many sympathisers who had been loyal to Kayumba.[296] RPF narratives also maintain a broad-based appeal. Thus, similar RNC appeals were a direct attack on the legitimacy of the government's values. The RNC aimed to build a broader support base outside Rwanda and to gain legitimacy among the Rwandan population. The 'Gang of Four' was treated with suspicion by those they tried to recruit.[297] Nyamwasa and Karegeya were accused of human rights abuses by potential recruits (Rudasingwa 2013). Gahima was accused of illegally detaining people after the genocide (ibid). Many potential recruits questioned why they would partner with a group that sidelined previous Hutu allies like Kanyarengwe (ibid). Kayumba and Karegeya were both involved in setting up the intelligence services that had reduced the capacity for dissent within Rwanda. In 2012, Paul Rusesabagina, who had fallen out with Kagame, left the RNC because of similar doubts.[298]

In one speech, Kagame recognised the threat of the RNC:

> "Those who deal in rumours and falsehoods – the likes of Rusesabagina, Kayumba, Karegeya, Rudasingwa, Gahima – these are useless characters. They don't represent anyone among our more than 11 million Rwandans. Those trading in falsehoods and their foreign backers – human rights organisations and foreign media practitioners – should know that nobody loves Rwanda and Rwandans more than we do."[299]

Many of the initial financiers of the liberation effort in the 1990s (who later became prominent economic elites) have also fallen out with the government. Rujugiro is a prime example within this group.[300] He left Rwanda in 2009 and has

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[295] Interviews with junior RDF officers, January-May 2012 and May 2013.
[296] "Kagame was harsh with Kayumba, Karegeya and those guys. But why are they talking to those who we were fighting with us? They betrayed us!" (Interview, RDF Officer, Kigali, March 2012).
[297] Rudasingwa (2013) recognises this.
[298] Rusesabagina became famous after the movie, Hotel Rwanda, gained worldwide acclaim. He built his support base after writing his book (2006) and establishing the Hotel Rwanda Rusesabagina Foundation. He was later accused of sending financial support to the FDLR (Rice 2010).
[299] Kagame (2010)
[300] Tribert Rujugiro made substantial contributions to the RPA's Production Unit during the war. Although he was already wealthy, he engaged in personal business ventures in Rwanda after the genocide, as well as playing a lead role in Tri-Star. He was also the first Chairman of the Rwandan Chamber of Commerce and RIEPA. He was also a founding member of RIG. He was removed from

been linked with the RNC and David Himbara (Special Correspondent 2014, Africa Confidential 2014).[301] The government seized his assets (worth $20 million) in 2013 (Esiara 2013). Valens Kajeguhakwa and Evariste Sissi fled Rwanda in the 2000s. Rwigara died in 2015 in a car accident but his family members claimed there was foul play (Special Correspondent 2015). Majyambere lives in Uganda but still retains some business interests in Kigali, even pledging $10 million at the National Dialogue in 2012 (although it was unclear whether investments had been finalised) (Tabaro 2012a). Others like Vedaste Rubangura and Miko Rwayitare had died earlier. Some others like Bertin Makuza, Faustin Mbundu and Jean-Baptiste Mutangana remain active (but are not leading actors in any sector). Among the most prominent loyal economic elites are Hatari Sekoko and Egide Gatera. Sekoko has risen from his position as a sergeant during the liberation effort to becoming among the richest businessmen in Rwanda.[302] With some exceptions, the RPF has failed to cultivate new loyal investors to replace those who invested in the liberation effort. This has contributed to difficulties in building reciprocal partnerships with capitalists and hindered economic development.

The exit of political, military and economic elites who share collective memories of the struggle against the Habyarimana government poses the main threat to the dominant coalition in Rwanda. Since the RNC has been established, senior RPF cadres have developed an option to voice their resistance through a political organisation. This thesis does not argue that the RNC could potentially unseat Kagame. Instead, it argues that the RNC's establishment has forced a rebalancing of power within the RPF. Since 1994, the RPF has ensured that no Hutu threat can mobilise support from the population along ethnic lines. Instead, any political challenger to Kagame would have to delegitimise the credibility of Kagame's position and his ability to deliver the RPF's goals. Such a challenge would have to expose the contradictions between the RPF narratives and actions, while arguing that

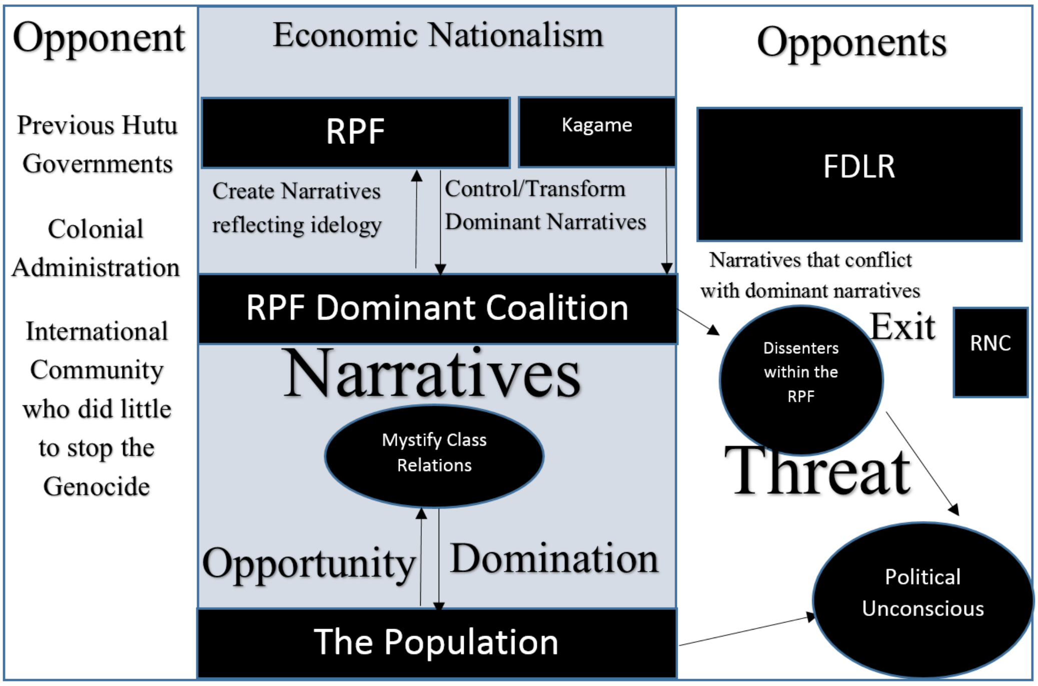
the RPF National Executive after the UK and South Africa questioned his tax status. He was later accused of financing the CNDP in UN reports (Fessy 2012).

[301] Himbara previously worked as Head of the SPU in the Office of President and as Principal Private Secretary to the President. He fled Rwanda in 2009 and since then, he has been a vocal opponent.

[302] Sekoko's investments include Agrocoffee (a coffee exporting company), Kigali City Towers, Akagera Game Lodge (with Dubai World), shared ownership of the block lease of the Rwanda High Commission in London, the construction of the Kigali Marriott Hotel (through New Century Development – a joint venture with Chinese inestors) and the construction of a shopping mall and taxi park (with the Ruparelia Group). He is also a leading investor in Rwanda Investment Group (RIG). Many of his investments are made through his company – Doyelcy Capital Partners.

Kagame's greed (rather than the nature of capitalist accumulation) is to blame for negative outcomes in Rwanda. This is only likely to succeed if rival leaders challenge Kagame's legitimacy directly, while respecting the collective memories among other senior RPF cadres. Box 4.5 illustrates that the dominant coalition in Rwanda has blocked threats posed by rivals inside and outside the country.

Box 4.5: Illustration of Threats against the RPF's Monopoly of Violence



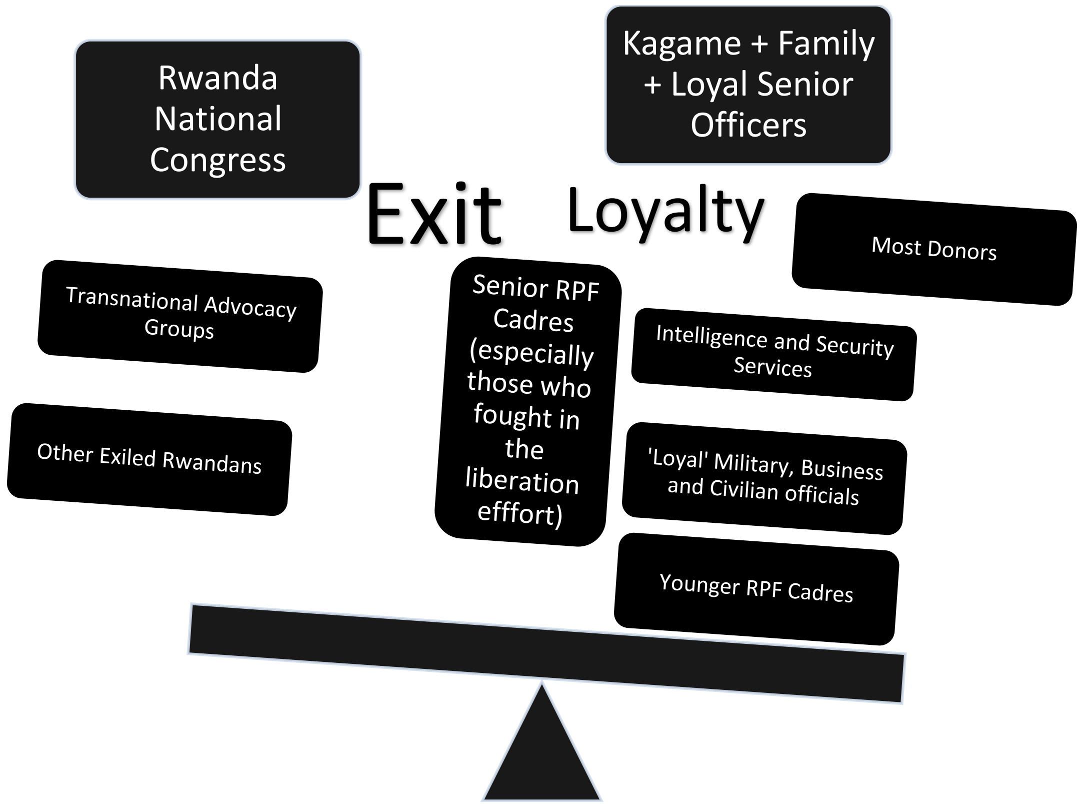
4.6: Between Exit and Loyalty: Oscillating between 'Inclusive' and 'Exclusionary' Bargains

Box 4.6 illustrates how the RPF has stabilised its rule by oscillating between 'inclusive' and 'exclusionary' bargains. Those who are loyal to the RPF are highlighted on the right side. The left side highlights groups who propagate the anti-RPF narrative. Excluded RPF cadres are placed between the RPF and the RNC.[303] There are also other important actors (Hutu-led groups and neighbouring countries). However, in analysing the elite bargain (where the biggest threat to the dominant coalition emanates from), the three primary groups that determine the holding power of rival coalitions are the RNC, the dominant coalition (Kagame, his family and Loyal senior cadres) and senior RPF cadres (especially those who led the liberation

[303] Senior RPF cadres, who are 'Loyal Senior Officers', are in both groups. Often, their re-integration into the dominant coalition is undertaken to keep powerful makeweights on side. Their positions are never static or assured, given the vulnerability of the elite bargain.

effort). Former RPF elites chose Exit to Voice their protest collectively against Kagame's leadership.[304] These two coalitions compete with each other to draw the Loyalty of senior RPF cadres. Each senior cadre retains his or her own holding power. The dominant coalition appeals to the moral authority of RPF ideology to retain the support of RPF cadres who are edged out of political positions. This bargaining occurs while the RPF is regenerating its cadreship. Through such 'oscillation', the RPF tries to appeal to a broader base while legitimising the exclusion of the powerful members of the party and military.

BOX 4.6: Kagame v/s Rivals: Visualising Competitive Holding Power



Decisions to exclude elites are legitimised by reminding elites of the need to maintain discipline and collectively commit to economic development. Such disciplinary actions work in line with achieving ideological goals (self-reliance), which are relevant because of the salience of external and internal threats. The government shores up the elite bargain by activating "us-them boundaries between their networks and outsiders, fend off rival claimants to coordinate and represent all or the same networks, draw necessary resources from their networks and reproduce

[304] Both Kayumba and Karegeya escaped. Rudasingwa and Gahima were allowed to Exit but were constantly watched to see if they were speaking with estranged groups (Rudasingwa 2013).

the structures they have built, while sustaining their own power" (Tilly 2003, 35). This occurs through highlighting the threat of the FDLR in the DRC or donors' threats to withdraw aid. When individual elites decide to exit, they must justify their decisions either by attacking Kagame's credibility or demonstrating that they are not motivated by material reasons. Donor support has provided the RPF with the flexibility to exclude elites and discipline those who are perceived as threats. The significance of donor support is understood by rival elites, who use their positions abroad to question Kagame's legitimacy.[305]

All of these shifts have occurred within an environment of secrecy (because of the threat of violence within Rwanda). Elites have little opportunity to voice their protest, often out of fear and distrust of other elites. The option of exit is also restricted since the President (or other senior officers) has direct control over authorising international travel.[306] The dominant coalition demands loyalty but many elites within Rwanda are looking for an opportunity to exit.[307] Administrative positions in embassies are distributed carefully. These positions are used as ways to steer senior cadres away from positions of power in the military or reward older cadres for their loyalty.[308] Other officials are kept waiting for long periods of time without being given jobs. A preferred option for excluded elites is to join the private sector (which military officials are not 'allowed' to do while they are in service).[309] This is akin to giving individuals rents in exchange for silence. Ensuring donors and senior cadres remain loyal is central to legitimising RPF rule.

Reshuffles among upper echelons of the military and cabinet are ways of ensuring elites continue to compete against each other by proving their loyalty within the formal RPF structure. It also ensures that existing networks of support for elites

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[305] In 2015, David Himbara (2015) spoke at a US Congressional Hearing about Rwanda, accusing Kagame of human rights abuses and violence against opponents.

[306] Such claims were evident in informal conversations with several military officials.

[307] Many military and government officials expressed a desire to work and study abroad. However, they said "the boss" would have to grant it. The boss was always Kagame, no matter what the rank (although all of these respondents were high-ranking officials).

[308] One interview, senior RPF cadre, May 2013; Two Interviews, senior RPF cadres, January 2015.

[309] Spouses of military officers are allowed to work in the private sector. Rose Kabuye, the former Chief of State Protocol and Kigali's first mayor, was loyal to the dominant coalition. However, her relationship with Kagame cooled after Kayumba went into exile. She eventually 'retired' and joined her husbands' businesses, Virunga Logistics and Startech Limited. She said: "I was done. I'm always here to serve a country but it was time to give youth an opportunity" (Interview, May 2013). Her husband, David Kabuye, was a former RPF cadre and had been a businessman in Kigali for several years. David Kabuye continued to be a member of the reserve force.

are broken up. The Chief of Defence Staff (CDS) has changed twice since 2010. Generals Kabarebe and Charles Kayonga were removed from their posts and transferred to administrative jobs.[310] Patrick Nyamvumba has been the new CDS since 2013. He had served as Force Commander for the United Nations (UN) peacekeeping operations in Darfur for four years. Shifting Kabarebe out of the position of CDS removed him from a position of immediate threat but encouraged him to stay loyal as the Minister of Defence. Kayonga's removal as CDS mirrors Kayumba's treatment in the earlier 2000s when Kayumba was sent to India. Some senior cadres are often reintegrated into power structures. Among such individuals is Karenzi Karake, the head of NSS. In the aftermath of Kayumba's escape in 2010 and Ingabire's arrest, Karake and Charles Muhire (former Chief of Staff of the Air Force) were arrested.[311] Later, he was reintegrated as head of the NSS in 2011. Verhoeven (2012) suggests that the elevation of the popular Karake was a way of retaining the support of senior cadres. Reshuffles such as these place the onus on troublesome cadres to be loyal to the RPF.

Another move in recent years has been the replacement of older military cadres with new, younger cadres. Ex-FAR and former FDLR soldiers have also been reintegrated. By 1998, 38,500 ex-FAR officers were reintegrated into the army (Jowell 2014). Former FAR and FDLR officers now occupy senior positions across Rwandan government branches. Examples include Paul Rwarakabije (Rwanda Correctional Services), Jerome Ngendahimana (Deputy Chief of Staff – Reserve Force), Daniel Ufitikirezi (RSSB), Andre Habyarimana (Head of Reserve Force, Northern Province), Evariste Murenzi (Commanding Officer of the Rwanda Mechanised Infantry Battalion) and Albert Murasira (CSS Zigama). Recently, there have been two large spurts of retirements. In 2013, 79 officers were retired from the RDF including six generals (Tabaro 2013a). In July 2014, a further 483 RDF officers were retired including two generals and eight colonels (Karuhanga 2014).[312] The retirement age was set at 55 for generals, 50 for other senior officers (the ranks of major and colonel) and 50 for non-commissioned officers. Increasing Hutu numbers

[310] Kabarebe moved on to become Minister of Defence and was replaced by Kayonga in 2010. Kayonga was appointed Ambassador to China in 2013.
[311] Muhire previously publicly disagreed with Kagame's actions (Clark 2010). He held command positions during the liberation effort. From 1995 to 1997, he was Chief of Plans, Operation and Training at RPA headquarters. He was Chief of Staff of the Air Force for 13 years. In 2010, he was named Chief of Staff of the Reserve Force. In July 2014, he retired.
[312] Retirees' entitlements include three years of gross salary (Karuhanga 2014).

now make up most of the RDF. The RDF is mixed ethnically, regionally and by country of birth (Jowell 2014). Government ministries retain few senior cadres who occupied prominent positions during the liberation effort and in the 1990s. One report argued that Protais Musoni and Tharcisse Karugaruma were among the last senior cadres in ministerial positions (Kagire 2013). The leading figures in official RDF posts are younger and more educated in Kagame's representation of RPF ideology than older cadres, who had helped build it.

The dominant coalition has sharpened its public discourse, publicly stressing the importance of placing the national effort above individual priorities. In a *Rwanda Today* article (Special Correspondent 2014), eight powerful individuals including Rose Kabuye, Patrick Mazimhaka and Tharcisse Karugaruma were described as having "fallen from limelight." The party-owned newspaper, *The New Times*, replied to the article reiterating that the RPF defined itself on three principles: "efficiency, accountability and delivery." The article emphasised that there are "no sacred cows" within the party and aggrieved cadres have an "internal transparent mechanism of addressing issues" (The New Times 2014). Kagame loyalist Nshuti Manasseh reinforced these ideals, stressing that many of the older cadres are no less 'iconic'.[313] Instead, Manasseh (2014) writes, "there is a time to go and do other private engagements that are beneficial to the country."

While older cadres may have "fallen from the limelight", they continue to wield influence in determining the balance of power between Kagame's dominant coalition and the RNC. By staying inside Rwanda, these cadres remain a threat to the dominant coalition and represent an opportunity for the RNC. Their choices have an impact on the relative holding power between the two coalitions. Some like Kabarebe and Karake occupy formal positions of authority but are also potential rivals whose loyalty could shift the power balance between the two coalitions. The dominant coalition attacks the public image of the RNC and has designated the organisation as a threat.[314] The rivalry between Kagame's dominant coalition and the

[313] Manasseh previously served as Minister of Trade and Commerce, and Minister of Finance. He was also Chairman of CVL till 2013. He retains his position as a Presidential Advisor and has written articles in 2013, expressing support for Kagame to extend his presidential term beyond 2017.

[314] The government claimed that the RNC had begun recruiting students at the National University of Rwanda (Musoni 2014b).

RNC takes the form of public attacks on the values of their rival group.[315] Regardless of whether such charges are accurate, the stigma associated with corruption delegitimises the moral authority of the accused.[316] Kagame said of the RNC: "Most of those you know have cases to answer, with clear evidence to show for it. It is not my job to explain why they went or what they embezzled" (Kagire 2014a).

Kagame has also been accused of favouring some loyalists. A parliamentary report alleged mismanagement of funds in the construction of the Rukarara hydropower project in 2011. The report highlighted the involvement of high-profile loyalists including John Rwangombwa[317] and Kampeta Sayinzoga[318] (although the report left out the name of James Musoni who was Minister of Finance when the project was commissioned).[319] Punishments were not imposed though 30 people were questioned in 2012 (Karinganire 2012). Rwangombwa stressed that they "had all the required documents." Such favouritism contradicts the RPF narrative. However, retaining the support of technicians and some loyal political figures is necessary to strengthen the dominant coalition.

Estranged RPF members are faced with a choice: stay loyal to the national cause or choose to Exit and join the RNC. Other options are somewhere in between where elites are bought off to stay in Rwanda or leave (but choose not to protest). Fear and the threat of violence are used to force senior cadres to remain silent. In situations when exit is controlled, as Hirschman's (1993) analysis of East Germany

[315] Members of the dominant coalition are constantly changing and elites compete with each other for these positions. This group includes individuals who occupy prominent formal positions within the military and the party (and have occupied them for some time). Nziza and Musoni are prominent Loyalists in the military and political wings (Interviews). Others have included Kabarebe, Charles Kayonga, Patrick Nyamvumba, Nziza, Ndahiro, Dan Munyuza, Agnes Bingwaho (the former family paediatrician and now, Minister of Health), Inyumba (before she passed away), Nshuti Manasseh, John Rwangombwa, Kampeta Sayinzoga, Claver Gatete, John Rwangombwa and Martin Ngoga.
[316] The RPF is not the only political party in Africa to stigmatise the corrupt in this way (Olivier de Sardan 1999).
[317] Rwangombwa has been the BNR Governor since 2013. He has previously served as both Minister of Finance (2009-2013) and Permanent Secretary in MINECOFIN (2005-2009).
[318] Sayinzoga has been Permanent Secretary at MINECOFIN since 2009 (when she was just 27). She is also the wife of Kagame's nephew. She is extremely popular with donors who see her as one of the brightest Rwandan officials (Interviews with embassy officials).
[319] Musoni joined the RPF in 1990 (Mushemeza 2007). He has previously served as Mayor of the City of Kigali, Commissioner General of the RRA (2001-2005), Minister of Commerce (2005-2006), Minister of Finance (2006-2009) and was later Minister of Local Government (2009-2014). He is currently the Minister of Infrastructure. In 2012, a Rwanda Focus article challenged Musoni's practices, alluding to him as "the main godfather, the chief manipulator, the master of intrigue, the boss of machinations… who has built a formidable network of political minions in important institutions" (Kanuma 2012).

shows, voice is often agitated. Elite resistance does occur, similar to Scott's 'everyday forms of resistance.'[320] This resistance takes various forms. Examples include breaking party rules, occasionally testing the party line, foot-dragging and speaking to people to whom they are not supposed to speak.[321] The threat of violence and the appeasement of elites through rents (which goes against RPF values) are the only options available to restrain the use of voice by disenchanted elites. Another strategy used to force the loyalty of elites is the use of rhetorical commonplaces of 'self-reliance' that draws on the shared experiences of the liberation effort.

Three events are explored to show how they affected the elite bargain. In 2012, the Rwandan government was forced by donors to withdraw its support for the March 23 Movement (M23), a DRC-based rebel group linked to Rwanda. This reignited tensions within the RPF.[322] Elites had previously disagreed with Kagame's decision to put Laurent Nkunda, the leader of the National Congress for the Defence of the People (CNDP), under house arrest in 2009.[323] These elites retained interests in the DRC – both material and in the form of personal loyalties with former soldiers. Other elites were "sick of war" and were no longer convinced the FDLR posed a significant threat.[324] Kagame's choice to bow to international pressure highlighted the necessity of retaining international support. As tensions resurfaced between RPF elites, Kagame astutely used the Agaciro Development Fund (AgDF) to bind the elite together by creating "an invisible army of the nation" (Kagame 2012b).[325]

> "The fund came up when there was blackmail from the international community. It is not really the fund that was important but the mentality of collectiveness that came with it."[326]

The AgDF was used as a symbol of self-reliance and drew directly on the collective experiences of vulnerability of senior cadres. The official line remained

[320] Scott (1985, 29) terms this as "the prosaic but constant struggle between the peasantry and those who seek to extract labour, food, taxes, rents, and interest from them."
[321] Personal observations of elite resistance.
[322] Interviews conducted in May 2013 with military officials.
[323] Observations made through interviews with serving military officers.
[324] Powerful older cadres such as Kayonga and Muhire were perceived to support this line.
[325] The AgDF was conceived in the 2011 National Dialogue. In 2012, it was launched as a sovereign wealth fund, initiated by voluntary contributions of Rwandans to help secure financial autonomy.
[326] Interview, Nzabamwita, January 2015.

that the withdrawal of aid had bound the elite to a common purpose – “they thought this would weaken us but it had the opposite effect.”[327]

> “Our fund started when donors stopped their funding. People were uncomfortable about the DRC and how Rwanda was being unfairly treated. We can have a buffer – a solidarity fund. All Rwandans then gave what they could and the leadership led by example.”[328]

Second, two assassination attempts were attributed to Kigali in 2014. Out of the two targets, Kayumba survived while Karegeya died.[329] Initially, Kagame did not deny allegations of the RPF’s involvement and did not show remorse when news of Karegeya’s death was received. Kabarebe marked it by saying, “Karegeya chose to be a dog and died like a dog”, while Kagame called him a traitor (Himbara 2014). The RPF accused Kayumba and Karegeya of supporting the FDLR, assisting enemies of the regime and engaging in terrorist activities.[330] Regardless of whether Kigali ordered the attack, the tone of the replies signifies the precarious nature of the elite bargain. These former allies were depicted as traitors and were linked to supporting security threats. The RPF’s lack of remorse was a signal to those elites who considered supporting the rival coalition. As Wrong (2014) writes, “the more dramatic the retribution, the stronger the reminder of loyalty’s value.”

Third, three prominent RPF cadres – Frank Rusagara, Byabagamba and David Kabuye – were arrested.[331] Rusagara and Byabagamba were charged with “spreading rumours with intent to incite people into rebellion against government and carrying out activities aimed at tarnishing the image of the country” (Uwiringiyimana 2014). Kabuye was initially charged with illegal possession of a firearm and remanded to jail for 30 days (Musoni 2014c). However, he completed a six-month sentence and was arrested on his release for “inciting insurrection and insulting senior government officials” (Special Correspondent 2015). As of April 2015, the court cases against Rusagara and Byabagamba were still being pursued.

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[327] Interview, Nzabamwita, May 2013.

[328] Interview, Vianney Kagabo, AgDF, January 2015.

[329] Karegeya advised South African and Tanzanian intelligence, who sent their troops to the DRC to counter the M23. Karegeya’s support of enemies was a direct affront to the RPF (Gatehouse 2014).

[330] Gahiji (2014b) accused the FDLR and RNC of holding talks in Tanzania. Lt. Joel Mutabazi, who was accused of terrorist acts, was accused of links to the RNC and FDLR (Musoni 2014d). Kizito Mihigo, a Rwandan musician accused of terrorist acts, was reported to have admitted to links to the RNC and FDLR (Musoni 2014e).

[331] Rusagara was previously the Permanent Secretary in the Ministry of Defence and the Commandant of the Nyakinama Military College.

A few days later, Kagame said (at an RPF meeting):

> "No one owes you anything. You cannot go around asking to be paid for the sacrifices of your past. We cannot live in the past. Do not expect to sit back and benefit from the hard work of others. Don't tell me about your excellent past when you are not telling me about your excellent present or future."[332]

These arrests were part of a series of warnings aimed at senior RPF cadres. Prominent female RPF cadres, who were wives of two of these officers, were also publicly admonished for speaking out against the government.[333] The choice to act against senior cadres demonstrated the fragility of the elite bargain. Other prominent officials resigned in the same period. Angelique Katengwa (of the Rwanda Social Security Board) was charged with illegal tendering and abusing her public office (Musoni 2014f). Jean Damascène Ntawukuriryayo (President of the Senate) resigned after being accused of taking unilateral actions and failing to work with other senators (Kagire 2014b). Loyalist Makuza replaced him as President of the Senate.

The RPF's alleged violence or the approval of violence and its actions against senior cadres indicates the weakness and turmoil within the dominant coalition. The RPF fears the emergence of a viable rival faction. North et al. (2009) highlight the fear of factions in LAOs, with factions growing primarily because they assumed they would be better off if they used violence. The RNC's threat to the dominant coalition had become worrying enough for Kagame to use violence. Decisions have been taken to weaken the RNC and impose fear on those senior cadres who resorted to voice inside Rwanda or were trying to exit. This is similar to Gambetta's (1993) description of the use of violence by *mafiosos* in Sicily where the use of violence is a signal that things are not going as planned.

Following the assassination attempt on Kayumba, diplomatic relations between the Rwandan and South African governments reached a deadlock. The South African government accused Rwandan diplomats of attempting to murder refugees living in South Africa. Four Rwandan diplomats were expelled. Rwanda responded by expelling six South African embassy staff (Maylie 2014). An HRW (2014) report, following Karegeya's death, highlighted RPF violence against exiles. This reaction was a warning to estranged RPF cadres. Rudasingwa said, "Kagame

[332] Musoni (2014g).
[333] These cadres were Rose Kabuye and Mary Baine (Kanuma 2014b).

has never had any support among the Hutus; Tutsi support is fracturing. So he is nervous. He supports himself through fear" (Wrong 2014).

However, the RNC's decisions have countered the actions expected of those who share a collective memory with other senior cadres. This has detrimentally affected the RNC's legitimacy within Rwanda and became particularly evident after a BBC documentary, Rwanda's Untold Story, was aired in October 2014. In the documentary, Rudasingwa, Nyamwasa and other critics accused Kagame of ordering the shooting down of Habyarimana's plane. Rudasingwa and Nyamwasa had previously made these allegations. Kagame (Smith 2014) and the Ngoga Inquiry Committee (Baird 2015) accused the BBC documentary of genocide denial. The RPF also accused the 'Gang of Four' of collaborating with the FDLR. The RNC also struggled to work collectively as an organisation. Recent reports suggest that there was in-fighting among leadership, although Rudasingwa had taken on the primary leadership role (Joint Report 2014). The RPF has also reintegrated several former exiles, including former Prime Minister Rwigyema, Gerard Ntashamaje and Evode Uwizeyimana.[334] It is unlikely that the RNC, as an organisation, will unseat the RPF. However, it provides a political option for disenchanted elites. Its existence as an organisation threatens the dominant coalition as the sole carrier of RPF ideology.

Any challenger to Kagame's rule must contest his legitimacy. However, Kagame will face challenges to his moral authority and his monopoly of violence in the coming years. The most significant event in the near future is the 2017 elections. Sheikh Harerimana, the leader of another party in the ruling coalition (*Parti Démocrate Idéal*), initiated discussions to change the constitution to extend Kagame's term in 2010. Tharcisse Karugurama publicly argued against this proposal, voicing his concerns to foreign journalists (McGreal 2013, Hitimana 2013). Kagame later acknowledged that Karugurama's decision to take a public stand contributed to his removal as minister (Gahiji 2013, Clark 2014a). Over the last few years, several articles have been written by journalists and prominent party officials – including Jack Kayonga (2015), Nshuti Manasseh, Joseph Karemera (2015) – advocating

[334] Ntashamaje was a leading figure in the liberation effort in the 1990s. He also worked in the Ministry of Justice (MINIJUST) after 1994. In exile, he became president of an opposition group, Rally of the Rwandan People (RPR-Inkeragutabara). He returned to Rwanda in 2011 and works with the Rwanda Demobilisation and Reintegration Commission. Uwizeyimana was a vocal opponent of the RPF abroad. He returned to Kigali in 2014 and serves as a consultant in the Ministry of Justice.

changing the constitution. Kagame (2015) admits that two schools of thought have emerged on whether he should pursue a third term. He said he did not wish to pursue a third term but welcomed debate. Two local journalists interviewed in 2015 suggested that the next two years would provide a test to the degree of free speech that exists in Rwanda.[335] The government was willing to allow some space for opposition but it had already reacted against several television stations and journalists.[336] The maintenance of a Developmental Political Settlement in Rwanda depends on whether ruling elites are able to retain a monopoly of violence during this political transition and stay committed to economic development. This will also depend on the international community's (donors and investors) reactions to Kagame's decision regarding extending his term.

4.7 Concluding Remarks

A Developmental Political Settlement in Rwanda must retain its stability through countering threats against its rule. This chapter has shown that regime change in Rwanda has never simply been a result of horizontal inequalities or ethnic differences. Rwandan governments have always used narratives (and ideology), rents and violence to retain the legitimacy of their rule. President Kagame uses these instruments. The elite bargain is stabilised through the use of rhetorical commonplaces of self-reliance that appeal to the collective memories of vulnerability of senior RPF cadres (backed up by the threat of violence). Using Albert Hirschman's (1970) Exit-Voice-Loyalty framework illustrates how different actors retain the agency to influence certain actions. Retaining the loyalty of senior cadres while minimising their options to voice and exit contributes to stabilising the political settlement. Vulnerability has also affected the capacity of ruling elites to retain loyal economic partners (other than investment groups). The Developmental Political Settlement will persist if ruling elites can address existing vulnerabilities and if they are able to build reciprocal arrangements with economic actors to collectively invest resources to achieve self-reliance.

RPF ideology has emerged out of shared experiences of vulnerability experienced by RPF elites. It is argued that narratives hold a moral authority because

[335] Interviews, two local journalists, January 2015.
[336] Interviews with several journalists, January 2015.

of their appeal to these memories and experiences, as well as the expectations of donors. This chapter shows that the contestation of narratives affects the legitimacy of the RPF government. It also shows that rival elites continue to pose a threat to the dominant coalition in Rwanda. Frictions among elites force the dominant coalition to construct narratives in line with the expectations of three constituencies. However, frictions have also made the government reluctant to empower individuals (who could potentially become threats). The next chapter explores the RPF's economic ideology and the values on which it is based. It showcases the investment groups that have been used in a variety of sectors.

CHAPTER 5: ECONOMIC NATIONALISM

5.1 Introduction

RPF cadres developed RPF ideology based on their experiences and their understandings of Rwanda's historical past. RPF ideology continues to be transformed through its interactions with foreign actors and the demands from domestic constituencies – elites and the population. Dominant narratives reflect the changes in evolving systems of accumulation. The utopian goal of ideology – self-reliance – remains the same. Disciplinary actions are legitimised by developing common expectations of behaviour in line with achieving ideological goals.

Economic Nationalism is the term used to denote RPF ideology. Its goal – self-reliance – does not refer to autarchic economic policies. Rather, the RPF actively engages with foreign investors and global markets while attempting to retain control over the direction of the economy. Self-reliance has always been a central focus for the RPF. However, till 2000, the government was still more concerned with security interests and only developed a clear economy strategy in 2000, with the publication of VISION 2020 (GoR 2000). New rhetorical commonplaces like *Agaciro* are developed to reflect the evolution of RPF ideology.

The use of *Agaciro* serves two symbolic purposes. The first purpose of *Agaciro* was as a rallying cry alongside the establishment of AgDF. It was a reaction to the withdrawal of aid by donors (in 2012) amidst allegations that the Rwandan government was funding rebel groups in the DRC.[337] Such rhetorical commonplaces are legitimised through the collective memories of vulnerability experienced by senior RPF cadres. Any frictions among elites are portrayed as petty, compared to the needs of the nation.

> "*Agaciro* has been – and continues to be – the indispensable ingredient of Rwanda's transformation. To truly grasp the meaning of *Agaciro*, it helps to contemplate, the consequence of its absence. The genocide in Rwanda eighteen years ago had its origins in decades of bad governance, hateful ideologies and impunity. For that to have happened – to the unbelievable degree that it did –

[337] "Donors thought aid withdrawal would weaken us but Agaciro made it have the opposite effect" (Interview, Nzabamwita, May 2013).

> people had to have surrendered the last shred of their dignity because to truly value one's own life means valuing the lives of others. As a people, Rwandans have since sought to rebuild a sense of individual as well as collective worth."[338]

The second symbolic purpose of *Agaciro* was directed at the citizenry. Domestic surveys in 2012 highlighted the country's severe inequality and the government's failure to match ambitions with employment, as well as difficulties in creating access to wage work. *Agaciro* supports government policies of creating 'entrepreneurial citizens' (Kamat 2004) who would create their own jobs. This rhetoric has occurred alongside the RPF government's attempts to create productive employment opportunities, with a new focus on TVET training, as well as establishing a national target of creating 200,000 off-farm jobs annually (since 2012).

> "Agaciro is about making sure I have my self-worth. I should not be dependent on government. People should find solutions for themselves."[339]

> "The key thing for the government is to focus on public awareness and change the mindset. We have no room for absorption. Every year, there are 15,000 graduates. People cannot wake up and expect jobs. They have to create their own jobs and many young people are doing that."[340]

After showcasing the values of RPF ideology, this chapter details the scarcity of resources – one condition of 'systemic vulnerability' (Doner et al. 2005). Rwanda's reliance on foreign aid is explored, while also showing that the government has prioritised tax collection. Reducing the government's reliance on exporting low-quality primary commodities, which are vulnerable to global price fluctuations, contributes to achieving self-reliance.[341] The government has tried to capture the most out of global value-chains by processing primary commodities and other ambitious forms of vertical diversification. Following a brief discussion of literature on upgrading primary commodities and its applicability to the Rwandan case, the use of investment groups in Rwanda is explored. The use of such companies highlights that the dominant coalition has chosen to centralise rents to negotiate vulnerability and challenges from rival elites (who could gain access to

[338] Kagame (2012c).
[339] Interview, Kagabo, AgDF, January 2015.
[340] Interview, Business Development Fund (BDF), January 2015.
[341] "When you look at our past and see what happened, you immediately know that we must diversify away from coffee and tea" – Rugwabiza, February 2012.

rents). The proliferation of investment groups has occurred alongside the reduced prominence of formerly loyal economic elites, as shown in Chapter 4. The pyrethrum sector is used as an example to illustrate that though the government uses investment groups to effectively centralise rents and organise labour to appropriate production strategies, achievements are still blocked by fluctuations in international prices. This example shows that successful capitalist accumulation depends on the government's capacity to manage three constituencies: donors (through initial privatisation of the company; organising labour through cooperatives with facilitation from donors), rival elites (through centralising rents) and the population (organising labour through cooperatives and engineering control grabs).

The current debate about the use of investment groups is divided into those who argue such companies are used to achieve developmental outcomes (Booth and Golooba-Mutebi 2011, 2012a) and others who argue that the economy is suffering because elites have captured the economy through these companies (Gokgur 2011, 2012). Rather than arguing that these companies have always resulted in positive or negative outcomes, the strategy of using these investment groups should be studied as one 'in process'. There is agreement with Booth and Golooba-Mutebi (2011, 2012a) that these investment groups are a way for the dominant coalition to centralise control over rents and diversify the economy. However, this chapter argues that the proliferation of new investment groups is evidence of attempts at distributing and managing rents through a centralised structure. Rents are distributed to formal institutions, which are managed on the basis of loyalty and governed by appealing to ideology.

This chapter draws on primary data from interviews with respondents working (or previously involved) in investment groups. Government officials and private sector respondents have also been interviewed. Work done by previous authors has provided a base to undertake this research. However, this chapter adds more to the existing knowledge on the topic. For example, the existing literature on Rwanda's investment groups has not recognised two new military investment groups – Agro-processing Industries (API) and Ngali. Analysing RPF ideology through the vulnerability experienced by senior RPF cadres is a contribution to the existing literature. The statistical data used has been obtained from government sources.

5.2 Targeting Self-Reliance while Managing Three Constituencies

Economic Nationalism requires RPF cadres to place the interests of the nation ahead of their own individual interests. The pursuit of self-reliance assists the dominant coalition in consolidating their position against threats. The RPF's public rhetoric expected internal discipline (including zero tolerance for corruption) and self-sacrifice from its cadres since the inception of the movement.

> "If we didn't have discipline, we wouldn't have had anything. What made us have revolutionary discipline is because we all understood why we gave things up and why we sacrificed. Since we started and even before our war, we have had internal discipline within our movement. Self-sacrifice was there in the years before 2000 when we worked for free. Now, we get salaries. But the work we do for the RPF is more than what we do for our job. I finish work at 5 in the evenings. Sometimes, we stay till 11 and 12 for party work and go do mobilisation on the weekends."[342]

Economic Nationalism is strengthened by four main discourses, which reinforce the salience of threats through appealing to the collective memory of shared experiences among senior RPF cadres. These discourses work in direct contrast to the demands of donors and remind RPF cadres of the importance of managing the economy in a way that is conducive to achieving self-reliance (whether through the use of investment groups, loyal domestic actors or managing foreign capital). These discourses are used to strengthen "an embattled regime confronted by relentless internal enemies and external criticism" (Verhoeven 2012, 239).

The four main discourses are:

(i) Genocide – *the violence of predecessors; Kagame's RPF as liberators*
Such discourses reiterate the dangers the Tutsis would face if there was a return to an alternative Hutu-led government. There is an emphasis on the role Kagame played in liberating Rwanda and rehabilitating society after the genocide.[343]

(ii) Threat - *The constant danger of external threats*.
Such discourses include references to the FDLR across the border in the DRC and 'terrorists' within Rwanda.

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[342] Interview, Rutaremara, January 2015.

[343] Critics have argued that the increasing "centralisation of memory in recent years" is part of a strategy of "keeping the genocide alive" and serves to legitimise authoritarian rule (Meierhenrich 2011, 292). See also Guyer (2009).

(iii) Solidarity and Self-reliance – *We are on our own*.
Such rhetoric surfaces when Rwanda's autonomy is threatened. For example, the creation of the AgDF was sped up after foreign aid was withdrawn in 2012.

(iv) Superiority – *The superiority of the RPF government versus previous governments*.
Historical myths ("the lessons of history") are a crucial part of all political ideologies (Vansina 1998). Drawing anything good from the period 1959-1994 contradicts a central aspect of the government's discourse, that everything after 1959 was malign (Eltringham 2004, 175-6).

Meles Zenawi, the former Prime Minister of Ethiopia, has been an example for Kagame as RPF strategy has evolved.[344] Meles' practices were based on an appreciation for the governance and power techniques marked by vanguard party rule in the Marxist-Leninist tradition. In Ethiopia, such techniques included "the party-led state in politics, economics and society, the party ruling in the name of the 'rural masses'… co-optation of civil society, elections with a strong supervisory role of the dominant party and a political evaluation of public servants via party-led evaluation sessions" (Hagmann and Abbink 2011, 592). RPF rule shares many of these features. In the way that Lenin had envisioned the vanguard party as the drivers of the revolution, the RPF's dominant coalition envisioned themselves as the drivers of economic change. Indiscipline was the enemy of Lenin's vanguard – "to deviate from it (socialist ideology) in the slightest degree means strengthening bourgeois ideology" (Lenin in Scott 1998, 151). For the RPF, the enemy was anyone who threatened the achievement of self-reliance (and consequently, the power of the dominant coalition). Within the RPF, publicly speaking against the RPF's strategy was perceived as betrayal.

> "For us, we think that when people have problems, they should come to us. Why would they go to foreigners or somebody else? If people go away and talk to other people, they are following their own interests. We have mechanisms to discuss grievances internally and we deal with these problems."[345]

[344] Kagame (2013a) lauded Meles as "a modernizer who dedicated his life to advance socio-economic transformation of his country and the continent." He described Meles as someone who "rejected conventional models" and stressed "self-reliance is a mindset. Talking about aid in the manner that emphasises the need to reduce dependency does not mean you don't need it. It means you have an ambition and want to work towards generating your own resources as much as you can."
[345] Interview, Nzabamwita, May 2013.

Similar to Meles, Kagame ensured the strategy had a focus on modernisation. A well-organised city was perceived as central to courting investment, with urban cleanliness and modernity the basis of the 'New Rwanda' (Goodfellow 2014).

> "In the process of 18 years, we've done so much. You can't compare us with the previous government. That was a closed economy and a pseudo-communist government. There were two or three trading companies. We've built our country into a place to do business. Look at the infrastructure, the tourism. We've learned from the Singaporean experience. Just look at Kigali 10 years ago and now – this is what good governance does."[346]

Managing foreign investment and using foreign aid effectively were part of the government's strategy to achieve self-reliance. Self-reliance was conceptualised as decreasing reliance on aid and reducing its vulnerability to global markets (vulnerability to fluctuations in international commodity prices).[347]

> "Self-reliance is always tough. The international community wants to donate. But it is not just money, it is also their ideas. There is always a war of containment. The more we become dependent, the tougher it is to retain our ideas. The aim has always been to get the money and use it in the way we want."[348]

However, adhering to Economic Nationalism and managing the 'war of containment' was difficult. As technicians and elites are exposed to different policies, the choices of how to achieve goals may change. In its positions to market-led reforms, attitudes often change and are specific to certain sectors.

> "Initially, the IMF was very strong on privatisation – pushing us to do it… For a few years, there were complications because there were lots of changes in government. Now, there's some stability and we are really pushing more and more interaction with the private sector. Hopefully, it can be similar to before when OTF had developed clusters in sectors… Now, any cabinet paper has to show that they have consulted with the private sector."[349]

Economic priorities became increasingly prioritised after the Congo Wars. After the United Nations Group of Experts (GoE) reports began to be published in 2001, the government was pressured by transnational advocacy groups and donors to clamp down on humanitarian abuses and illegal trade in conflict minerals. The

346 Interview, Rwangombwa, May 2012.
347 Publicly, government officials state that foreign investment is the solution to reducing dependence on foreign aid (Interview, Amina Rwakunda, MINECOFIN, March 2012).
348 Interview, Rutaremara, January 2015.
349 Interview, Bayigamba, PSF, January 2015.

government interpreted these accusations as a threat to its autonomy. These accusations served as a trigger to focusing on the domestic economy. Self-reliance included the need to reduce its reliance on revenues from the DRC.[350]

> "In the very first RPF documents, they wanted development to be an objective for the population. To achieve that, they wanted to give values to each citizen and wanted to make sure they were not vulnerable to international price fluctuations. That had been difficult for the old regime."[351]

The government recognised that "foreign aid was like a hallucinogen called angel dust – it felt good but had a lot of bad side effects" (Amsden 2007, 71). To avoid 'bad side effects', the government has generated increased domestic tax revenues while attracting more foreign aid (Figure 5.1).

> "We've maintained a stable economy. We've reduced poverty by 12 per cent. This kind of thing has only happened in the Asian tigers. We've grown the financial sector. We're still dependent on aid but we've increased our tax base a lot. Taxes have grown three per cent in nominal terms."[352]

Rwanda emphasises building an appearance of adherence to the neoliberal cum 'good governance' project (Oya and Pons-Vignon 2010). In the late 1990s and early 2000s, the government took advantage of being a 'special case' and welcomed new donors such as the UK, Netherlands and Sweden (Hayman 2009a, 47). To maximise aid, the government appealed to 'genocide credit' where it took advantage of the international community's guilt. The government has maintained some control in its relationship with donors. It decides the sectors in which donors can work and has strategically managed donor relationships, profiting from the lack of coordination between donors and "positions on Rwanda being far from unanimous" (Hayman 2009b, 592).[353]

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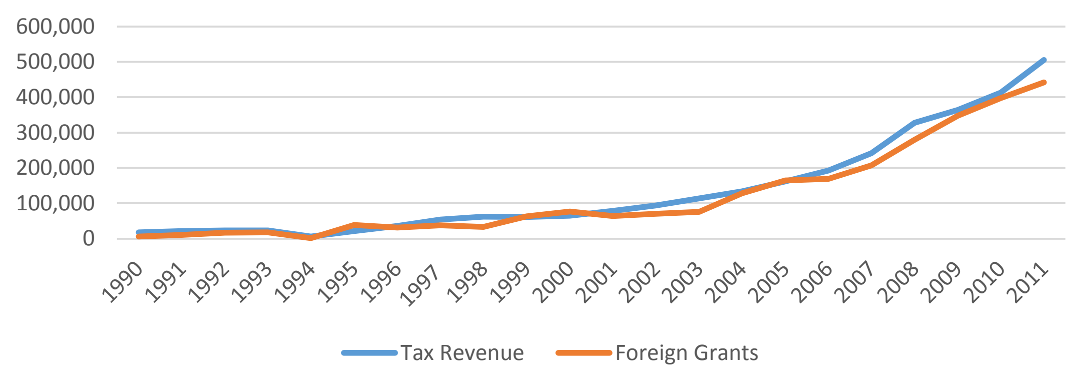
[350] "Our country's leadership is committed to development. The President pushes us to break into new products. We have limited resources and a lot of needs and challenges. But out of patriotism and togetherness, we can address these challenges" (Interview, Afrique Ramba, RSSB, May 2012).
[351] Interview, Kigabo, January 2015.
[352] Interview, Rwangombwa, May 2012.
[353] Rwanda does better than many other African countries in accessing policy space. However, Rwanda does not have complete control over aid. Projects are still assigned in line with donor priorities. Aid was also not delivered on time. Donors only delivered 59.3 per cent of aid promised in 2010/11 and 57.9 per cent promised in 2011/12 (Abbott and Rwirahira 2012).

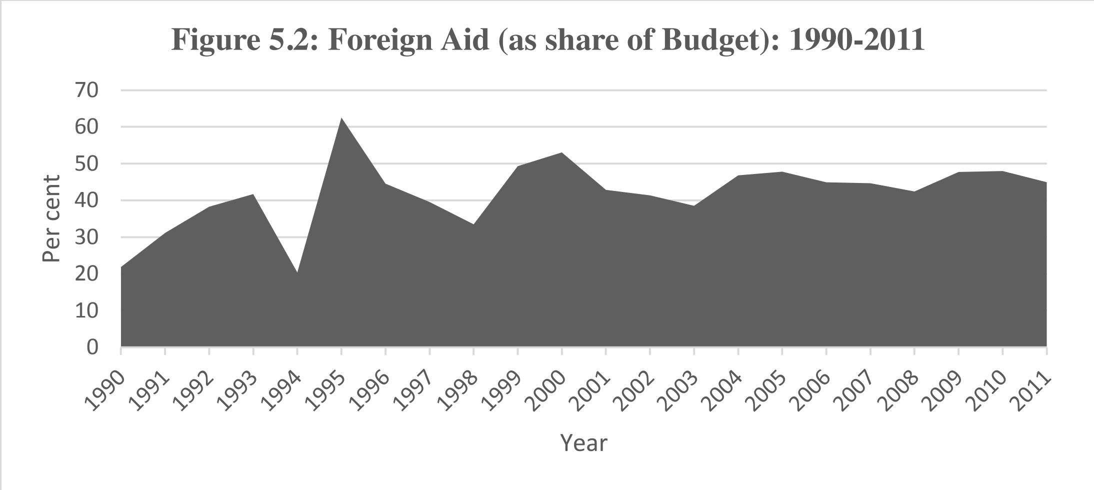
Figure 5.1: Foreign Aid and Taxes Collected in Rwanda (Million RwF): 1990-2011



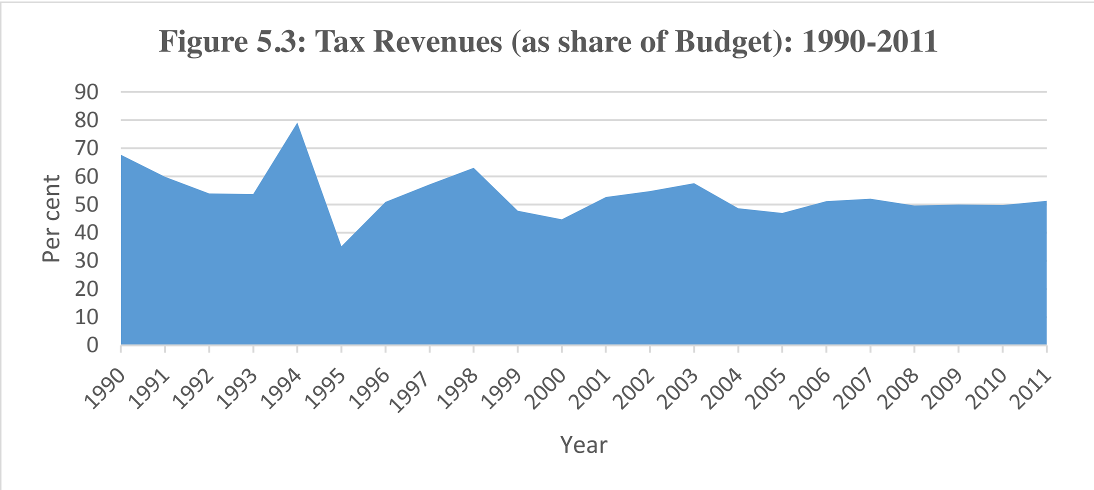
Source: MINECOFIN

Figure 5.2 indicates that the government is reliant on foreign aid, which comprises around 40 per cent of its budget. Aid has not been a disincentive to mobilise domestic resources.[354] The Habyarimana government had also been successful in broadening the tax base. However, it relied on coffee as the main source of tax-income. The RPF government has diversified its tax base but depends largely on trade taxes and 'large' taxpayers.[355] Large taxpayers contributed between 40 and 70 per cent of domestic revenues (Di John 2006). The Rwanda Revenue Authority (RRA), established in 1997, successfully increased domestic revenue collection.[356] Success was attributed to taxation reforms including the implementation of Large Taxpayer Officers, which collected 47 per cent of total taxes in 2007 (Di John 2010). The RRA broadened its tax base further by taxing the informal economy.[357]

[354] Moss et al. (2006, 11) identifies high level of aid to be correlated with low levels of taxation.
[355] In Rwanda, 80 per cent of total taxes are collected from 13 large companies (Di John 2009b, 18)
[356] The RRA surpassed fiscal revenue collection targets every year between 2000 and 2007 (RRA 2008, 11).
[357] The number of taxpayers increased by 56.7 per cent between the 2008/09 and 2009/10 fiscal years (RRA 2010). This was largely because of a "recruitment exercise" of informal sector taxpayers.



Source: MINECOFIN



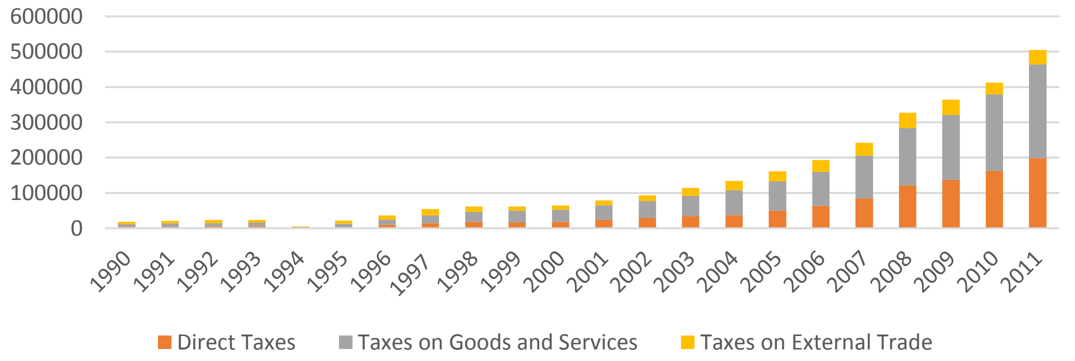
Source: MINECOFIN

Tax revenues and foreign aid both comprise around 40 per cent of the domestic budget (Figures 5.2-5.3). While tax collection and foreign aid have both increased at a similar rate, the government is still heavily reliant on aid (Figure 5.1).[358] Kagame stresses the importance of reducing reliance on aid but also recognises that the government will need "more aid."[359] Tax collection has increased, with direct taxes and taxes on goods and services boasting the heaviest increases between 1990 and 2011 (Figure 5.4). However, the RPF government has not sufficiently widened its tax base. Property tax collection has only increased slightly and it has decreased as a share of total tax revenues collected since 1990 (Figure 5.5),

[358] "We depend 48 per cent on external aid – that is 48 per cent on the good will of other countries. Reducing this dependence is the key challenge" (Interview, Uwitonze, May 2013).
[359] Kagame (2009) said: "Africa is at a development stage where more aid – not less is required to confront continued socioeconomic difficulties."

despite a construction boom in Kigali. This could have amounted to 5-6 per cent of GDP (Goodfellow 2014). Property tax legislation was drafted in 2006 but has not yet been implemented. Property tax remains a controversial issue in Kigali. Many senior RPF cadres bought land in Kigali, with senior retired officers relying on such properties for income.[360] Property tax threatened their incomes. The neglect of property tax indicates the existence of a fiscal settlement where some are excluded from taxes. Some observers (Torero et al. 2006) have argued that elites have resisted the collection of property tax. The government has recently committed to increasing property tax collection (Mugisha 2014a), with military investment groups setting up road signs in Kigali.[361] Since then, the IMF (2014) has urged the government to prioritise the collection of property taxes. The IMF advised the government to transfer tax collection rights from local authorities to national authorities, as well as to migrate from a land lease fee to a fixed asset tax in Kigali. There are also other reasons including 'capability traps', since the government does not have the expertise to manage such changes, rapidly changing policies and other technical issues (Goodfellow 2014). The interests of 'three constituencies' converge in reforms aimed at improving property tax collection in Rwanda. If elites resist such reforms, the RPF's commitment to delivering on its goals of redistributing benefits to the population can be questioned. If the RPF collects increasing property tax, it would clearly signal commitment to its ideology.

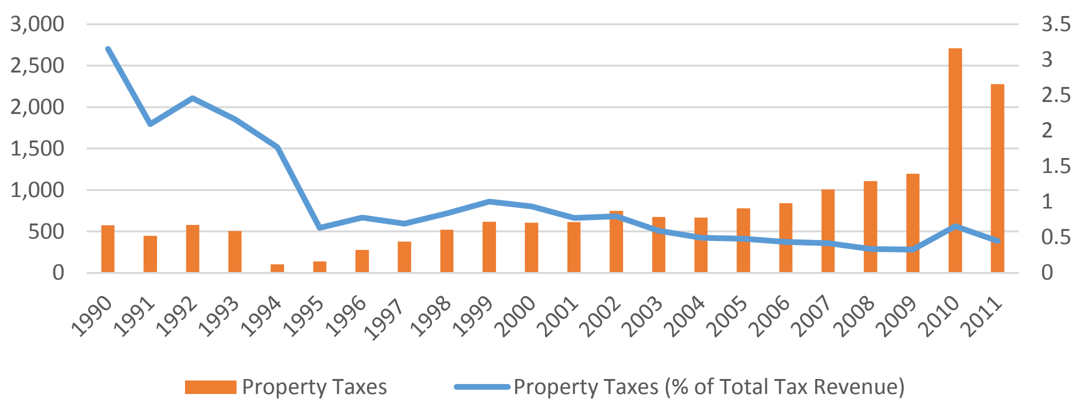
Figure 5.4: Composition of Tax Revenues (Million RwF): 1990-2011



Source: MINECOFIN

[360] Interviews, senior RPF cadre, November 2011; senior RPF cadre, May 2013.
[361] Interview, Andrew Nyamvumba – Ngali, January 2015.

Figure 5.5: Property Taxes (Million RwF): 1990-2011



Source: MINECOFIN

5.3 Contesting Vulnerability and Climbing Value-Chains

The government has focused on processing primary commodities and capturing increasing portions of the value-chain to reduce its vulnerability to fluctuations in international commodity prices.[362] Achieving value-addition makes traditional export sectors more productive and contributes to achieving self-reliance. Hirschman (1981) described how export-oriented development could be understood in terms of linkages derived from its staple.[363] Hirschman proposed three types of linkages: fiscal linkages, consumption linkages and production linkages.[364] Production linkages included both forward linkages (processing commodities) and backward linkages (Producing inputs to be used in commodity production).

Literature has developed around Global Commodity Chains (GCC) and Global Value Chains (GVC). Such literature is a response to shifts in the behaviour of global capitalism. This literature identifies economic structure and behaviour in "the core" Organisation for Economic Cooperation and Development (OECD) countries as determining the limits and potential of economic activity and change in "the periphery" countries (Cramer 1999). Such literature is concerned with industrial

[362] Diversification is an urgent priority. "Diversification has failed in the rest of Africa but it is prioritised in Rwanda because our history shows how important it is." (Interview, Williams Nkurunziza, then High Commissioner to India, October 2011).
[363] Linkages or linkage effects refer to "investment-generating forces that are set in motion, through input-output relations, when productive facilities that supply inputs to that line or utilise its outputs are inadequate or non-existent" (Hirschman 1981, 65).
[364] Fiscal linkages refer to taxes that are collected from resource rents. Consumption linkages refer to the demand for other goods that is generated from the incomes earned in the commodities sector.

upgrading i.e. "a process of improving the ability of a firm to move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches" (Gereffi 1999, 52). Upgrading fosters the creation of forward linkages and deepens backward linkages.[365]

A distinction is drawn between buyer-driven and producer-driven value chains (Gereffi 1994). In buyer-driven chains, retailers and marketers of the final product exert the most power because of their ability to shape consumption patterns through their brand names. In producer-driven chains, power is driven by final product manufacturers and is characteristic of capital, skill or labour intensive industries. Commodity chains are analysed through the relationship of inter-firm behaviour – particularly, in relation to how "lead firms define and manage quality", and maintain entry barriers along the chain (Gibbon and Ponte 2005, 177). The firm is the centre of analysis and is conceptualised as the locus of activity for investment decisions where lead firms seek to maximise profitability by specialising and expanding into activities that would ensure the highest profits. Such work offers a framework to examine the power relations within these chains.

But GVC, GCC and other strands of commodity studies literature are often perceived as "fatalistic" (Cramer 1999), ignoring the importance of labour and class relations (Selwyn 2012), conflating the 'nationality' of African capital and its effects (Bernstein and Campling 2006) and ignoring 'linkages' one commodity may have with others, the multiplier effects for the rest of the economy and for state-building. Endogenous constraints – "power-cuts and shortages of key inputs are rife, firm organisation is weak, and infrastructure is absent and unreliable" – are rarely recognised (Cramer 1999, 1249). A positive role for state intervention has been neglected in favour of what Bernstein and Campling (2006, 240) call "globalisation, and the novelties." For example, Daviron and Ponte (2005, 246) show that the coffee sector has moved away from a "public-controlled system" to "one that is more private and buyer-dominated" where few players control the bulk of international trade and roasting. National coffee agencies have been suppressed and local actors are forced to ally with international players or disappear. They conclude that the best

[365] Value-addition spurs a cluster of supplier industries, which feeds beneficially into other sectors (Kaplinsky et al. 2011). Beneficiation in the South African diamond sector was an example of such success (ibid).

that can be hoped for are comprador firms that are acquiescent to foreign capital. Thus, commodity studies have restricted the possible role of state regulation, which can “lower entry barriers to local producers” (Gibbon and Ponte 2005, 160). This is symptomatic of the ‘jaundiced’ and ‘pessimistic prognosis’ of African economic development (Sender 1999).

In Rwanda, “adding value” is a priority in every sector. On the Frontier Group (OTF) – a consultancy group inspired by Michael Porter’s work on value-chain analysis and competitive advantage – drafted sector strategies.[366] Porter’s work has become a powerful analytical tool in corporate strategic planning and has also gained popularity in the development practitioner community. His primary concern is how individual firms can create and sustain competitive advantage by outperforming their rivals, using the value-chain as a tool to analyse firm competitiveness. The development practitioner community has been influenced by Porter’s work to seek out large, multinational firms as partners in intervention. These firms are used to develop their supply chains back to farm-gate, as evidenced in International Finance Corporation (IFC) and United States Agency for International Development (USAID) examples from Indonesia (Neilson 2014). Such efforts have often been plagued by a myopic focus on firm-level competitiveness, which ignore broader structural themes of how inequality is reproduced in the global economy (Bair 2005). The tendency to view the world as a global marketplace reduces actors to economic agents, all driven by a similar utilitarian logic. Like commodity studies, there is no place in this analysis for discussions of power relations between actors other than firms. Porter’s analysis has encouraged donors to charge the most powerful companies with responsibility to find ‘ethical’ ways to make profits.[367] However, the ‘ethical’ way is founded on simplistic assumptions around empowerment of ‘small farmers’ and using certification schemes (e.g. fair trade). The first step is to contend with contextual realities in the nations that are the subjects of study and the complex interests that motivate actors in these societies.

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[366] CEO Michael Fairbanks’ OTF Group has led projects in 35 countries and 20 sectors. Their work is based on Porter’s influential research on the importance of industry clustering, which emphasises that regional clusters of related industries (rather than individual companies or single industries) are the source of jobs, income and export growth in developing countries.

[367] Porter and Kramer (2011, 65) argued that there is growing convergence between business and social needs. “Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success.”

Nations are a part of Porter's (1990) analysis. However, he ignores the importance of politics. Porter builds a step-by-step procedure for increasing competitiveness. He lists factors such as physical knowledge, capital resources including national infrastructure and cultural institutions. He simplifies these problems to a 'diamond theory', which is assumed to be a scientific and rational way of solving a nation's social problems. Such management strategies are built on the technocratic tradition of the value of experts and are incorporated into state-centred engineering (Kantola and Seeck 2010). The RPF government used Porter's credibility and popularity to model the image that the government is run in a similar management style.[368] Pursuing such policies does not mean that politics has disappeared. It simply means politics is geared to fit into these narratives.

This thesis explores the RPF narratives of 'upgrading' in the three traditional sectors. Government interventions have contributed to some success in achieving these goals. However, further growth is impeded by difficulties in incentivising and supporting firms to be loyal to these strategies.

5.4 The Investment Groups – Managing Loyal Capital

Investment groups are the symbolic representations of Economic Nationalism. 'Getting capitalism started' – the mandate of these investment groups – refers to going into new sectors, building the sector through a subsidiary company and leaving once the subsidiary company has broken even.[369] Investment groups receive these rents ahead of powerful individual elites. In Rwanda, two examples are often cited as examples of 'getting capitalism started.'[370] Those critical of these investment groups focus on companies like Inyange Industries, which obtained a large share of the market in dairy products. However, it is argued that the process of 'getting capitalism started' is still in progress in the case of these companies.

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[368] See Crisafulli and Redmond (2012). Kantola and Seeck (2010, 37) use the example of Finland to show that mimicking Porter's management style was "mainly a legitimating device rather than an actually effective way to raise the productivity of a nation."

[369] Interview, John Mirenge, May 2012.

[370] Serena Hotel was built by an investment group despite many donors advising against it. Once Serena Hotel was built, other domestic and foreign investors came in to the sector. The Serena Hotel is currently owned by the Aga Khan Fund for Economic Development. CVL originally owned shares in MTN – Rwanda's first mobile telephony company. The telecom sector is now liberalised, with Tigo and Airtel occupying substantial shares of the market.

Political parties and militaries have established businesses in several countries. Agebaz (2013) compares experiences in Malaysia, Taiwan, Ethiopia and Rwanda.[371] Malaysia's ruling party businesses provided evidence of cronyism but also created employment opportunities and empowered the Malay middle class (ibid). Taiwan's Kuomintang used party businesses to develop new sectors. Competitive clientelism slowly emerged through empowering party conglomerates and this provided "a soft landing towards multi-partyism" (Agebaz 2013, 1478). In Ethiopia, party owned businesses included The Endowment Fund for the Rehabilitation of Tigray (EFFORT). EFFORT invested in strategic sectors. In Ethiopia, some of these companies retained monopoly control over sectors while some companies operated in liberalised environments.[372]

Investment groups have been the subject of disagreement between Rwanda scholars. This disagreement mirrors the larger academic debate on rent seeking. Gokgur (2011, 2012) follows the neoliberal logic of Anne Krueger (1974) who emphasises that such rents encourage state agents to waste resources on unproductive activities. Gokgur fails to differentiate between these investment groups and the government. She simplistically assumes that their 'close' relationship must be a way to ensure benefits are retained by a small group of elites. Booth and Golooba-Mutebi (2011, 2012a) take a heterodox line, emphasising the importance of 'close' relationships between the private sector and the state in the early stages of industrialisation. They emphasise that investment groups work strictly in line with national priorities.

> "There is a very thick line between us and the government. We keep close relationships. We lose a lot of deals and we win some. It is through the work that we have done that we have built a reputation. Rwanda is the only country I know that you can sit on a computer in China and win a tender."[373]

Investment groups were created as a response to the political vulnerability faced by the dominant coalition. These groups have proliferated because the dominant coalition has faced difficulties in finding 'private' investors who have enough funds and patience to stay loyal to Economic Nationalism. Rather than being

[371] Agebaz (2013) has not analysed power relations within the elite bargain in the countries studied.
[372] For a detailed study on EFFORT, see Vaughan and Gebremichael (2011).
[373] Interview, Kayonga, January 2015.

an avenue for elites to maximise their rents, investment groups are symbolic tools used by the RPF to reduce the capacity of individuals to keep rents for themselves.

Investment groups are divided into 'formal' and 'informal' investment groups.[374] Formal investment groups are those companies with formal connections to the military (RDF) or the party (RPF). 'Informal' investment groups comprise those groups where 'private' investors have pooled their own money to create investment groups. Kagame has directed the formation of informal investment groups and different regional investment groups (even investing his own money).[375] The RSSB and the RDB's Assets and Business Management Department also provide funds for strategic investments.[376]

Tri-Star Investments emerged out of the RPF Production Unit. The Production Unit had functioned as a treasury for political contributions to the RPF's 'liberation effort' in the early 1990s. The initial funders included sympathetic diaspora and Banyarwanda refugees from Uganda and other neighbouring countries – some of whom are named in Chapter 4. After the genocide, Tri-Star continued to function as a Production Unit. Initial investments were made in line with national priorities e.g. the provision of social services, rebuilding roads and transport links.

> "Some things must be contextualised within our history – especially where Rwandan has come from since 1994. We had to find ways to provide basic services to people. The previous government had stolen most of the money from the treasury. Tri-Star invested in things the people needed. People saw there was potential and then Tri-Star left. This was a way the government motivated people to invest. In a way, it was to help privatisation and to entice new investors to come here."[377]

Tri-Star was involved in a variety of sectors including metals trading, mobile telephony, road construction, housing and food processing. One of its subsidiaries – Rwanda Metals (RM) – was involved in the trading of minerals from the Congo. RM

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[374] Gokgur (2012) identified these groups collectively as 'partystatals'. However, this term is confusing because the party does not have control over all these groups.

[375] Interviews, Faustin Mbundu (PSF and RIG investor) and Jean Philippe Kayobotsi (formerly at the Office of the President), March 2012.

[376] "If we want to facilitate privatisation, the government has to go where investments are not attractive and show that profits can be made. Then we can sell our company to private investors or open up the sector or retain shares. When you talk about setting up a company in Rwanda, the payback period is seven years. It is up to us to lead the way in taking losses and working for our future" (Interview, Ufitikirezi, then-RDB, May 2012).

[377] Interview, Francis Gatare, then-Private Secretary to the President of Rwanda, Now, CEO – RDB, May 2012.

was sold to a Botswana-based firm in 2002 amidst initial outcry over allegations that the firm traded 'conflict minerals' (Booth and Golooba-Mutebi 2012a). There is disagreement about the extent of profits made by companies like RM.[378] Such companies were unlikely to have become avenues for individual profit although individuals involved in companies derived power from their positions.[379] Tri-Star did not enter the traditional export sectors after these sectors were liberalised.

Tri-Star was renamed Crystal Ventures Ltd. (CVL) in 2009. The company, like its earlier incarnation, was a 'first-mover' in several sectors including telephony, civil works and property management (Box 5.1). In 2014, CVL had a 50 per cent stake or more in 12 companies operating in Rwanda. CVL's subsidiaries were the largest players in the sectors in which they operated. CVL had joint ventures with several foreign and domestic companies, including other investment groups. In 2013, CVL employed between 70,000 and 100,000 Rwandans and values itself at 500 million USD (Mazimpaka 2013).[380]

Booth and Golooba-Mutebi (2011, 2012a) argued that CVL was an attractive partner for foreign investors, enticing investors to come to Rwanda. Gokgur (2012) disagreed with such claims. She suggested that the presence of investment groups inhibited domestic entrepreneurship and foreign investors. Gokgur claimed that domestic entrepreneurs and investors were reluctant to compete in environments where such companies held majority controls over operations. There was a perception among most 'private' respondents that investment groups received benefits that were not available to 'private' companies.[381] Despite such claims, the presence of investment groups has not stopped increasing number of companies being registered across the country.[382] Micro, small and medium enterprises accounted for 98 per cent of total businesses and accounted for 41 per cent of total

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378 Reyntjens (2013, 165) implies RM made large profits, writing that these companies could not be developmental "if they underdeveloped its neighbours." Booth and Golooba-Mutebi (2012a) agree that the company did make some profits but these profits were was not as large as in MTN, the telephony company CVL had shares in. Mwenda (2013) claimed RM was an "unmitigated disaster."
379 Many trusted officers such as Dan Munyuza performed roles at RM. Munyuza served in the RPA during the liberation effort and he was a junior officer during the Congo Wars. In 2010, Munyuza was appointed Head of Military Intelligence. In 2011, he was transferred as Head of Foreign Intelligence. In 2013, Munyuza was named Deputy Inspector General of the Police.
380 Considering Rwanda's GDP is about $6.5 million, CVL's value is more than 1/13th the value of the entire economy.
381 Interviews, domestic private sector representatives, April and May 2012.
382 Interview, Hannington Namara, CEO – PSF, April 2012.

private sector employment. Most of these companies did not survive beyond three years (MINICOM 2010). Complaints usually included difficulties in accessing finance, high costs of doing business and heavy taxes. In fact, many of these investment groups are now being encouraged to develop supply chains through backward linkages with Small and Medium Enterprises (SMEs).[383] Thus, there is no evidence that foreign investment or the growth of domestic companies is hampered by benefits received by investment groups.[384]

While working as a consultant in Rwanda, Gokgur (2011) identified the presence of investment groups as an impediment to attracting foreign investment. Donors approached the government and questioned them about their use of these investment groups.[385] Gradually, negative press regarding these companies gathered pace. The RNC and other critics highlighted the obstructive presence of these companies and accused the government of giving these groups benefits that were not accorded to other individuals in the private sector (Nyamwasa et al. 2010, Rudasingwa 2013). The government defended CVL's failures and attributed them to mismanagement rather than corruption.

> "Donors criticised us about these companies. But do they know how China developed? It is easy to criticise but they don't care to understand the functions of these companies."[386]

RPF members including Rujugiro, Alfred Kalisa,[387] Faustin Mbundu,[388] James Gatera[389] and John Mirenge have previously led Tri-Star and CVL.[390] In 2012, after criticism of CVL's performance, there was a change in management (showing the government's sensitivity to perceptions around these companies). Jack Kayonga, the

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[383] As part of EDPRS 2, the government encourages investment groups to become 'vertically integrated' to find new suppliers, rather than produce their own inputs (MINECOFIN 2013).
[384] "Sure, it isn't easy to enter the market. But these companies are not the problem. I have an advantage because my partners and I are young and we have international experience and prior expertise. These groups are not efficient enough. It is easy to blame them but there are other reasons why companies don't survive." – Interview, Jean-Philippe Kayobotsi, Ujenge group, May 2013.
[385] Interviews, Dutch and British Embassy officials, Kigali, October and November 2011.
[386] Interview, Emmanuel Hategeka, MINICOM, January 2015.
[387] Alfred Kalisa was the CEO and Board Chairman of the former Bank of Commerce, Development and Industry (BCDI), which acted as an investment bank. In 2007, he was accused of illegally advancing loans to himself and his family members, totalling up to 800 million RwF, as well as inflating the cost of constructing the BCDI headquarters. He was pardoned in 2010 (Ssuuna 2010).
[388] Mbundu, Gatera and Mirenge were officially listed as CVL shareholders (Booth and Golooba-Mutebi 2012a). Mbundu is from a Ugandan business family, which had also contributed towards the Production Unit. He owned several businesses. He was also PSF Chairman between 2011 and 2013, before leaving the post to devote more time "to his personal business" (Tabaro 2013b).
[389] Gatera has been the MD of the Bank of Kigali since 2007.
[390] Since 2010, Mirenge has been CEO of Rwandair.

former CEO of BRD, was named the new Chairman. He replaced Nshuti Manasseh. Elias Baingana, who had served as DG of the National Budget in MINECOFIN, was brought in as Chief Operating Officer of CVL.

> "Crystal Ventures is about changing the lives of our people. Criticisms have been unfair. For example, in construction, we have been criticised for taking deals. But we have about 5 per cent. The Chinese have 90 per cent. Many of our companies began as start-ups. Since they have all grown tremendously. If you look at import substitution, we have invested in Granite. There has also been significant contribution to employment and to GDP. We are also transferring skills. When we started, 60 per cent of engineers were foreigners. Now, about 80 per cent are Rwandese."[391]

Formal investment groups also included RDF-owned companies.

> "It works as a 'demonstration effect' and the military companies are at the centre of it. The thinking is that the military is disciplined and successful. Let's use these resources and get them to do public works, logistics etc. The military will push themselves better than others because they are trained in the ideology."[392]

The creation of Horizon Group (in 2007) led to a distinction between the party and the military in the economic sphere. Ownership is not held by the MoD directly. Instead, Horizon has two shareholders – Military Medical Insurance (MMI)[393] and Credit Savings Society Zigama (CSS Zigama).[394] The military was previously involved in undertaking socio-economic projects in line with national priorities. For instance, the military built the first coffee washing stations (CWS). Horizon's first venture was a construction company, which was established after an initial gift of equipment from the government and military engineers were seconded from the army (Booth and Golooba-Mutebi 2012a). Horizon built irrigation dykes and later began constructing roads. In constructing the first asphalt concrete road in Rwanda, Horizon cut the cost of such investments in half.[395] Earlier, German-owned STRABAG and Chinese construction companies had collaborated to fix artificially higher prices. Such investments also created jobs for Rwandans (since some

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[391] Interview, Kayonga, January 2015.
[392] Interview, former OTF consultant, February 2012.
[393] MMI operates directly under the Ministry of Defence. It guarantees high quality healthcare to its employees, in accordance with the norms of the Rwandan healthcare system. It receives money directly from salaries of military personnel.
[394] CSS Zigama was founded in 1997 and inaugurated in 1999 as a microfinance bank for military officers. As of 2011, it counted 60,000 members and 122 employees, operating 14 branches. It had also begun to operate as an investment bank for military companies.
[395] Interview, Eugene Haguma – CEO Horizon, May 2013.

international companies including Chinese construction companies and Indian hydropower projects continued to employ labour from their own countries). Horizon Logistics is another subsidiary and is involved in supporting the activities of the peacekeeping forces. Horizon SOPYRWA is the third subsidiary and is engaged in pyrethrum processing. Horizon's board does not include any military officers, apart from its CEO. Officially, Horizon and other military companies operate autonomously. In reality, hiring-and-firing decisions and other forms of pressure are exerted directly from the Ministry of Defence (or higher up).[396]

API formerly operated under the banner of Horizon as Horizon Agro-based Production. Like Horizon, the company's shares are split between MMI and CSS Zigama. Unlike Horizon, its senior management (in 2011) almost entirely comprised senior military officers. API's operations were geared to make the most out of RDF-owned land and to address food security.

> "The problems we are addressing are both internal and external. Prioritising the economy is important for us if we are to address the security of the country. You can never divorce the RDF from food security. Our enemy is hunger. API has shown that massive production of one crop (cassava) can address the problems of our people. Now, we are doing so well that farmers are looking at cassava as a cash crop. If a shop in Rwanda is not selling Kinigi flour then I would say it is not functioning for Rwandans."[397]

API directly employed farmers in the production of coffee, cassava and other strategic crops, providing a source of wage labour.[398] API employed soldiers in cassava production across 1,300 hectares of land. As of 2011, the company operated ten CWS, had harvested 800 ha worth of maize and planted 400 ha of soyabean in Eastern Province.[399] Some of API's operations are located in Gako where the military academy is based. Out of 1000 ha of land in Gako, 700 ha was allocated to cassava production and 90 ha to soyabean production. API also owned the Nyanza dairy, which is one of the oldest dairies in Rwanda, and invested $800,000 in the upgrading of the facility (Gathani and Stoelinga 2013). While the other investment groups are

[396] CEOs of API and Ngali both mentioned that they were directly answerable to Kabarebe or Jack Nziza. Haguma also mentioned that he maintained contact with MoD and is answerable to them.
[397] Interview, Nzabamwita, January 2015.
[398] It only produces and exports 100 per cent fully washed coffee in line with national priorities.
[399] Interview, Emmanuel Nzamurambaho, API, April 2012.

engaged in sectors other than agriculture, this firm is focused on intensifying agriculture production (as well as value-addition in coffee).

Ngali Holdings (previously known as Digitech) was established in 2010. Ngali had a similar structure to Horizon. There were few serving military officers comprising Ngali's management or Board of Directors. The CEO is Major Andrew Nyamvumba who is on a secondment from the army.[400] Similar to Horizon, disciplinary power over hiring-and-firing resides in the Ministry of Defence (or higher up).[401] Ngali was originally set up as an engineering firm. It has broadened its mandate to include infrastructure, Information and Communications Technology (ICT), energy, healthcare, pharmaceuticals and ecology (Box 5.1). The company was created to assist in meeting Rwanda's structural deficits, particularly in relation to energy. Ngali aimed at having at least 255 MW worth of energy projects by 2017, which would likely cost around 778 million USD. Ngali had already developed several partnerships with companies in China, Czech Republic, Spain, South Africa, Kenya and DRC.[402] Ngali also helped establish the East Africa Commodity Exchange (EAX).[403] Ngali co-owns the EAX with Nigerian Tony Elumelu's Foundation, Heirs Holdings, Berggruen Holdings and 50 Ventures.

> "Our mandate is to help solve the structural deficits that our country faces. We work in the national interest. Energy is one of our key constraints to sustain economic development. We are looking for strategic partners. The vision is to do things no one else is ready to do but that will benefit Rwanda in the long-run."[404]

There are many informal investment groups that operate in Rwanda. Among these groups is the Rwanda Investment Group (RIG), which was created in 2006. The creation of RIG was part of a national drive to pool investments to strategic sectors. There are also regional investment groups and sector-specific investment groups. The Petrocom Group, headed by Egide Gatera, is another example of such a group.[405] These were patriotic projects.[406]

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400 Andrew Nyamvumba is CDS Patrick Nyamvumba's brother. He was involved in the liberation effort in the early 1990s.
401 Interview, Nyamvumba, April 2012.
402 Internal Ngali documents.
403 On 5 November 2013, the first trade deal was conducted on the EAX, with 50 metric tonnes of maize sold by a Ugandan to a Rwandese farmer for $19,900 (Mugwe 2013).
404 Interview, Andrew Nyamvumba, CEO – Ngali, October 2011.
405 Discussed in Chapter 8.
406 Interview, Mbundu, March 2012.

> "It was all the President's initiative. Businessmen sometimes complained about lack of funds when they were asked to invest in national projects. He called some of the most important Rwandan businessmen to his farm and asked them: 'Can you think bigger than sole ownership?' From that meeting, RIG started getting capital. RIG went into energy and cement. These investments are made where the country needs it most."[407]

Originally, RIG's shares were split between Hatari Sekoko, Rujugiro, the National Social Security Fund (NSSF), Tri-Star and various private individuals (Gokgur 2012). The share base transformed over time. Within the first two years of operation, RIG invested over 11 billion RwF, mostly in energy, cement and real estate (RIG 2009). Investments are now restricted to energy and cement – two important strategic sectors.[408] Investments in energy contribute to solving infrastructural constraints. Cement is among Rwanda's top imports. The cement company, CIMERWA, had previously been managed by a Chinese company (CBMC) under a Build, Own, Operate and Transfer (BOOT) agreement that expired in July 2006. The government then sold a 90 per cent stake in the company to RIG. "Since RIG's acquisition, the company has been operating with an installed capacity of 100,000 tonnes per year to serve the domestic market, although the estimated domestic demand is approximately 370,000 tonnes" (Gathani and Stoelinga 2013, 168). After a failure to raise additional funding, RIG sold a large percentage of its shares to the BRD and RSSB (ibid). RIG is a relatively smaller enterprise than formal investment groups. It has been much harder to discipline individual investors to invest in strategic sectors.[409]

Contributions to the academic debate about these companies hold that all these firms have the same interests. Gokgur (2012, 35) labels these investment groups as "extractive economic and political institutions." Booth and Golooba-Mutebi (2011, 2012a) argue that these companies deploy rents in line with long-horizon rent centralisation. These contrasting arguments do not recognise the competing interests among Rwandan elites. Booth and Golooba-Mutebi (2013) emphasise how RPF cadres work proactively to achieve consensus, rather than highlighting that the commitment of elites is strengthened through shared

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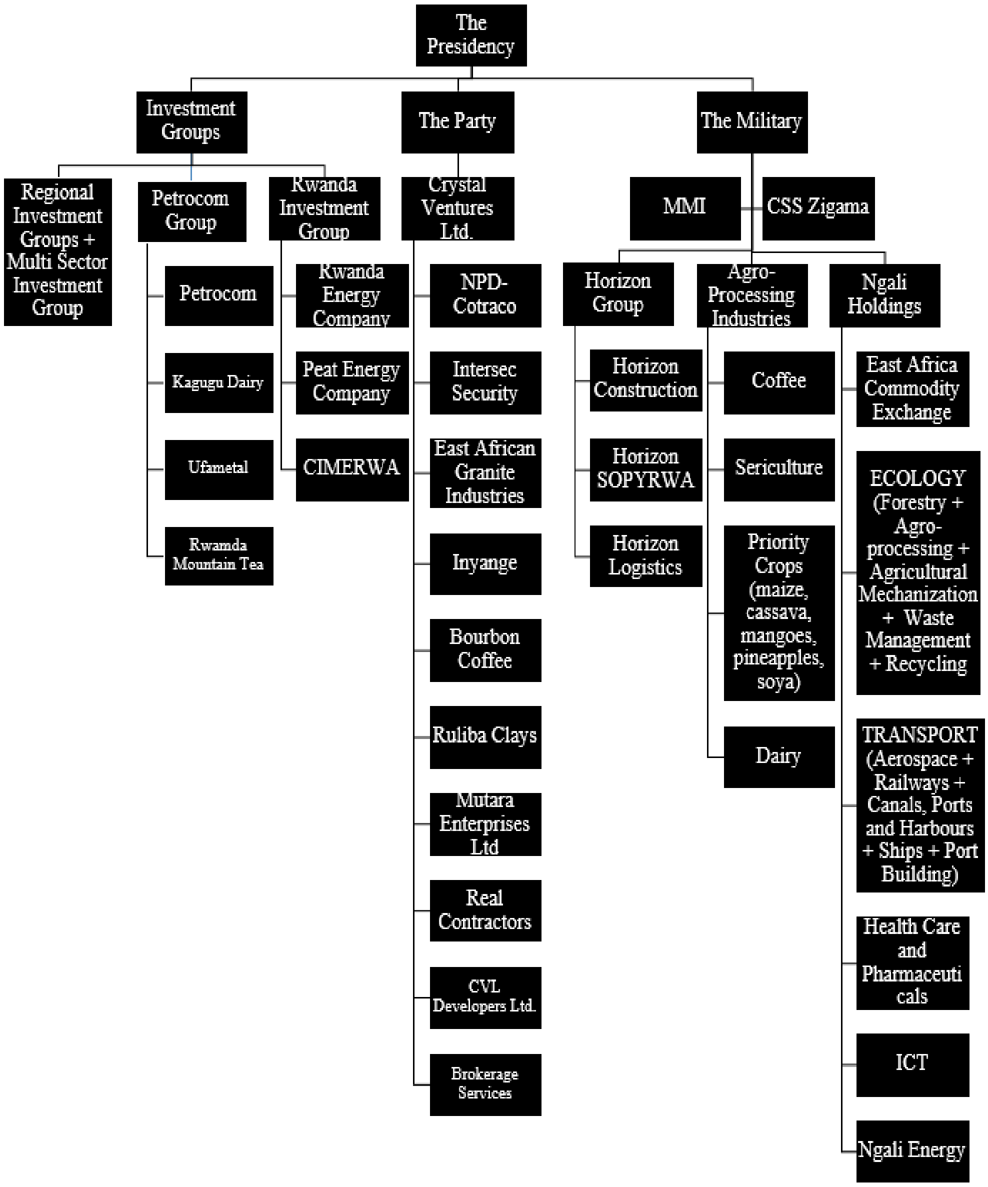
407 Interview, Mirenge.
408 MINECOFIN (2013) estimates current domestic installed energy capacity at 110 MW and anticipates a demand of 563 MW in the medium term.
409 Interview, consultant – PSF, March 2012.

experiences of vulnerability. The centralisation of rents is legitimised by arguments that strict discipline is imposed within these companies.[410] The dominant coalition would be hypocritical if they were taking rents away from individual elites and using it for their own corrupt motives (thus battering the credibility of their own narrative). Developing new investment groups has created organisations that compete for rents that are distributed by the Presidency. While these companies collaborate with each other, they are expanding by looking for new investments in new sectors.[411]

The debate is quick to judge the outcome of this strategy. The investment groups should be analysed on a sector-specific basis with emphasis on understanding rent seeking as a process. The net effect of rent seeking should be equated with the net social benefits associated with rent outcomes minus the cost involved in seeking rents (Khan 2000b). The next section details the example of Horizon SOPYRWA, describing how this company was disciplined after private owners had failed to make the most of ‘first-mover advantages’ that were originally allocated to them. Judging the strategy as a ‘process’ in relation to wider social benefits shows evidence of control grabs, according to Huggins (2014). However, Huggins (2014) simplistically assumes that these companies are being used to make elites rich (without any evidence). It is more likely that control grabs are being used to speed up the pace of class formation in rural areas that are necessary for accumulation strategies. This example shows that the government is more willing to facilitate formal investment groups (who it controls) than private investors. However, even when capitalist accumulation is facilitated successfully, exogenous factors such as reduced international prices can impede growth.

[410] Interview, Haguma, May 2013.
[411] As Haguma said, “there will always be a need for Horizon in the economy. As long as Rwanda wants to develop new sectors, Horizon will have a place.” (Interview, Haguma, May 2013).

Box 5.1: The Investment Groups



5.5 Investment Groups in Action: Horizon SOPYRWA

Pyrethrum is a natural flower-based pesticide, used as an alternative to synthetic chemical pesticides to control a wide range of insects. It was introduced in Rwanda in 1936. In 1963, the Kayibanda government expanded the pyrethrum industry. The Kayibanda government granted two hectares of land to each individual farmer in the Virunga region, located in northwest Rwanda. The rich volcanic soil in the Northwest and the high altitudes suited the production of pyrethrum. Rwanda is one of the few countries (including Kenya, Ecuador, Tanzania and Australia) that produces significant quantities of pyrethrum. In the 1970s, the government merged a "planters association" with an industrial facility, creating OPYRWA – a company that processed the flowers to export raw pyrethrum extract. The Habyarimana government increased production until the global market suffered in the late 1980s.

The RPF government had three specific goals in the pyrethrum sector. Firstly, it aimed at ensuring farmers and wage workers were organised to cultivate pyrethrum (and they received necessary inputs) so consistent quantities of pyrethrum would be supplied to the factory. Second, owners of the factory would invest in the necessary technological innovations to better the quality of pyrethrum extracts produced in the factory. Third, value-addition would be prioritised in terms of improving the quality of pyrethrum produced and manufacturing pesticides using that pyrethrum. The government managed its 'three constituencies' by initially privatising the factory (embracing market-led reforms) before buying the factory and placing it under Horizon's control (thereby centralising rents) and promising benefits would be distributed among 'small farmers' through 'cooperatives'. Organising production in this way was coercive but it also ensured better distribution of agricultural inputs (Huggins 2014). Though these constituencies were managed, reduced international prices and shifts in higher nodes of the global pyrethrum chain have impeded growth in the sector. Interviews and statistics indicate that the government has chosen not to force continued pyrethrum cultivation.[412] This is a significant difference between the current government and the Habyarimana government, which forced cash crop cultivation despite a fall in global prices in 1980s.

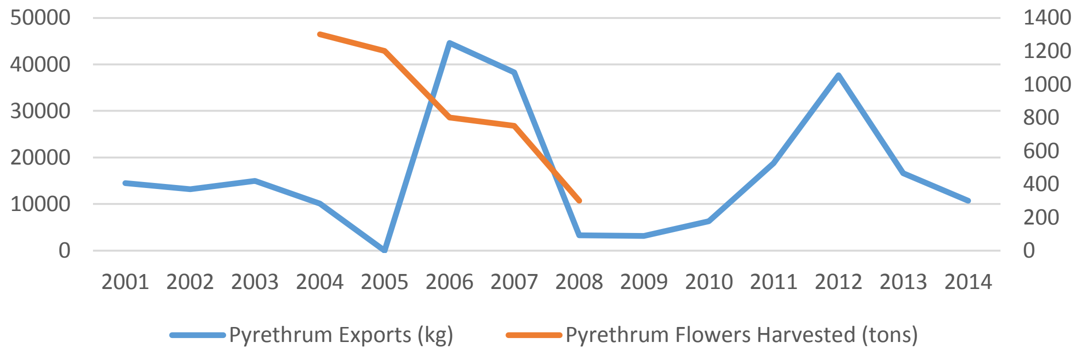
Before Horizon's takeover

Until 2001, domestic pyrethrum production remained at low levels because of conflict in Northwestern Rwanda. Then Finance Minister Donald Kaberuka opted for privatisation as the solution to revitalising production in the sector. OPYRWA was among the 31 public companies privatised between 1997 and 2003. It was sold to four businessmen, including Paul Muvunyi who served as Chairman and Managing Director. Kaberuka urged Muvunyi and other owners to invest in production and quality increases (Engineering News Online 2002).[413]

[412] Interview, Bill Kayonga – NAEB, January 2015.
[413] Kaberuka was Finance Minister from 1997 to 2005. He was then elected AfDB President.

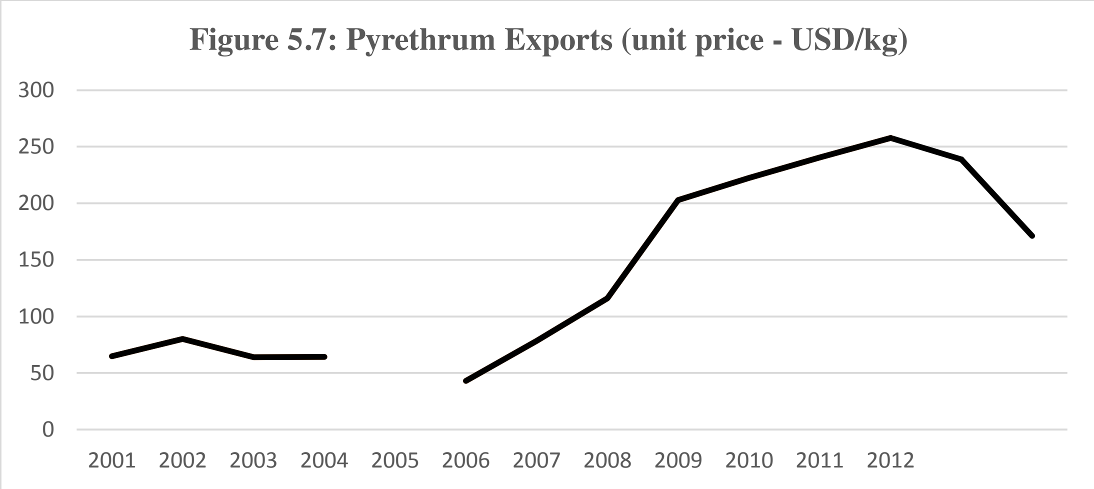
OPYRWA was renamed SOPYRWA by private investors. Even though international prices for pyrethrum increased, domestic production of pyrethrum flowers steadily decreased between 2004 and 2008 (Figures 5.6-5.8). While SOPYRWA was under private ownership, price per unit of the product remained low, as did total revenues (Figure 5.7). Exports increased in 2006 and 2007 because regional production was being sent to Rwanda after a fire in Kenya's pyrethrum processing factory.[414] While SOPYRWA was in 'private' hands, production declined from 1350 metric tonnes (mt) of dried flowers in 2004 to 209 mt in 2008. Pyrethrum farmers switched to growing potatoes because they were not paid.[415] The company was accused of "financial mismanagement leading to cash shortages in the refinery, buyers not being supplied and SOPYRWA's failure to invest in new seed stocks, extension services and maintenance of the factory."[416] Foreign buyers, including Valent BioSciences, Whitmeyer and SC Johnson, did not receive the pyrethrum promised in contracts with SOPYRWA. The company then filed for bankruptcy.

Figure 5.6: Exports of Processed Pyrethrum (kg) and Pyrethrum Flowers harvested (tonnes)

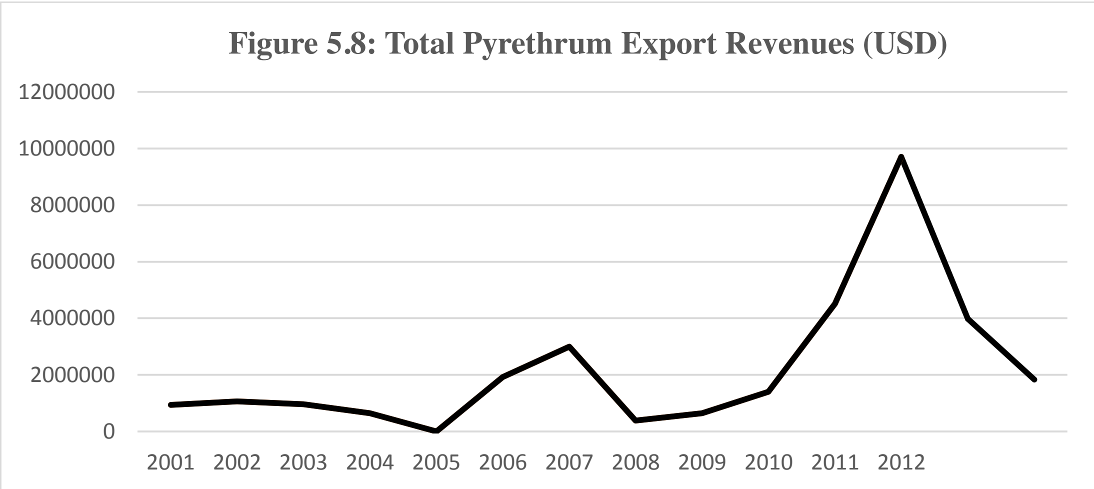


Source: MINECOFIN and Huggins (2013a)

[414] Interview, Eugene Haguma, May 2013. Kenya began sending Rwanda its pyrethrum production in 2004 (Masibo 2004).
[415] Internal MINAGRI document.
[416] Ibid.



Source: MINECOFIN



Source: MINECOFIN

Post-Horizon takeover

Private investors were unable to incentivise farmers to produce pyrethrum in the region. Muvunyi claimed that farmers received increased prices after the factory was rebuilt in 2007, with Horizon's additional investments (Namara 2007). Horizon established full control over the company and invested in the revitalisation of the processing plant. The government facilitated Horizon's accumulation strategies by encouraging farmers to join cooperatives. Horizon used these cooperatives to organise labour to pyrethrum production (Huggins 2014). Consequently, domestic production of pyrethrum increased. SOPYRWA claims to have the best quality pyrethrum extract in the world and produces five per cent of global production.

Those involved in the sector claimed that global supply currently only meets half (or even a quarter) of global demand (Namata 2009; USAID 2010a).[417]

At first, Horizon bought 70 per cent of the plant. Karisimbi Business Partners – a Kigali-based consultancy that was involved in SOPYRWA's turnaround – cited the change in ownership as crucial to revitalising the sector (Kalan 2012). Horizon invested in upgrading the processing plant and worked with the government to ensure farmers in the region dedicated 40 per cent of their land to growing pyrethrum. The rise in unit price and total revenues from pyrethrum was dramatic (Figures 5.7-5.8). Exports did not reach the heights of 2006 but have shown steady improvement (Figure 5.6). Horizon made investments in upgrading equipment and refurbishing the factory. Managers travelled to other countries (e.g. Australia and Kenya) to learn from best practices around the world. In 2012, the government asked SOPYRWA to treble its revenues over the following three years. Additional land was also allocated to growing pyrethrum. Horizon was effective in organising labour to the production of pyrethrum and attracting better prices for Rwandan pyrethrum. In 2011, Horizon established a joint venture with UK-based Agropharm Ld., named Agropharm Africa Ltd. This joint venture was established to refurbish the pyrethrum refining plant and collaborate with Horizon in the production of end-use pesticides. Value-addition attempts have been successful, with Agropharm producing a variety of products, including end-use pesticides. These pesticides have been used in the domestic agriculture sector over the past two years.

Horizon appealed publicly to farmers to grow pyrethrum in public meetings and in newspaper articles (Gasore 2013). To address the concerns of farmers, Horizon worked with USAID to organise farmers into 24 cooperatives and savings and credit cooperatives. USAID (2010b) reported that farmers were being paid at least 20-40 per cent more than in 2008. This 'organisation of labour' was legitimised by donor choices to support the empowerment of cooperatives. The choice to empower cooperatives was a way for the state to speed up processes of rural differentiation and facilitate accumulation strategies. The Ministry of Agriculture and

[417] Interview, Gabriel Bizimungu, MD-Horizon SOPYRWA, November 2011.

Animal Husbandry (MINAGRI) works closely with Horizon to organise labour in service of Horizon's accumulation strategies (e.g. providing access to inputs).[418]

Critical commentators such as Huggins (2014) argue that predatory elites dominate most cooperatives in the agriculture sector since they are administered from top-down rather than from bottom-up. Huggins (2014) describes one cooperative in Musanze where farmers preferred to sell their land to the cooperative at below-market rates rather than join and risk confrontation with the powerful cooperative president. He claims similar trends have developed in the pyrethrum sector and argued that farmers are coerced into growing pyrethrum (Huggins 2014, 376). He finds evidence that a 'control grab' took place where transfer of control over the mechanics of land use and agricultural production was taken away from the smallholder farm households by state agencies.

Though Horizon's investments were initially effective, progress has hit roadblocks recently. Between 2012 and 2014, international pyrethrum prices fell by more than 20 per cent. In the same period, unit prices decreased by more than 32 per cent and the volume of pyrethrum exports fell by 73.6 per cent from 35.9 tonnes to 9.46 tonnes (BNR 2014). The farmgate price for producers (1,080 RwF) was not reduced (Nkurunziza 2014). Poor weather conditions and difficulty in accessing the market had a detrimental effect. Pyrethrum exports more than halved between 2012 and 2013 (reaching $3.98 million in 2013 and $1.83 million in 2014). Farmers began to publicly criticise Horizon for forcing them to grow pyrethrum despite low returns (despite the government officially encouraging farmers to intercrop with potatoes). One farmer complained: "We should not be stopped from cultivating food crops on the land… if we grow potatoes, we get enough food and money to send our children to school" (Habimana 2013). Bizimungu and NAEB officials argued that 'farmers needed to change their mindset' and that farmers were offered services, which would bring the value of one kilo of pyrethrum flowers to nearly 3000 RwF (Habimana 2013). Government officials complained that farmers' yields remained low despite the provision of free organic manure and improved seeds (Nkurunziza 2014).

Government interventions facilitated Horizon's investments and contributed to capitalist accumulation. Strategies in the sector were geared to achieving value-

[418] Interview, Raphael Rurangwa – MINAGRI, February 2012.

addition and increasing productivity in line with achieving ideological goals of self-reliance. Reduced global prices hampered growth in productivity and quality. However, the government has not reduced the farmgate price. Statistics of reduced production indicate that the government has not forced farmers to grow pyrethrum or that farmers have successfully resisted such coercion (if it was applied). This shows that the government and Horizon have been forced to react to the international environment and the demands of labour while organising capitalist accumulation.

5.6 Concluding Remarks

This chapter has detailed the values that are expected of RPF cadres in line with Economic Nationalism. It has shown how *Agaciro* has reflected ways in which the government has been forced to navigate the demands of three constituencies. Investment groups are symbols of RPF ideology. They have been used to respond to difficulties in dealing with demands from three constituencies. The continued prominence of investment groups reflects the government's difficulties in developing partnerships with loyal investors. Though the use of these investment groups has often been marked with increased productivity and progress in line with strategic goals, the RPF ideological project and its narratives mask that success depends on the exploitation of workers. This is the case with Horizon SOPYRWA, where 'success' has been projected through empowering cooperatives, increasing the quality and quantities of pyrethrum production. Through organising 'small farmers' into 'cooperatives', accumulation strategies were facilitated and legitimised by donors (as USAID and the IFC gave funds to these policies). Capitalist accumulation expanded in the sector until adverse international prices inhibited growth.

Being perceived to represent the values of Economic Nationalism helps Kagame retain a hold on power. Investment groups are used to centralise control over rents in the pursuit of self-reliance, while reducing the opportunity for rivals to develop independent control over rents. However, these groups are also easy targets for critics who equate close state-business relations with corruption. The government has strategically managed such perceptions by avoiding publicising the work of these companies, hiding some of them and demonstrating that it disciplines individuals who are accused of mismanagement or corruption.[419] For example, two Horizon officials were accused of embezzling funds in 2010 (Ndikubwayezu 2009). Paul Semana and John Zigira were later retired during an episode of mass retirements in 2013. This incident shows that while these companies are not free from becoming avenues for personal corruption, the government disciplines those who are accused of such activities. Conversely, it could also be argued that charges of corruption are used by ruling elites to legitimise choices to oust certain officers (since both Zigira and Semana were rumoured to have been close to Nyamwasa, who fled the country in 2010). The centralisation of rents and authority is threatened, either when there is a possibility that certain individuals may become rivals or through individual acts of corruption. However, the dominant coalition is sensitive to such threats and works to consolidate control over rents.

Rwanda's economic strategy is a product of the international environment, which demands it conducts development in certain ways. However, the RPF government (as with other East Asian developmental states) finds way to intervene in markets to prioritise achieving strategic goals. Interactions with foreign actors and global markets contribute to determining the trajectory of economic policymaking. Equally, domestic pressures (from rival elites and the population) determine the space within which the government can enforce capitalist accumulation.

[419] Ngali, despite its size and mandate, is not 'known'. Donors said that they had never heard of the company (Interviews, Donors, October 2011-May 2012).

Chapter 6: Coffee Was Power – Maintaining a Developmental Political Settlement in Rwanda's Coffee Sector

6.1 Introduction

This chapter describes the evolution of the coffee sector in Rwanda. The RPF government's strategy of pursuing value-addition contrasts with the strategies of previous governments, which focused on the production and export of low-quality coffee. Understanding the transformation of the coffee sector contributes to illuminating how ruling elites have navigated "three constituencies" while remaining committed to achieving self-reliance. Government strategies have been characteristic of developmental states, as highlighted by Wade (1990) – with the government making productive investments, intervening to promote value-addition and exposing the sector to foreign competition.

The strategic position of coffee in national politics is common among late developing countries, with 90 per cent of coffee produced in Asia, Africa and Latin America (Ponte 2002). Coffee production in Rwanda has never represented even one per cent of global coffee production.[420] However, coffee has been Rwanda's leading export for most of its history. More than 98 per cent of the coffee produced in Rwanda is Arabica coffee. Robusta coffee is only produced in the Southern Province and some is exported out of Rwanda after arriving from neighbouring countries. Coffee is produced throughout Rwanda except in the northeast and southeast corners. Coffee production is concentrated in the central and western provinces. The coffee season has two harvests. The first occurs between March and June. The second, smaller harvest takes place between September and November.

The RPF government has focused on moving away from the production of low-quality semi-washed coffee (SWC) to high-quality fully washed coffee (FWC). It has also roasted coffee domestically, sold single-origin packaged coffee abroad

[420] Food and Agriculture Organisation of the United Nations (FAO) data indicates Rwanda's highest share of global coffee production was achieved in 1986 (0.79 per cent).

and established coffee shops abroad. Rwanda is not the only country to have transformed its coffee sector in this way. In 1989 in Mexico, the rupture of the International Coffee Agreement (ICA), coupled with broader neoliberal market reforms, meant that coffee producers lost their price support (Calo and Wise 2005). The dismantling of the parastatal *Instituto Mexicano del Café* (INMECAFE) in 1993 sent further shocks to Mexican coffee producers (Foley 1995). During this time, cooperatives began efforts that made Mexico a pioneer in the organic coffee market, even exporting the first organic coffee (Nigh 1997, Barham et al. 2011). In 2014, Mexico was the second largest exporter of organic coffee, behind Peru (Perez 2014).

To break into niche markets, The RPF government has identified the importance of “selling the Rwandan story” to build the brand of Rwandan coffee.[421] These initiatives are taken to tap into “coffee karma" (Zizek 2014). Certification from organisations such as fair trade supports narratives that emphasise that progress within the coffee sector benefits vulnerable workers.[422] Developing narratives that support the image of specialty coffee benefiting vulnerable segments of the population is essential to legitimise the changes to the systems of accumulation that have accompanied shifts in production techniques.

RPF narratives project that growth has been aimed at improving the livelihoods of the rural population.

> “The whole idea of VISION 2020 was to transform livelihoods of the rural people. It was all the President’s idea and success is down to his leadership.”[423]

Donors and the existing literature focus on the conditions of ‘smallholders’ who are perceived as a homogeneous group. This distorts the picture of rural conditions. The narratives that are created mystify that the expansion of the coffee sector depends on the continued exploitation of producers. The government has organised labour through empowering local elites (on the basis of loyalty) and by

[421] Internal OTF and NAEB presentations. Zizek takes the example of Starbucks’ ad campaign: “It’s not just what you’re buying. It’s what you’re buying into.” Campaigns such as these emphasise the importance of buying into a coffee culture where consumers buy into Starbucks’ fair trade coffee and thereby support small farmers who grow coffee around the world. Such ‘coffee karma’ is usually misplaced. “Fairtrade standards have been based on the erroneous assumption that the vast majority of production is based on family labour” (FTEPR 2014, 16).
[422] Rwanda has among the highest number of fair trade certified coffee producer organisations in Africa (Elder et al. 2012).
[423] Interview, MINICOM official, November 2011.

organising farmers in cooperatives. For systems of accumulation (and shifts in production techniques) to be sustained, minimising resistance is essential. RPF narratives justify the use of coercion in the short-term if changes in production techniques result in better outcomes.

> "Change does not come so easily. We had to use a stick and tell them to do things. Our farmers just used to get beans, put them in a sock and take them. We wanted to do something to change it. We built washing stations, organised cooperatives. Now, everyone is convinced. This is the effect of long-term planning."[424]

RPF narratives project that liberalisation of trade-and export and the 'private' control of washing stations have been responsible for productivity increases.[425] Such claims fit the RPF's strategy of publicly embracing 'market-led reforms'.[426] This chapter shows that loyal private investors or investment groups have invested in the most risky innovations (like setting up coffee shops or roasting coffee) in the sector. Foreign-owned companies dominate 'trade-and-export' operations. To retain ownership of policies, the government faces challenges in facilitating loyal investors, as well as disciplining and monitoring the performance of exporting companies and owners of washing stations.

As is expected of any government, the RPF government officials rarely recognise the achievements of preceding governments. "Before 1994, those governments concentrated on nothing. They had no strategy and no policies so they went nowhere."[427] The 'miracle' nature of the crop stresses how coffee production has lifted many out of poverty and how it has fostered reconciliation.[428] The 'miracle' story also focuses on how women have been empowered through the cultivation of coffee.[429] While the government has made investments in the rehabilitation of the

424 Interview, Nzabamwita, January 2015.

425 "After 1994, it was decided to liberalise the coffee sector. After investors came in, it became easier to export. Domestic investors were important in setting up washing stations. If it was just the government, we would not have done so much" (Interview, Pontien Munyankera, NAEB, February 2012).

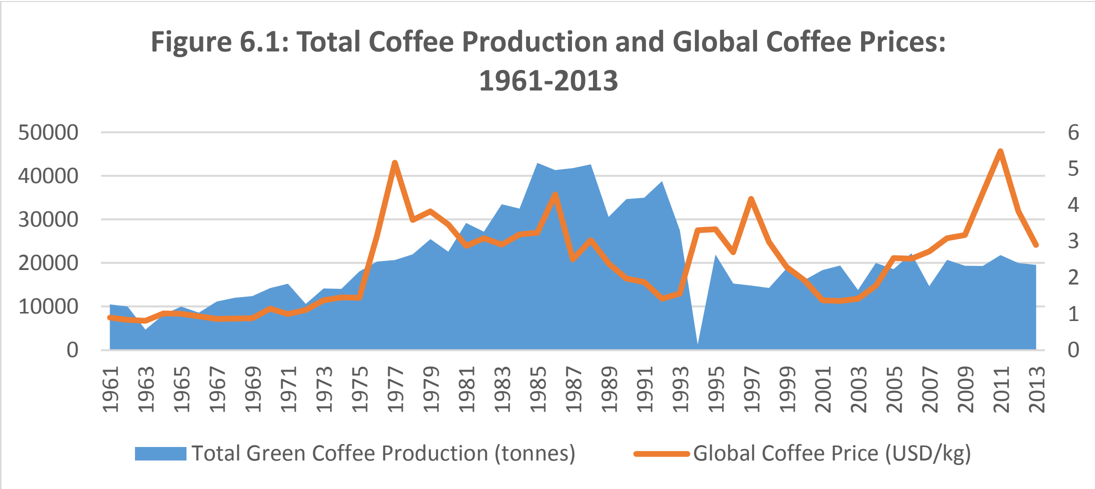
426 "At the RDB, we facilitate investors to step up their investments. We monitor their activities and help them with anything they need. I have a large team in my (agriculture) department and account managers responsible for every company" (Interview, Tony Nsanganira, then-RDB, March 2012).

427 Interview, BNR official, May 2013.

428 McLaughlin (2006) describes how Tutsis in the Abahuzamugambi coffee cooperative worked with Hutus who helped murder their family members.

429 In a Washington Post article, Weiner (2014) describes how Rwandan coffee plantations are increasingly run by women. This story provides publicity for the CVL-owned Bourbon Coffee shop in Washington, D.C. Another article describes how Sainsbury's sells single-origin Rwandan coffee

sector, the Habyarimana government actually outperformed the RPF in coffee production and exports and in export revenues (Figure 6.1, 6.3, 6.4). Habyarimana prioritised coffee production at the cost of other traditional sectors (tea and minerals) and the manufacturing sector (which enjoyed growth in the 1970s). Since the RPF government took over, coffee exports remained low until 2003 but have increased since then (Figure 6.3). Revenues increased after 2003 because of the regeneration of coffee production and resurgence in global coffee prices. Domestic coffee production has not responded to international prices, showing that price signals do not directly affect the behaviour of cultivators (Figure 6.1). The average price of Rwandan coffee exports has remained close to global coffee prices (New York-C).[430]



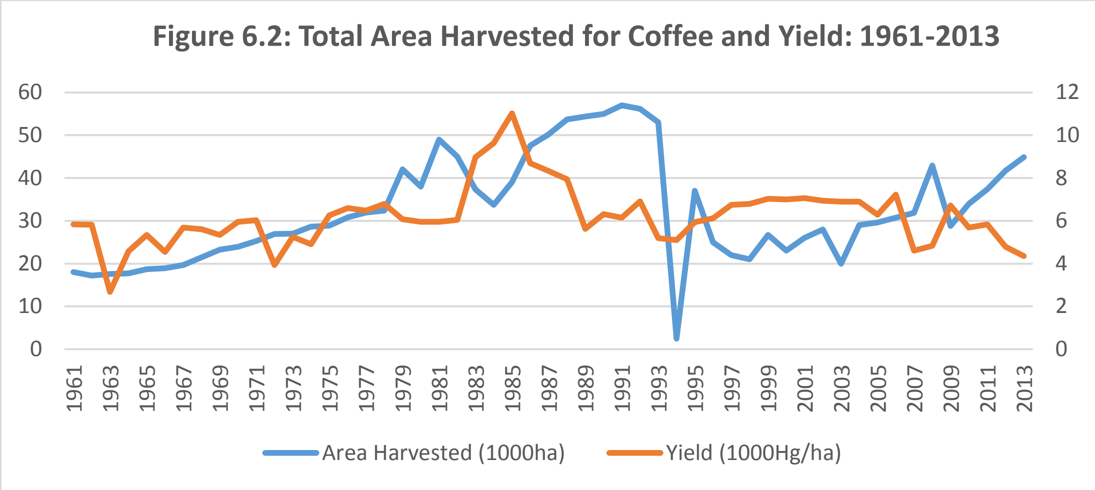
Source: FAOSTAT and World Bank

Yield in the 1970s was comparable to the early years of the RPF government. However, yield has consistently decreased whenever there has been an increase in area under coffee cultivation (Figure 6.2). This is a general trend both for the Habyarimana government (since 1984) and the RPF government (since 2006).[431] Such trends suggest that increasing the area of coffee harvested was either met with increased resistance or marginal lands were brought under cultivation. It indicates that coffee production, rather than being an opportunity for farmers, may be cultivated through coercion or out of necessity.

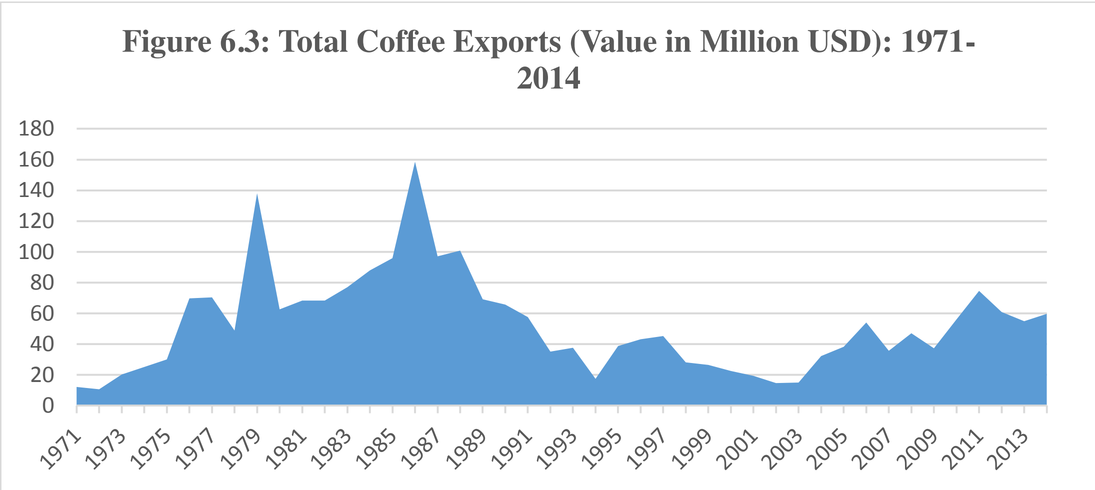
produced by female smallholder coffee farmers in the Agricultural Coffee Cooperative of Mabanza (KOPAKAMA) (Rooke 2014).

[430] New York-C is the standard reference price for coffee worldwide.

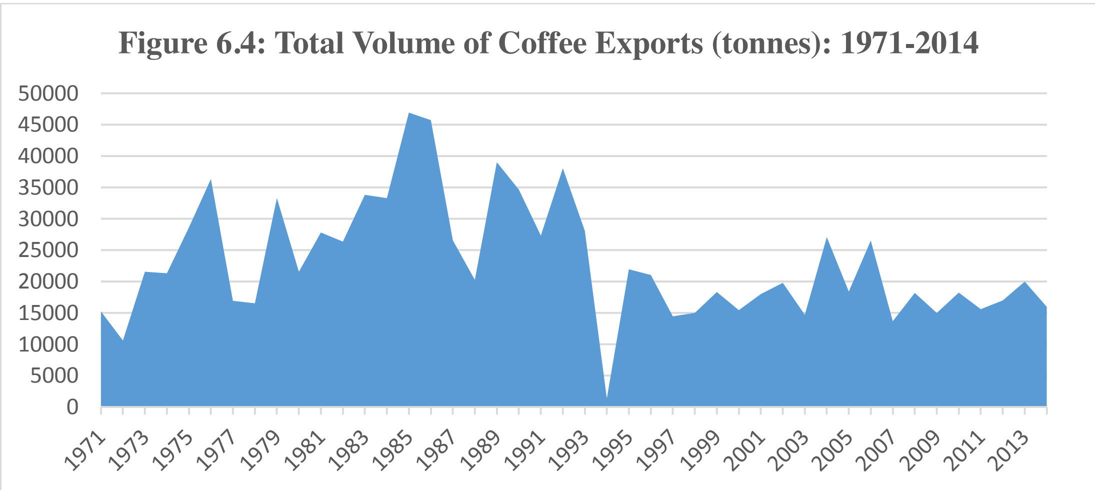
[431] These trends were more dramatic for the Habyarimana government.



Source: FAOSTAT



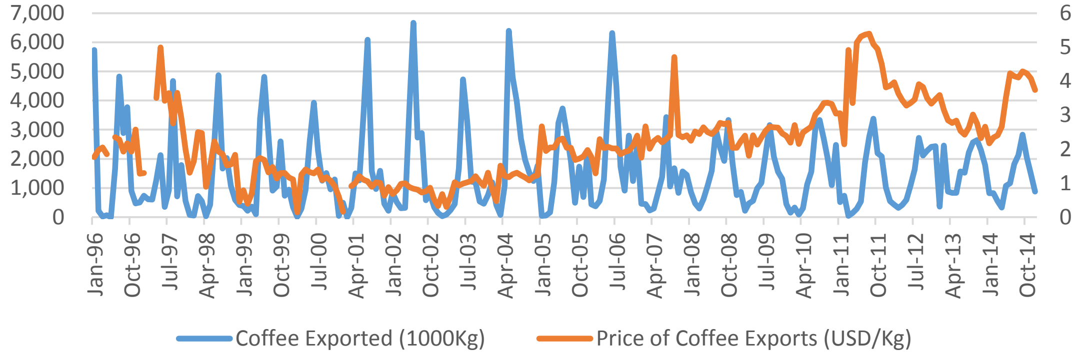
Source: Rwanda Coffee Development Authority (OCIR-Café) and MINECOFIN



Source: OCIR-Café and MINECOFIN

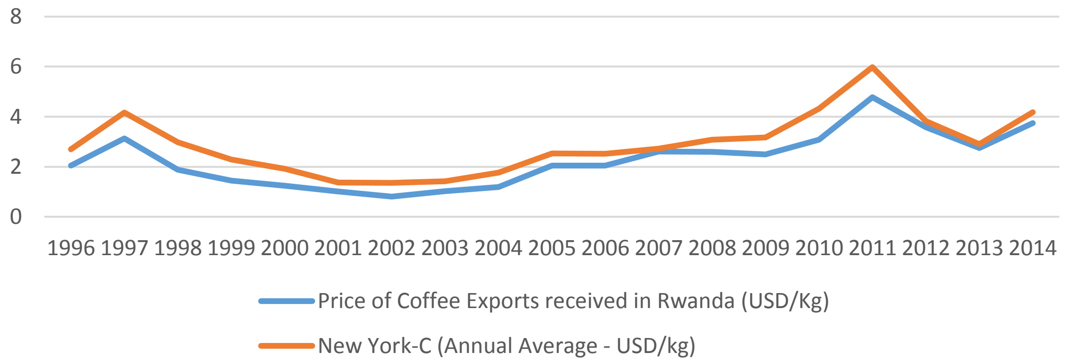
Figure 6.5 indicates the monthly volumes and prices of coffee exports. Export volumes of coffee do not neatly correlate with increases in export prices, suggesting that factors other than price determine the volume of coffee that is exported. Most ordinary coffee in Rwanda has traditionally been exported between April and September.[432] FWC is exported throughout the year. Timings of international competitions such as the Cup of Excellence (CoE) also have an impact. Since 2006, the government has strategically managed quantities of coffee exports by reacting to price fluctuations in international coffee prices. Previously, the government had failed to maximise revenues when international prices spiked (MINAGRI 2008a).

Figure 6.5: Monthly Coffee Exports - Quantity and Prices (Jan-96 to Dec-14)



Source: MINECOFIN

Figure 6.6: International Arabica Coffee Prices v/s Prices received for exports in Rwanda (USD/kg)



Source: MINECOFIN and World Bank

[432] There is usually a surge in exports in one month every year (July 2010, September 2011, August 2012). Before 2006, annual highs were usually recorded in June or July. Increased export volumes in these months were not matched by annual highs in export prices, except for in 2012 (Figure 6.5)

Chapter 6A illustrates the historical evolution of coffee sector policies. Previous governments achieved success in increasing coffee production. However, they never made any attempt to reduce vulnerability to fluctuations in commodity prices. When coffee prices fell in the late 1980s, the Habyarimana government's decision to force coffee cultivation on the population reflected its short-term priorities. The RPF government has learned from the mistakes of previous governments. It prioritises value-addition to counter vulnerability to fluctuations in global commodity prices. Such policies also contribute to achieving its ideological goal (self-reliance).

There has been some academic research (e.g. Elder et al. 2012, Guariso et al. 2012, Mujawamariya et al. 2013) undertaken in the Post-1994 Rwanda coffee sector. Most of the empirical evidence presented in this chapter about the Post-1994 Rwanda coffee sector is a result of primary data. Existing academic literature and government documents have also been used as sources. Most statistical data has been obtained directly from government sources. Some historical data has also been taken from online databases (e.g. World Bank and FAO databases). Existing academic work also contributed to detailing the history of the coffee sector.

6A – The Politics of Coffee Production in Pre-1994 Rwanda

6.2 Coffee and the Politics of National Development

Everywhere coffee has been grown,
the politics of coffee has proved central to the politics of national development.[433]

Paige's (1997) *Coffee and Power* describes how coffee dynasties in three Central American countries shaped the political and economic trajectories of these countries. Coffee elites in these countries were divided into agrarian (landed coffee elite) and agro-industrial factions (coffee processors). The expansion of the agro-export economy in Central America was accompanied by increased exploitation of the population. This exploitation fostered new social forces that challenged the old order. The landed coffee elite and coffee processors in these countries suppressed their differences when they were under attack from revolutionary elements through the 20th century. In the 1980s, revolutionary elements within these countries challenged the political status quo. This challenge tempted the agro-industrial faction to confront the traditional power of the agrarian faction. Ultimately, breakaway groups of agro-industrial elites triumphed. Their support came from a wave of new social forces built on the grievances of the population. However, the success of these revolutions did not result in gains for peasants.[434] The victorious agro-industrial elites adopted neoliberalism, which helped them concentrate control over economic resources, rather than delivering on promises of liberalism and freedom.

Elites in these countries chose to adopt neoliberalism through very different paths. In El Salvador, coffee elites supported an extreme right-wing party. In Nicaragua, coffee elites supported socialist revolution and in Costa Rica, coffee elites supported sustained democracy (Paige 1997). Elite narratives stressed that freedom and liberalism would be an outcome of their economic reforms. In reality, these

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[433] Bates (1997, 1)

[434] Revolution has a variety of definitions. It is used by some to represent dangers threatening governments and for others, it is the only sign of action against repressive governments (Yoder 1926). For Marx, revolutions were not just restricted to political change but entailed a fundamental change in norms and values and how people experienced the world (Kraminick 1972). Though the narratives of revolutions highlighted in this chapter were 'publicly' fought to achieve such change, these revolutions rarely delivered their promises.

revolutions re-empowered elites whose plans "were very much at odds with the goals for which peasants had imagined they were fighting" (Scott 1985, 29).

Social relations around coffee production have been central in determining the trajectories of political and social transformation in many African countries (but in quite different ways). In Angola, the expansion of the coffee export economy between 1950 and 1960 led to the expropriation of African-owned lands and the growth of a migratory labour system. Such economic changes were met with resistance by a political coalition comprising coffee labourers, African coffee farmers and traditional tribal authorities. A revolutionary nationalist movement, rather than a revolutionary socialist movement, was the result (Paige 1975). In Kenya, a post-war assault on an emerging African capitalist class fed rising resentment against the colonial government (Cramer and Richards 2011). The *Mau Mau* uprising that followed was an alliance between three groups of discontented Kikuyu: the urban unemployed and destitute; dispossessed squatters and poor peasants and tenants and members of junior lineages of the Kikuyu who were dispossessed of their land when senior lineages developed exclusive access (Throup 1987). In the post-independence period in Kenya, Africans (of which many were Kikuyus) obtained 90 per cent of the total acreage of foreign-owned coffee (Sender and Smith 1986). In Tanzania, the colonial administration discouraged the emergence of African capitalist agriculture.[435] Near the end of colonial rule, the administration supported smallholders in coffee production and encouraged the formation of cooperatives. Nyerere later disbanded cooperatives in favour of *ujamaa* village units – central to nationalist discourse.[436] In the mid-1990s, the coffee sector was liberalised. Foreign companies then captured the market before the government re-empowered local interests (Ponte 2004). Coffee, itself, did not bring political changes. To understand the politics around the production of commodities, "it is important to explore the social relations that surrounded, built up and helped determine policy towards particular commodities" (Cramer 2006, 151).

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[435] Rwandans provided the main source of labour for coffee and cotton farms in Bukoba in northwest Tanzania (Raikes 1978, 306).
[436] *Ujamaa* is translated as familyhood, community and socialism or more generally translated as 'development' in idea and practice (Hunter 2008). *Ujamaa* acted as a rhetorical commonplace for nationalism in Tanzania. Such ideas directly opposed former colonial rulers (and South Asian traders).

The revolutionary narratives embodied by agro-industrial elites in Central American countries drew upon the grievances of the population but identified a false enemy (Paige 1997). Victorious elites simply replaced other elite factions. Kayibanda led the 'ethnic' revolution in 1959 by drawing on popular grievances against exploitative elites. He emphasised a 'false' ethnic identity of these opponents to clearly identify a common enemy.[437] As a leader of the coffee cooperative, Kayibanda depicted himself as the leader of farmers fighting against the oppression of the Tutsi monarchy. In reality, the elites that took over independent Rwanda simply replaced former chiefs and the colonial administration.

Since then, politics around the coffee sector has been central to political transitions in Rwanda. Tensions over rents in the coffee sector have contributed to tensions among elites. When rents under the control of Northern elites were threatened by Kayibanda's southern base, Habyarimana mounted a coup to protect these rents. While prices were high in the 1970s, Habyarimana's elite bargain was relatively stable. When coffee prices fell in 1980, Ruhengeri elites (a rival group in the Northwest) attempted a (failed) coup against Habyarimana. As the prices of coffee, tea and tin fell in the late 1980s and early 1990s, Habyarimana was increasingly reliant on the coffee sector as a source of rents for his elites. Farmers were also forced to produce coffee despite decreasing international prices. This led to genuine grievances among the population, which were mobilised along ethnic lines by extremist Hutu Power elites during the civil war and genocide that followed.

6.3 The Colonial Beginnings

The colonial administration used the production and export of coffee to reach into rural Rwandan society and reconstruct social relations. Belgian rule intended to destroy the "old balance of forces" between cattle chiefs, land chiefs and army chiefs, concentrating power in the hands of one single chief (Lemarchand 1970, 119). Prioritising coffee cultivation had the advantage of "loosening the hold of the traditional political authorities and pastoral and land patrons" (Dorsey 1983, 172), as well as providing new revenues. Chiefs were then forced to compete with one

[437] The identity was false in two ways: (i) The identity itself was a political creation, rather than one based on distinct common heritage or physical features; (ii) Hutu elites were also guilty of exploiting the population.

another to retain their status as elites. At first, chiefs resisted these reforms by refusing to repair administrative offices or simply refusing to take orders (Ruzindana 1974, Dorsey 1983). Eventually, chiefs worked with the colonial administration. Coffee production rose from 10 tonnes in 1927 to 2000 tonnes in 1937 (Newbury 1988, 156). In fact, "62 million coffee trees were planted in Ruandu-Urundi by the end of 1957" (Newbury and Newbury 2000, 867).

The transformation of social relations in Rwanda imposed a 'double colonialism' (Pottier 2002) where chiefs and the colonial administration worked to exploit the peasantry to secure surpluses and status. The power of chiefs was determined by their ability to exploit labour and siphon agricultural surplus from the peasantry. Belgian colonial administration intensified the exploitative nature of the patron-client relationship when "chiefs were encouraged to become coffee entrepreneurs" (Pottier 2002, 183). Eventually, rural class differentiation and economic insecurities "preceded and served as a catalyst for political mobilisation along ethnic lines" (Newbury and Newbury 2000, 868). The coffee campaigns became unpopular because they were coercive and strictly administered. Coffee growers were disciplined through strict procedures including pruning, spraying and mulching at regular intervals. Inter-planting of coffee crops with food crops was prohibited (Newbury and Newbury 2000).[438]

The new institutional hierarchy proved a catalyst for "intense anti-chief and anti-Tutsi sentiment generated by these institutions" (Newbury 1988, 146). Power in the 1950s was based on colonial forms of production and status – dominated largely by Tutsi elites and the monarchy. While there were also Hutu elites, Tutsi hegemony was entrenched through the monarchy, subsidiary political institutions, the predominance of Tutsi cultural traditions and a system of social relations based on inequality (Lemarchand 1970, 474-475). In the 1950s, Belgian administration chose to change allies and work with Hutu intelligentsia who challenged Tutsi hegemony. In doing so, the Belgians challenged the inequality they had institutionalised.

[438] Increasing food insecurity coincided with the forced cultivation of cash crops (Newbury 1988). Other 'famine crops' such as manioc were also forcibly grown (Newbury and Newbury 2000).

6.4 Kayibanda and Coffee

Politics around coffee production has allowed elites to cement the distinction between classes and ethnic groups, force the population to pay taxes and introduce monetary economy in rural areas (Verwimp 2003). In 1956, Father Louis Pien, a European priest, donated a hectare of land to establish the coffee cooperative – *Travail, Fidélité, Progrès* (TRAFIPRO). Grégoire Kayibanda – a former seminarist, school teacher and intellectual, became head of TRAFIPRO a year later. Kayibanda built his economic and political support base from the coffee sector. While serving as head of TRAFIPRO, Kayibanda became the chief editor of the influential Catholic periodical – *Kinyamateka*. He then consolidated his position as the leading advocate of Hutu Power. By 1958, TRAFIPRO had earned half a million francs and developed a membership of over 100 farmers (Kamola 2007, 579). In the 'ethnic' revolution that followed, coffee revenues contributed to Kayibanda's political movement. He mobilised popular grievances and highlighted the fear that the monarchy would consolidate Tutsi hegemony across Rwanda.

Kayibanda's racial egalitarian rhetoric did not yield results for the population. The revolution "did not change the institutional character of the state apparatus" though it "signified free access to land and freedom of labour to the Bahutu peasantry" (Mamdani 1996, 33). Kayibanda's ideology "buttressed his elitist and secretive authoritarian government" (Prunier 1995, 59). Kayibanda ruled through a similar organisation of chiefs as his colonial predecessors but now predominantly "through a local network of Hutu on every hill, and from a small group of politicians from his home town of Gitarama" (Melvern 2004, 8).

Coffee was the predominant source of foreign exchange during Kayibanda's reign. In 1962, Rwanda exported coffee (55 per cent), minerals such as Cassiterite, tin, and Wolfram (37 per cent), pyrethrum (3 per cent) and tea (2 per cent) (IBRD 1968). In 1962, Kayibanda signed the ICA, which guaranteed coffee prices although it limited African countries to "small, inflexible market shares during a period of increasing demand" as it imposed quotas and price controls on exporting and importing countries (Kamola 2007, 580).[439] The ICA guaranteed attractive prices for Rwanda and secured a revenue base through which Kayibanda could build his

[439] In some years, the Kayibanda government was unable to meet its production quotas (EIU 1972).

support base. Soon, "the gap between revolutionary austerity and post-revolutionary embourgeoisement was getting wider and wider every day" (Lemarchand 1970, 239). Kayibanda turned TRAFIPRO into a state-run marketing board, with its headquarters in the South (his home region). By 1966, TRAFIPRO controlled 27 shops nationwide and 70 buying-up points for coffee (Pottier 1993, 11). OCIR-Café, a government board, was founded in 1964 to oversee coffee exports and manage relationships with international coffee traders. The Kayibanda government forced the rural population to produce coffee, with punishments imposed on those who neglected coffee plants or intercropped coffee with subsistence foods such as sweet potatoes or beans (Boudreaux 2007, 5).

Kayibanda relied primarily on a small group from his birthplace, Gitarama in the South.[440] TRAFIPRO was "the economic arm of the regime" (Verwimp 2003, 163).[441] By the late 1960s, the rift between the Northerners and Kayibanda's Gitaramistes sharpened – "TRAFIPRO's regional bias, corruption and the climate of terror it supported led to determined opposition" (Pottier 1993, 11). Northerners formed a distinctive subculture within Rwanda. Incorporated late into the monarchy, there were few dealings with the direct Tutsi leadership or Tutsi culture. As Baxter (1962, 281) highlights: "The proud boast of the Kiga (northerners) is that they never were, as a people, subjugated by either Tutsi or Hima." In June 1973, Kayibanda countered Northern power by establishing a new bureau, ONACO, which assumed control over private commerce. This new organisation was a threat to property owners in the North. When Habyarimana seized power a month later, he immediately suspended ONACO, branding it "communist" (Smith 1998, 236).

Habyarimana mobilised support for himself as a leader of the North through leveraging his wife's eminent position in the region. His wife, Agathe Kanziga, was much more influential as part of a wealthy small northern Hutu *Abahinza* lineage (Reyntjens 1985, Prunier 1995). Habyarimana's coup ensured that "power and privilege remained a monopoly of the North" (Lemarchand 1995, 9).

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[440] This group included Calliope Mulindahabi.
[441] TRAFIPRO became the umbrella organisation for Rwanda's producer cooperatives. It was partially funded by the Swiss Development Agency and also provided basic services for the population (Carney 2014).

6.5 Habyarimana and Coffee

> It is the Rwandan peasant that makes Rwanda live. Because the foreign currency we have for our imports, is because of the coffee, because of the tea, because of the export of furs, there you can see the role of the peasant, the farmer, the cultivator – Habyarimana quoted by Verwimp (2000, 344)

In Habyarimana's "development dictatorship", agriculture was the "one and only solution" to overcome the problems Rwanda faced and progress was to be achieved through prioritising the production of coffee (Verwimp 2000, 334). Habyarimana glorified production of coffee in development terms to endear himself among the masses (Uwizeyimana 1996). Through the Second Republic's image of a Peasant-State, Habyarimana was able to marginalise non-farming groups, especially the Tutsi pastoralists, to subsume increasing amounts of land under agricultural production (Verwimp 2000). Such policies meant "pastoral lands were converted into land for cultivation and into *paysannats*" (Verwimp 2011, 398).[442] Through an aggressive expansion strategy, the number of households living in *paysannats* increased from 30,000 in 1973 to 54,000 by 1983 (Verwimp 2011, Bart 1993). The programme displaced over 80,000 farmers and their families into previously unoccupied areas (Clay and Lewis 1990).

Coffee and the Elite Bargain

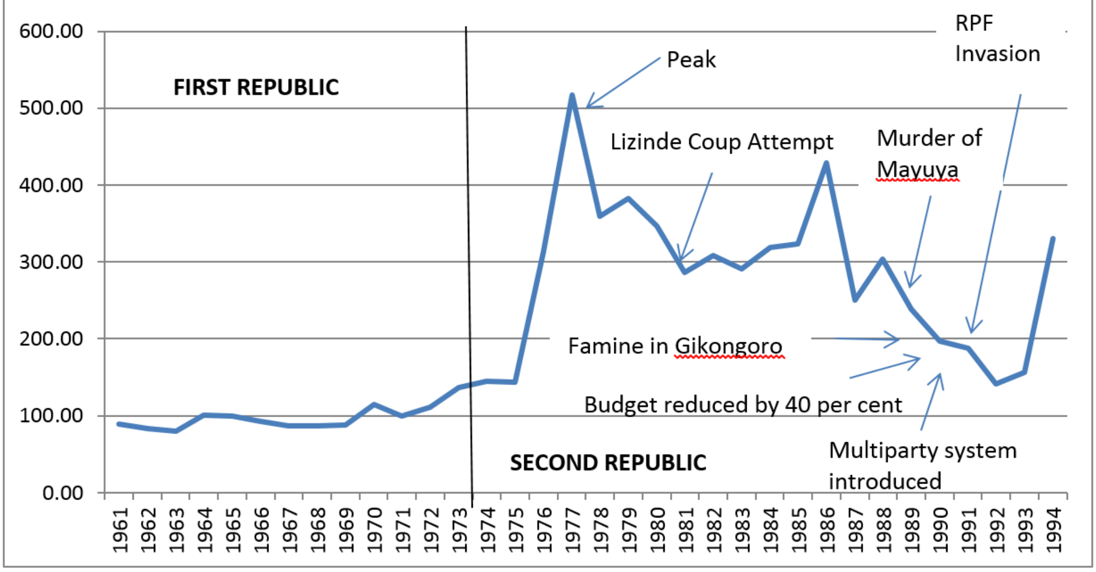
Habyarimana's ascent to power was accompanied by targeting Kayibanda's southern elite allies and an accommodation of Northern elites. Frictions developed between two Northern-based groups (from Ruhengeri and Gisenyi). These groups "began to compete among themselves to know who would get more" (Prunier 1995, 86). Habyarimana found his strongest support within the Gisenyi group. Rivalries surfaced during Theoneste Lizinde's coup attempt in 1980, which coincided with falling coffee prices.[443] "The political stability of the regime followed exactly the curve of those prices" (Prunier 1995, 84) (Figure 6.7). However, reduced prices did not neatly correspond to regime change. Low prices may have been a source of

[442] *Paysannats* – group homesteads, similar to the historical system of *Gukeba* – were introduced by the colonial administration and developed grazing lands into land for cash crops. Each household was given two hectares for cultivating cotton in Bugarama and coffee in Mayaga (MINITERE 2004).
[443] Lizinde and Kanyarengwe were from Ruhengeri. By 1980, they were the only two prominent members of the Ruhengeri group who held key posts.

grievances among elites and the population. However, a successful coup depended on rivals galvanising these grievances against the government.

Figure 6.7 highlights how the elite bargain was tested once again after coffee prices fell in 1988. The murder of Stanislas Mayuya, perceived as a possible future successor to Habyarimana, coincided with a fall in coffee prices. The Gisenyi group were allegedly behind the murder and soon, “the various clans were at each other’s throats” (Prunier 1995, 87). As the sources of rents grew thinner, Gisenyi elites concentrated their control over these limited sources.

Figure 6.7: Global Coffee Prices (Cents/kg)



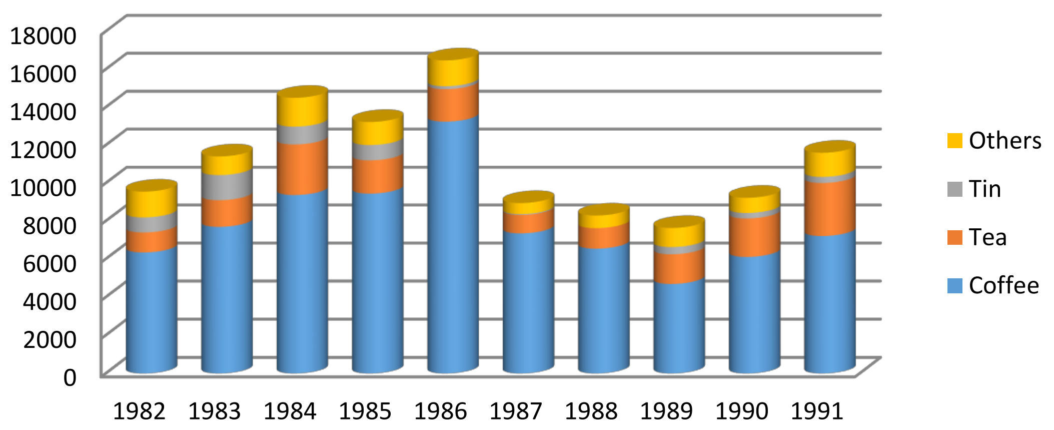
Sources: World Bank

Despite some good years for other exports (Figure 6.8), coffee comprised 60-80 per cent of exports for much of the 1970s and 1980s (Rake 1984). Habyarimana immediately shut down TRAFIPRO (as a coffee marketing board).[444] This was a symbolic move as TRAFIPRO was associated with widespread corruption during Kayibanda’s reign (Pottier 2002). In place of a marketing board to manage the sector, a monopsony coffee export agency (Rwandex) was established. This agency was a public-private partnership: majority-owned (51 per cent) by the government and the other shares were divided between Anthony Wood, George Drew and Robert Hasson (Carr 1999, 189). Rwandex worked with OCIR-Café to organise smallholder

[444] TRAFIPRO continued to operate as a producer cooperative for other crops till the mid-1980s.

farmers. It sold the bulk of this coffee to British-based Drucafé. Rwandex exported 80 per cent of the coffee produced domestically. OCIR-Café exported between 18-20 per cent.[445] Etiru, whose shares were held by Belgian ownership and the government, exported 1-2 per cent.[446] Rwandex exports regularly exceeded the export quotas set by the International Coffee Organisation (Africa Today 1991, 1538). Rwandex sold its exports to British-based Drucafe, as did OCIR-Café, while Etiru sold only to Sobelder in Belgium (Ngabitsinze et al. 2012).

Figure 6.8: Merchandise Trade 1982-1991: Value (USD)



Source: EIU Reports

Dependence on the Gisenyi clique for support became increasingly problematic for Habyarimana in the late 1980s. As this clique became increasingly powerful, Habyarimana strategically liberalised the coffee sector 'a little' to counter their power. He encouraged *La Rwandaise* – a Belgian concern that operated agencies for Toyota and Mercedes in Rwanda – to compete with Rwandex. The company built a factory in Ruhengeri and captured about five per cent of the market (EIU 1989). However, Rwandex still dominated the market. In the months before the genocide, Rwandex played an institutional role in organising the platform for violence. Des Forges (1999, 128) documents this by highlighting the "unusually high" 16,000 machetes produced between August and December 1993 by Rwandex Chillington – a company that was the only domestic manufacturer of machetes,

[445] "OCIR-Café exported coffee so the government could keep some revenues since most shares of the other two companies were owned by foreigners" (Interview, Munyankera, OCIR-Café employee since 1989, February 2012).
[446] Interviews, NAEB officials.

jointly owned by Rwandex and a British company, Plantation and General Investments. Habyarimana's *akazu* held control of key posts in all three agencies (including the local management of Rwandex).[447] Other elites who led the 1990s violence also had interests in the coffee sector.[448] During the Habyarimana era, coffee was both an avenue for rent extraction among elites and a platform through which elites controlled and organised supporters.[449]

Coffee Production

Increasing land was dedicated to the cultivation of coffee in the early years of Habyarimana's reign. "From the peasants' perspective, it was often economic nonsense to cultivate coffee, since other crops gave higher yields" (Verwimp 2000, 354). Bananas and banana beer were an important source of income and they competed against coffee cultivation (Bart 1993). Production of these commodities was relatively undemanding of labour (Verwimp 2003). The sale of banana beer was the most widely used method to raise money within households throughout the year (Pottier 1993). There were contradictory government policies – with households encouraged to seek food security while also being encouraged to produce export crops (Little and Horowitz 1987).

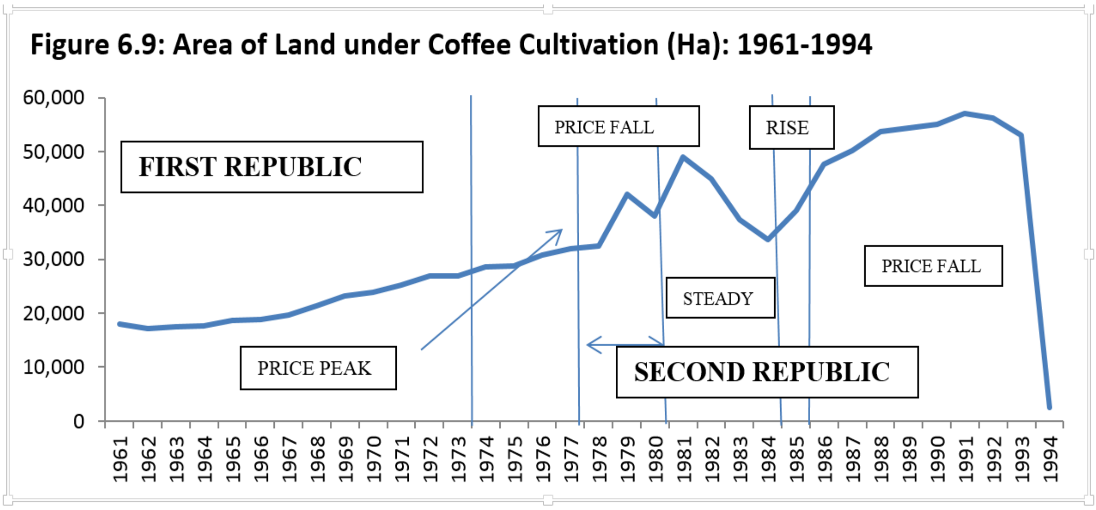
In the 1970s, a generous price was offered to coffee farmers, which was sustained because global prices were high (Capeau and Verwimp 2012).[450] The generous farmgate price contributed to convincing farmers to continue coffee cultivation. Without such an incentive, farmers would have abandoned coffee *en masse* (Tardif-Douglin et al. 1996). Coercion accompanied the fall in global coffee prices in 1977. The 1978 law on coffee cultivation made the neglect of coffee trees

[447] Felicien Kabuga, one of the most prominent businessmen in the *akazu*, owned coffee plantations and had privileged access to Rwandex (Des Forges 1999). Kabuga was said to be among the chief financiers of the genocide. Protais Zigiranyirazo, Habyarimana's brother-in-law, controlled activities in the sector. Zigiranyirazo is accused of being one of the leading conductors of the genocide (Mushikiwabo and Kramer 2006). Another brother, Seraphin Rwabukumba, ran both *La Centrale* (the national importing authority for consumer goods) and BNR's foreign currency division, allowing him to easily divert coffee profits into the hands of the *akazu* (Kamola 2007).
[448] Fabien Neretse headed OCIR-Café from 1989 to 1991. He later served in the Rwandan Armed Forces (FAR) and was a leading figure in the *Interahamwe*. Before Neretse, Enoch Ruhigira headed OCIR-Café. He later became Director of the Cabinet Office and was close to the President.
[449] The population was not passively incorporated into enacting violence. As with the revolution decades before, elites were able to "tap into widespread antagonism of Hutu peasants towards the Tutsi", rather than trick them into it (Mamdani 2001, 108).
[450] Prices rose sharply after a frost in Brazil (the world's largest exporter of coffee) limited global supply (Kamola 2008).

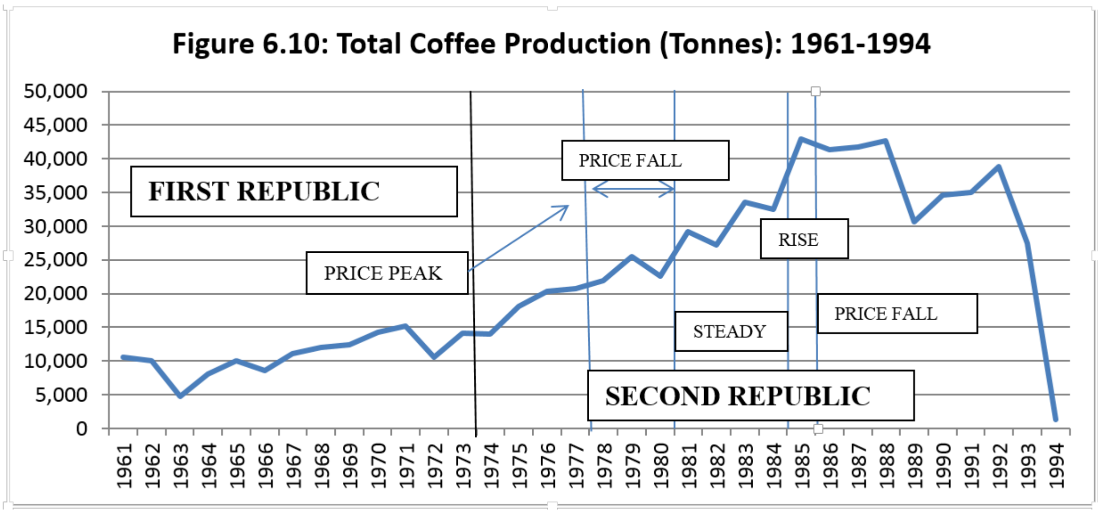
punishable and placed a monitor in every commune (Capeau and Verwimp 2012). The government outlawed intercropping and restricted fertilizer use to coffee and tea farming. Uprooting coffee trees was outlawed and fines were levied on perpetrators (Verwimp 2003). The government contributed funds from its budget to support the producer price up to 1983 (Tardif-Doughlin et al. 1996). It also stabilised the farm-gate price by depreciating the Rwandan Franc after abandoning the fixed exchange rate with the dollar. Other export discoveries (e.g. tobacco) were never prioritised enough to diversify exports.[451] This failure contributed to reducing Habyarimana's authority and allowed rival coalitions (including Hutu Power coalitions) to gain in strength.

Coffee prices steadied over the next four years before a spike in 1985. During this time, the Gisenyi faction consolidated its hold on power and the government increasingly prioritised coffee production. In this period, production increased on a biannual cycle (Figure 6.5). Yield improved between 1983 and 1986 (Figure 6.6). Between 1981 and 1984, less land was also committed to coffee cultivation (Figure 6.4). Prices gradually fell after 1985, with the exception of a small resurgence in 1987. A 'triple torrent' followed: "between 1985 and 1992, the real world price of coffee fell by 72 per cent, the price of tin by 35 per cent, and the price of tea by 66 per cent" (Storey 1999, 49). Combined "export earnings declined by 50 per cent between 1987 and 1991 and the demise of state institutions unfolded thereafter" (Chossudovsky 1996, 939). There was a steady increase in land under coffee cultivation after 1986 when global coffee prices fell (Figure 6.9). Total coffee production also remained quite high (Figure 6.10). Yield dropped significantly after 1986, signalling resistance to forced coffee cultivation (Figure 6.11).

[451] However, as late as 1992, export discoveries were made. In 1992, Rwanda began exporting the *kamaramasenge* (small bananas) to Switzerland in August (1 million tonnes a month) (EIU 1992a).



Source: FAO Database



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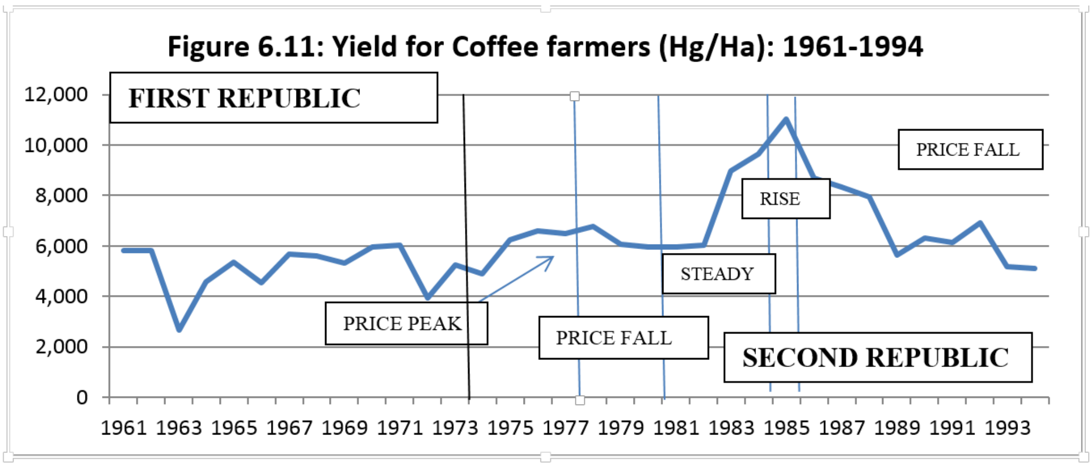


Source: FAO Database

Regional differences in the organisation of coffee production showed a relationship with the beginnings of violence. In the Northwest where Coffee yields were highest (and the *akazu* had its support base), less land was allocated to coffee. There were also less stringent controls and farmers had more freedom to grow crops of their choice (Clay et al. 1995, 23). The first signs of resistance to the regime originated in the South where repression was highest and land allocated to coffee cultivation was above the national average (Clay et al. 1995, 29). In 1993, Habyarimana dedicated more land to coffee production. Yield and production both fell by then, indicating the de-legitimisation of the government's coercive policies (Figures 6.4-6.6).

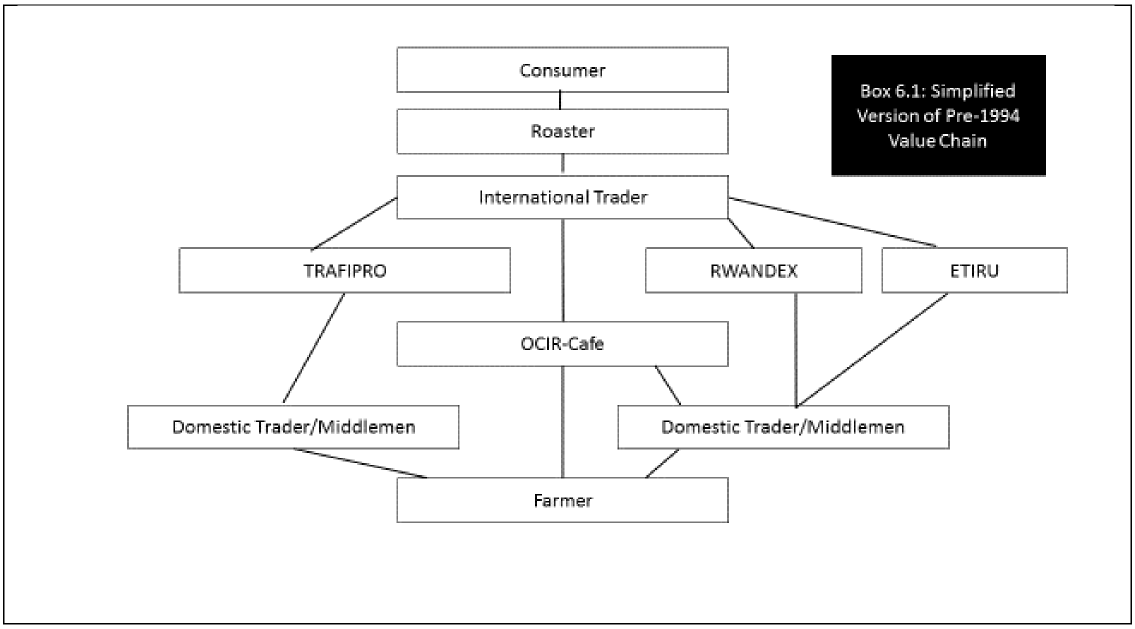
> "Before the war, the former regime was very close to coffee. Even in land that was not suitable for coffee, they tried to grow coffee. It was an obligation to grow coffee. 90 per cent of inputs were reserved for coffee. When prices fell, they still forced people."[452]

The violence of the 1990s originated in the historical organisation of the sector where the state apparatus and agrarian elites collaborated to exploit the population. Narratives used to justify the genocide cast the Tutsi as violent oppressors and Hutu leaders as liberators. However, Hutu leaders did not deliver on the racial egalitarian ideals of their governments. In the coffee sector, leaders pursued short-term, exploitative policies. While perpetrators of violence in the 1990s also reacted against Hutu oppressors, violence was legitimised through falsely equating ethnic differences with class differences.

[452] Interview, employee at local coffee company, March 2012.

6B – Economic Nationalism in the Rwandan Coffee Sector

6.6 The Value-Chain and Getting Started Again



After 1994, the RPF government liberalised the coffee sector. Previous governments used marketing boards and export agencies to facilitate accumulation strategies of elites and organise labour to the production of coffee. Marketing boards in Africa have been criticised for "misuse of funds, inefficiency of operations, and the depressing effects on farm production of their marketing policies and practice" (Jones 1987, 379). However, marketing boards provided some advantages for producer countries. They held an "aggregated producer power", which increased their bargaining power against the consuming end of commodity chains (Kaplinsky 2004). Without marketing boards, exporting companies competed with each other for domestic production and consequently, ended up with lower profits.

The Kayibanda government organised the sector through a government-run marketing board, TRAFIPRO. The Habyarimana government abolished TRAFIPRO but "aggregated producer power" through a monopsony export agency, Rwandex. The state regulatory agency, OCIR-Café, was responsible for supporting domestic coffee production. Prior to 1994, nearly all Rwandan coffee was ordinary SWC.

Farmers picked the coffee cherries during annual harvesting periods. Cherries were then de-pulped manually and then coffee parchment was dried. Farmers then sold coffee parchment to local traders (or middlemen) who transported coffee to the marketing board, export agencies or OCIR-Café. Exporters then processed the coffee parchment into green coffee, ready for export.

After 1994, coffee exports gradually reduced as a share of total exports, dropping from 70 per cent in 1995 to about 20 per cent in 2000. In the late 1990s, it was difficult to convince farmers to grow coffee. A damning study (Loveridge et al. 2003) showed that farmers were taking better care of their coffee trees in 1991 compared to 2001.[453] Global coffee prices declined significantly between 1997 and 2001. Farmers uprooted coffee trees and replaced them with food crops. Plantations were neglected and coffee was not harvested (MINAGRI 2008a). A large share of coffee was grown in the Northwest where unrest represented "the greatest challenge" to Rwandan security since the genocide (African Rights 1998, 1). By 2000, conflict had calmed because of "the gradual shift from sheer repression to sensitisation" (Reyntjens 2006, 1112). However, global prices remained low until 2002 and only increased again after 2003. After a fall in global coffee prices in 2002, the government sped up the process of adopting FWC.[454]

> "In 2002, coffee prices fell. The banks were unwilling to give loans to coffee companies. The projection was that the problems would not be resolved in the next three years. It made getting way from coffee even more important. Mining exports saved us in 2002."[455]

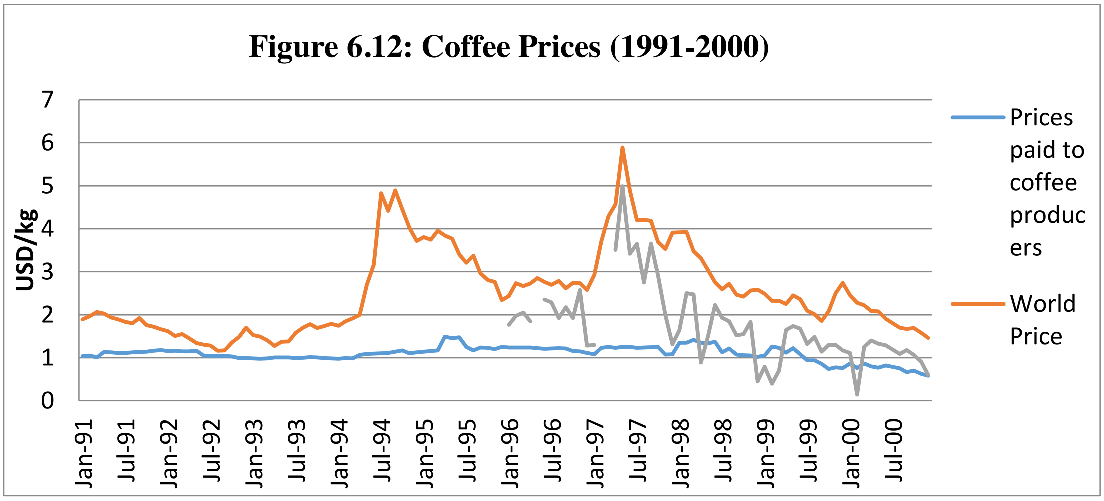
The government used a mixture of coercion and price incentives to ensure farmers continued to grow coffee. "Farmers were not really keen to continue growing coffee. They preferred producing beans or staple crops. In plantations, farmers had already started inter-planting crops and taking down their coffee trees."[456] To incentivise farmers to produce coffee, the government guaranteed a minimum producer price of around 300 RwF. Producer prices were between 50 and 75 per cent of the exporter price at this time (Table 6.1). Figure 6.12 indicates that prices received for coffee cherries by domestic producers were more than the export price

[453] The study shows that Rwandan farmers were mulching, pruning and applying less pesticides in 2001 as compared to 1991. In 1991, farmers pruned more trees and applied more chemical fertilizers.
[454] Interview, Anbalagan Swamy, RwaCof, March 2012.
[455] Interview, Rugwabiza, February 2012.
[456] Interview, Raphael Rurangwa, MINAGRI, February 2012.

received by exporting companies. Maintaining attractive prices was central to incentivise farmers to grow coffee. Figures 6.13 and 6.14 indicate that the RPF government offered a higher price for coffee cherries than the Habyarimana government.[457] The government funded the difference with funds from European Union (EU)-funded Stabilisation of Export Earnings Scheme (STABEX).[458] After 1994, the government introduced a progressive export tax system designed to keep producer prices close to 300 RwF/kg. Production prices fluctuated in several years (particularly in 1997), which prompted speculative purchases among exporters to buy coffee from merchants and farmers. The progressive export tax was replaced by a flat ad-valorem export tax rate of 16 per cent in 1998. Since then, producer prices have moved closer in line with world prices.[459]

Table 6.1: Producer Prices for Semi processed Coffee: 1994-1999						
	1994	1995	1996	1997	1998	1999
Producer Prices (RwF/Kg)	300	300	300	350	300	270
Producer Price (in share of export price)	146.2	63.6	68.2	52.8	72.9	72.6

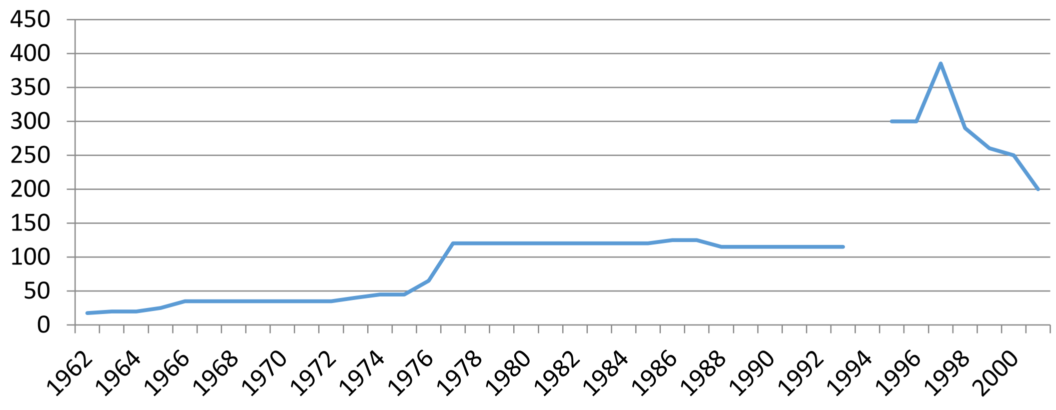
Source: IMF (2000)



Compiled from OCIR-Café documents

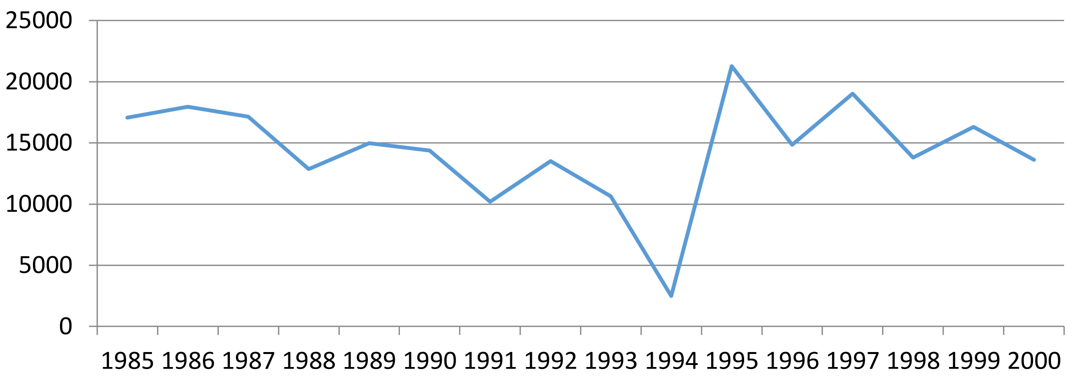
[457] Figure 6.12 shows average prices. Producer prices varied between regions, depending on transport costs and other factors. In 1998, most prices ranged from 270-290 RwF/kg. However, in Kibuye, prices were as low as 240 RwF/kg because of transport difficulties between Kibuye and Kigali.
[458] STABEX funded a variety of activities in the sector till 2010 (including the construction of roads, planting of seedlings, developing new plantations and extension activities).
[459] Internal OCIR-Café documents

Figure 6.13: Historical Farmgate Price (RwF/Kg)



Compiled from OCIR-Café Internal Documents

Figure 6.14: Rural Income from Coffee Farming (in RwF)



Source: OCIR-Café

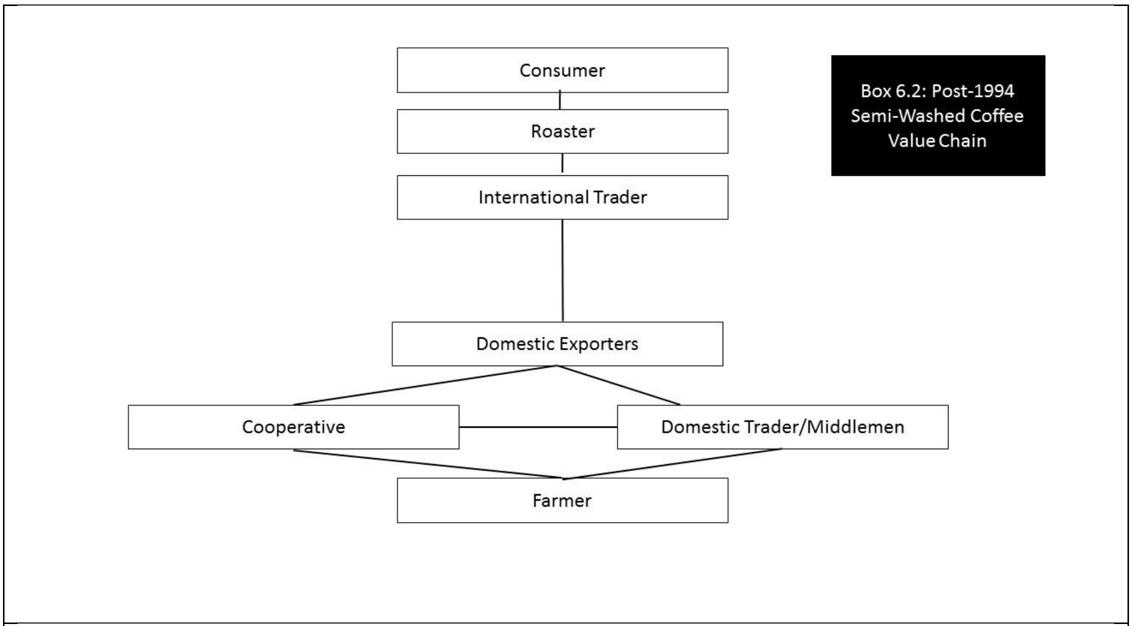
After 2000, consultancy groups and international organisations advised the government on revitalising the coffee sector.[460] Value-addition was identified as the solution to escape the 'low-quantity, low-quality' trap where exporters had become less demanding of quality and were involved in intense rivalry over small volumes of coffee. Other constraints contributed to the deterioration of coffee quality, including inadequate training of agricultural extension workers, lack of motivation for growers to produce quality, lack of agricultural research and insufficient processing units and basic equipment (MINAGRI 1998). USAID projects – Partnership for Enhancing Agriculture in Rwanda through Linkages (PEARL), *Assistance à la Dynamisation de*

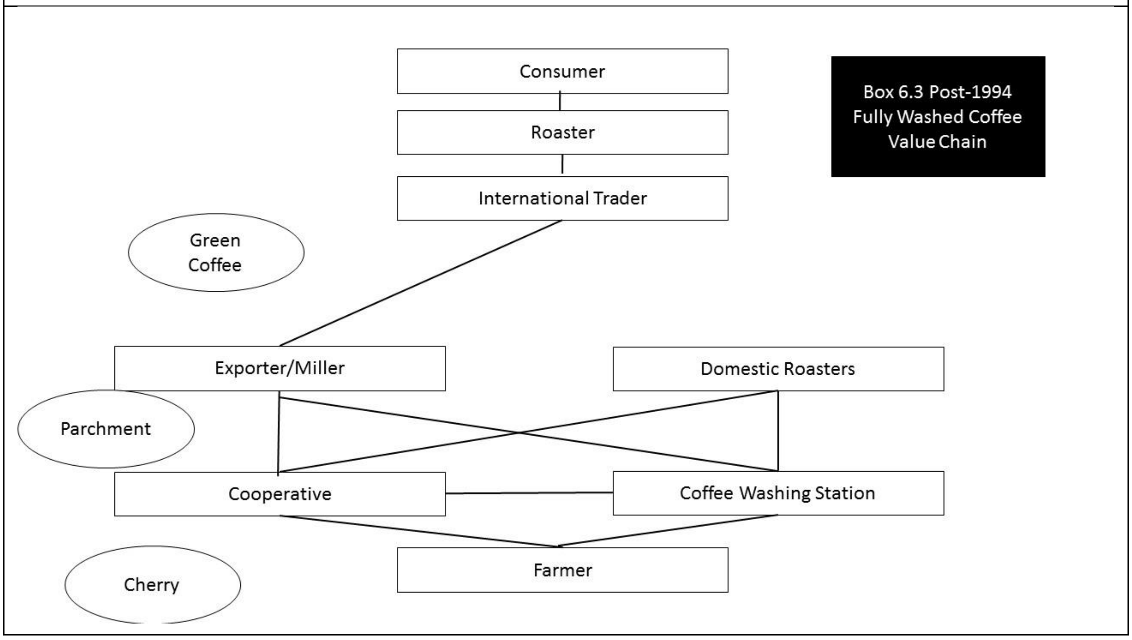
[460] MINAGRI (1998) identified constraints that contributed to the deterioration of coffee quality, which included inadequate training of agricultural extension workers, lack of motivation for growers to pursue quality, lack of agricultural research and the lack of processing units and basic equipment.

l'Agribusiness au Rwanda (ADAR) and Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance (ACDI-VOCA) – supported the specialty coffee value-chain by organising rural cooperatives, helping them develop business plans and obtaining credit, helping private sector investors invest in washing stations and providing technical assistance (Boudreaux 2007, Chemonics 2006). OTF contributed to writing the 2002 national coffee strategy, providing market analysis and developing clusters to get actors within the domestic value-chain to work together. Other donors were involved in similar projects, including the International Fund for Agricultural Development project (IFAD) – Smallholder Cash and Export Development Project (PDCRE).

Boxes 6.2 and 6.3 illustrate the SWC and FWC value chains in Post-1994 Rwanda. In 2000, most actors in the SWC value-chain were struggling. The coffee sector comprised 400,000 coffee growers. OTF and USAID research indicated growers were not using inputs on their crops and preferred to use fertilizer and pesticides on subsistence crops or bananas. Despite farmers getting better prices than they received during the 1980s, they suffered because inflation was also rising. Seedlings were sold to farmers at 5RwF each (about $0.015) (Schluter and Finney 2000). Farmers refused to pay this amount. In 1999, "there was a stand-off between farmers and OCIR-Café."[461] Eventually, OCIR-Café gave seedlings away for free. In 2001, one exporter said that coffee in Rwanda was marked by "bankruptcy at the top and misery at the bottom."[462] OTF reports indicate that exporters accumulated debt of around three billion RwF. The government did little to facilitate the accumulation strategies of investors during this period.

[461] Internal OTF documents.
[462] Ibid.





The FWC Value-Chain

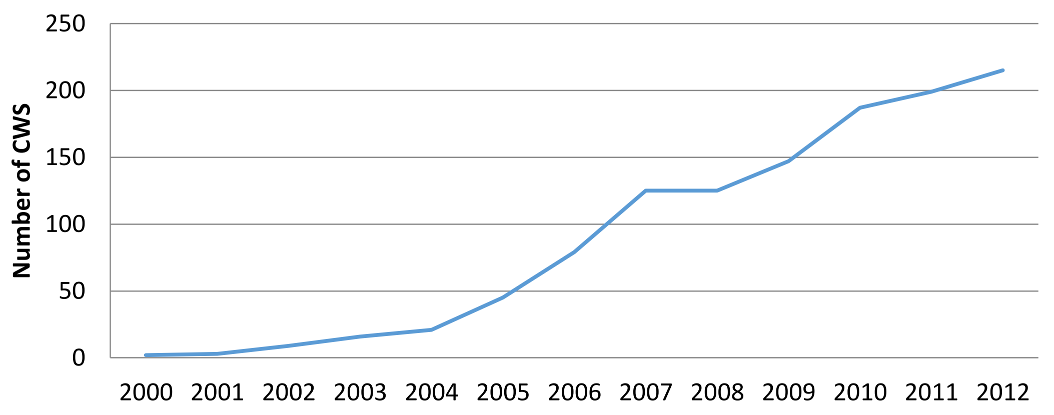
To produce FWC, farmers sell cherries to washing stations. Cherries are then pulped and fermented to remove the mucilage and then beans are washed, dried and sorted. Coffee parchment is then sent to dry mills to remove parchment, producing export-ready green coffee (Box 6.3). To move into specialty coffee, the Rwandan government prioritised the construction of washing stations. In 2000, Rwanda only had two washing stations (Masaka and Nkora). Neither of these was in operation. Several donors supported these projects. USAID projects included PEARL I (2000-2003), PEARL II (2003-2005) and Sustaining Partnerships to Enhance Rural

Enterprise and Agribusiness Development (SPREAD). Other projects included SNV Netherlands Development Organisation's similar support of coffee cooperatives like *Association des caféiculteurs de Musaza* (COCAMU) and IFAD's Project for Rural Income through Exports (PRICE).

The RPF government has successfully increased FWC production, installing several CWS and incentivising (and coercing) farmers to 'stop processing at home' and sell their cherries to washing stations. These actions aimed to tap into the 'Latte revolution' – the changing consumption patterns of coffee in the industrialised world (Ponte 2002). The government targeted the specialty coffee market, which was growing at almost 15 per cent annually. EIU (2007, 10) notes: "stagnation in many of the traditional coffee-drinking markets of North America and Western Europe will restrict growth in demand, although demand for high-quality specialty coffees, including Rwanda's finest fully washed Arabica, will remain buoyant."

The total number of CWS in Rwanda increased from 2 in 2000 to 213 in 2012 (Figure 6.15). In 2014, there were 229 CWS in Rwanda.[463] Quantities of FWC produced have consistently increased (Figure 6.16). Difficulties in getting farmers to adopt FWC, making the operations of CWS more efficient and finding a market for FWC blocked the success of strategies.[464]

Figure 6.15: Total Number of CWS: 2000-2012

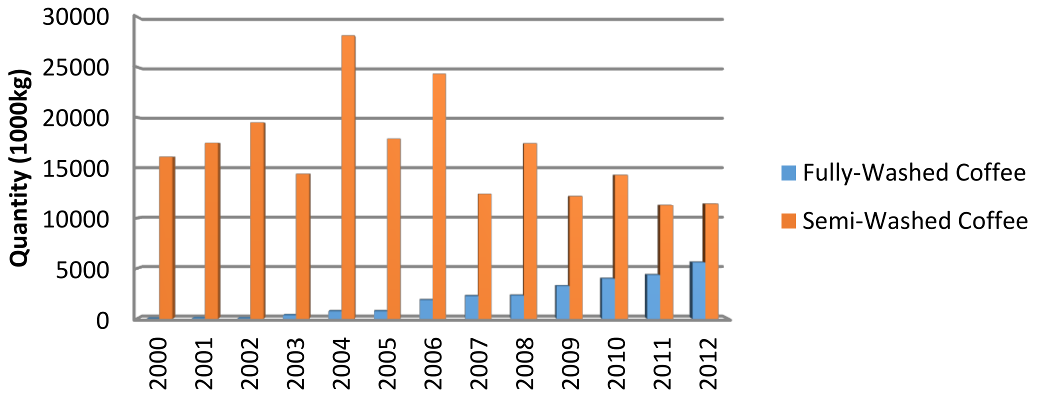


Source: OCIR-Cafe

[463] Interview, NAEB Official, January 2015.

[464] "Semi-washed coffee is linked to the C-Price so prices and supply are more assured. I know I have a market for it. Selling fully washed coffee is not so easy. Once you receive cherries, you have to pulp, dry and transport. No buyer will buy fully washed coffee unless they have samples. So you have to take a risk to pay for coffee, treat coffee without knowing if you will find a buyer" (Interview, Jean Paul Rwagasana, CBC, May 2012).

Figure 6.16: Coffee Production by Type: 2000-2012



Source: OCIR-Café

6.7 Retaining Loyalty and Minimising Resistance – Adopting FWC and Organising Coffee Producers

The adoption of FWC (and the new systems of accumulation that came with it) required the loyalty of domestic producers, local investors (in setting up washing stations) and foreign capital (in setting up washing stations and sharing technology). The government adopted FWC while justifying that it would bring gains for small farmers.[465] Cooperatives were used to organise labour for FWC production. RPF narratives stressed that FWC production had benefited 'small farmers' through the empowerment of cooperatives.[466] "Cooperatives are used to make sure farmers get money to overcome poverty."[467] However, there have not been 'mutual gains' for all actors working across the value-chain and assumptions regarding 'cooperatives' and 'small farmers' ignore that the most vulnerable actors in the coffee sector are wageworkers. Initially, there was less convincing evidence that farmers who adopted FWC have benefited. However, this has changed (Macchiavello and Morjaria 2015a). Coffee farmers who sold their cherries to washing stations had relatively high consumption expenditures, suggesting promoting FWC production has benefited coffee growers and even contributed to improving food security (Murekezi

[465] "Whoever has sent their coffee to washing stations has seen the benefits. The problem is to convince them to send their coffee" (Interview, Celestin Gatarayiha, NAEB, November 2011).
[466] "These policies are about the farmers. If farmers are producing fully washed coffee, it will make them less vulnerable to changes in prices" (Interview, NAEB Official, May 2013).
[467] Interview, Badrou Bazambaza, NAEB, May 2012.

and Loveridge 2009).[468] In 2015, government officials claimed that the minimum price for unprocessed coffee was at 170Rwf/kg, compared to some farmers receiving more than 250Rwf/kg for FWC (Nkurunziza 2015).[469] Though its adoption was accompanied by difficulties and bad decisions, the government reacted to problems to make the value-chain more efficient.

Farmers did not immediately adopt FWC.[470] In theory, FWC had the added benefit of freeing up labour time. Under the SWC chain, farmers had to de-pulp coffee cherries manually. Under the FWC chain, farmers delivered coffee cherries to washing stations.

> "When farmers process at home, they just lose time. They use bad practices – sometimes they even use stones. If they take their cherries to the washing station, it gives them more income."[471]

However, FWC also required more attention to be paid to coffee trees during cultivation. Adopting FWC also threatened the power of local traders (or middlemen). It took time to construct, finance and implement CWS. Farmers only received benefits of coffee cultivation after three years (when the first harvest took place). The government conducted sensitisation programmes to educate farmers on best practices and convince them to sell their cherries to washing stations, rather than to middlemen. This has been a challenge for the government because coffee farmers are heavily scattered across the Rwandan hills and farmers use disparate methods (OCIR-Café 2009a). The government has intensified research and capacity building through a Farmer Field School (FFS) approach, which will train 10,000 coffee farmers per year (MINECOFIN 2013). Plots of land were 'trialled' to educate the farmers on new methods and the positives of adopting new techniques.[472] The

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468 Their sample was obtained from fieldwork conducted between 2001 and 2007. Others claimed that only 29 per cent of farmers who took part in the FWC chain were beneficiaries of the new adaptation (Oehmke et al. 2011).

469 NAEB increased the coffee farm-gate price from 142Rwf to 200Rwf in March 2014 before reducing it again later in the year (Interview, NAEB Official, January 2015).

470 Farmers are rarely convinced to embrace value addition because working harder on trees often do not justify the price differentials that are offered (Ponte 2001).

471 Interview, Gatarayiha.

472 FFS are used widely in Rwanda and as part of the Crop Intensification Programme.

government also imposed barriers on SWC production, outlawing its sale during certain months. It has been difficult to enforce bans on selling SWC.[473]

To organise labour to coffee production and improve the distribution of inputs, the government encouraged farmers to join the land consolidation programme whereby coffee was cultivated as *ibiterane* – larger coffee plantations. This helped the government facilitate the adoption of FWC. In 2013, coffee covered around 2.3 per cent of total cultivable land, and was grown predominantly by smallholder farmers on plots of less than one hectare (Nzeyimana et al. 2013).[474]

> "The problem in the coffee sector is farmers are scattered. We need them to increase the number of trees they have on their land. Farmers will keep land but then they can work together and it will also be easier for us to facilitate their work."[475]

Scholars argue against land consolidation, citing the work of those (e.g. Ansoms et al. 2008, GoR 2004) who have found that small production units perform better per land unit than large ones. However, such studies wrongly assume that smallholder farmers are the most vulnerable workers in the sector. Such assumptions ignore the existence of landless rural households whose "poverty rate has increased" and who "depend only on wage labour and other non-farm sources of income" (MINAGRI 2009, 32). Some domestic elites owned large plantations. Depute Enoch, a former member of the National Asembly, had a 30 ha coffee plantation, with 180,000 trees (Erlebach 2006).[476] Farmers owned farms of varying sizes and many employed wageworkers to cultivate coffee.

Cooperatives were also used to organise farmers to adopt FWC. Though most coffee farmers were still not organised in cooperatives, this number was increasing – only 8.2 per cent in 2006 and 20 per cent in 2009 (OCIR-Café 2009a).[477] Some cooperatives, which were supported by donors, were successful. For example, the Maraba cooperative sold washed coffee for $3.26/kg in 2004 and this was up to $4.08/kg in 2007 (Boudreaux and Ahluwalia 2009). Farmers had more freedom to sell their coffee to different buyers and interplant coffee with other crops (ibid).

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473 Interviews, Exporting company representatives and consultant, January 2012, April 2012; May 2013.
474 NAEB estimates the average size of a smallholder farm for coffee at 0.1 ha.
475 Interview, Corneille Ntakirutimana, NAEB, March 2012.
476 Erlebach (2006) also found that other wealthy families owned large plantations.
477 This is despite government legislation that requires coffee farmers to join legally registered cooperatives.

Boudreaux (2011, 195) finds "cooperatives have been an important asset for Rwanda's smallholder farmers, allowing them to earn more money from coffee, develop additional skills, and work cooperatively with others in ways that may promote reconciliation." There are concerns over coercion and punishments (Musahara and Huggins 2005, Huggins 2009, 2009a). Many cooperatives are formed on government orders, rather than being built 'bottom up'. Cooperatives required a membership fee, which edged out the most vulnerable farmers.

> "Because these cooperatives were created top-down, there's a lack of ownership. It is not easy for farmers to re-take ownership of the cooperatives. Most of the managers are not doing well. Management is usually not interested in delivering services to farmers."[478]

One study on Huye province showed that membership of cooperatives decreased because of the requirements that came with coffee certification, cooperative membership requirements including maintenance fees and minimum numbers of trees, lack of awareness of benefits of the cooperatives and long distances to be covered when delivering coffee (Mugabekazi 2014). The most vulnerable members of the cooperatives did not renew their membership, while 65 per cent of the 'small farmers' who were members employed wage labour (ibid).

The government was also badly advised in initially building large washing stations (following the advice of USAID-funded PEARL), which turned out to be a poor decision. "These large machines used a lot of labour, lots of water and the costs of production were high. Just a bad idea."[479] These large washing stations were characterised by under-utilisation. Nearly 75 per cent of CWS still used traditional wet mill machines with uneconomical oversized capacity (Guariso et al. 2012).

The placement of washing stations has also been criticised. Many more CWS were installed than originally planned. In several districts, there were many CWS in close proximity. In others, one CWS held monopolies over large areas. Table 6.2 highlights the variation in allocation of CWS across the six districts, with between four and eight million coffee trees. These districts represent 45 per cent of the total number of trees nationwide, according to the 2009 coffee census (OCIR-Café 2009a). Out of the six districts, only Rusizi (92.2) and Ngoma (67.5) enjoyed average

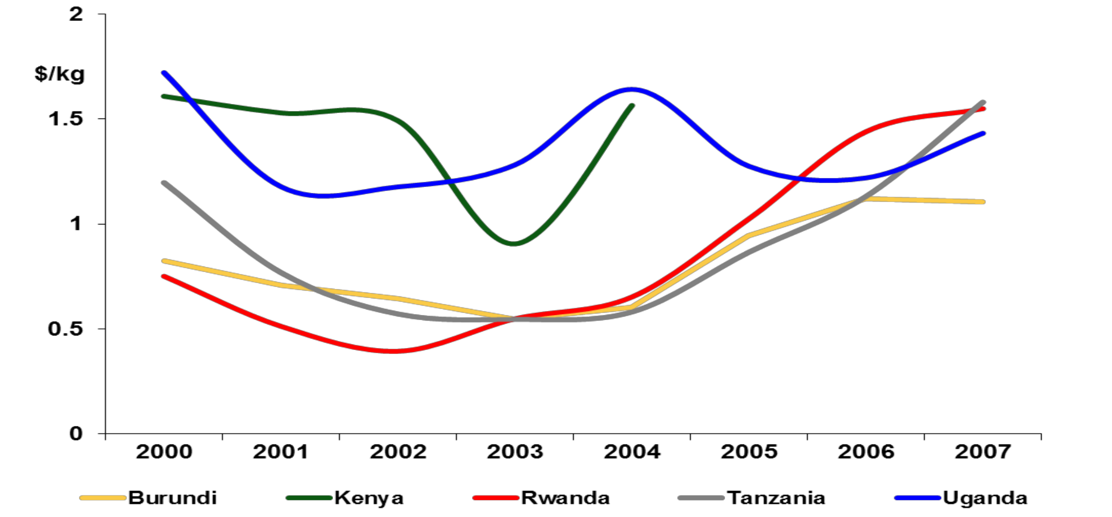
[478] Interview, Kayisinga, February 2012.
[479] Interview, Munyankera, OCIR-Café, February 2012.

utilisation rates above 50 per cent. Nyamasheke had more than double the amount of coffee trees than Ngoma but had more than five times the number of CWS. Washing stations also compete against each other. This has created an artificial price for cherries and exporters complained that farmers got away with inferior quality.[480] Figure 6.17 shows the average prices received by farmers for coffee cherries where Rwanda performs well, compared to neighbouring countries.

Table 6.2: CWS Data for top-6 Districts					
District	Total Trees	No. of CWS	Theoretical Capacity in Cherries (tonnes)	Cherries Processed in 2011	Utilization Rate
Nyamasheke	8,739,115	31	14,800	5,265	35.6
Rusizi	6,121,002	19	8,950	8,256	92.2
Gakenke	5,166,853	13	7,500	2,302	30.7
Kamonyi	4,292,794	11	4,900	2,379	48.6
Ngoma	4,292,396	6	3,250	2,193	67.5
Rutsiro	4,115,004	15	9,400	3,262	34.7

Source: OCIR-Café

Figure 6.17: Average Regional Price Received for Cherries (2001-2007)



Source: OTF

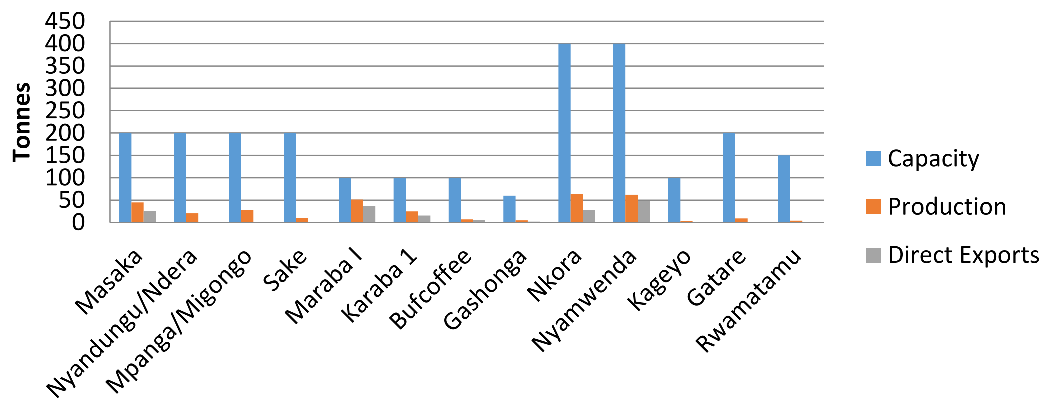
Between 2003 and 2005, utilisation of washing stations remained low. However, utilisation rates gradually improved (Figures 6.18-6.20; Table 6.3). Most CWS were initially built in the Western and Southern provinces (56 of 79 washing stations in 2006). There was variation across regions in the pace of adopting FWC. FWC represented 50 per cent of all coffee produced in the Western Province in 2006

[480] Sources include OTF, exporting companies like RTC and RwaCof

compared to 21 per cent in the Southern Province (Table 6.4). Despite such policies resulting in increasing amount of FWC being produced, the strategy of building CWS was sporadic and disorganised.

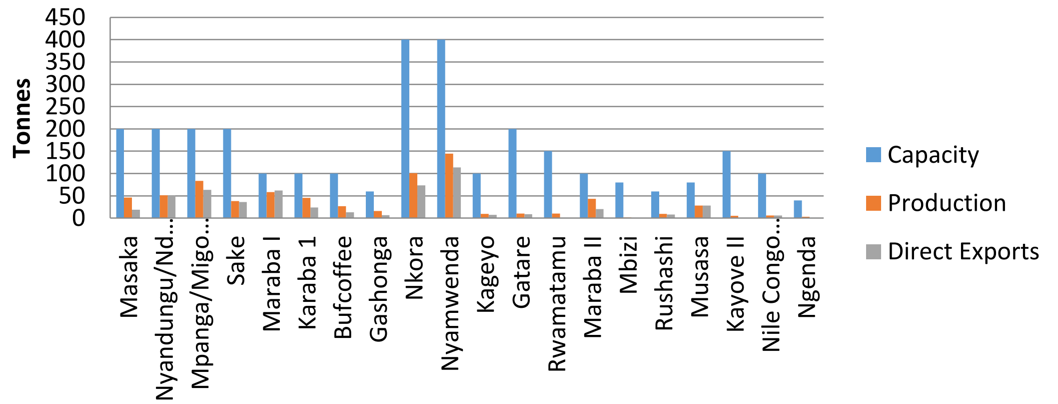
> "Anyone could apply for a license. The government directed BRD to prioritise such applications but investors were not ready and badly advised. It was a mess and we should have done it better."[481]

FIgure 6.18: CWS Performance (2003)



Source: National Agricultural Export Board (NAEB)

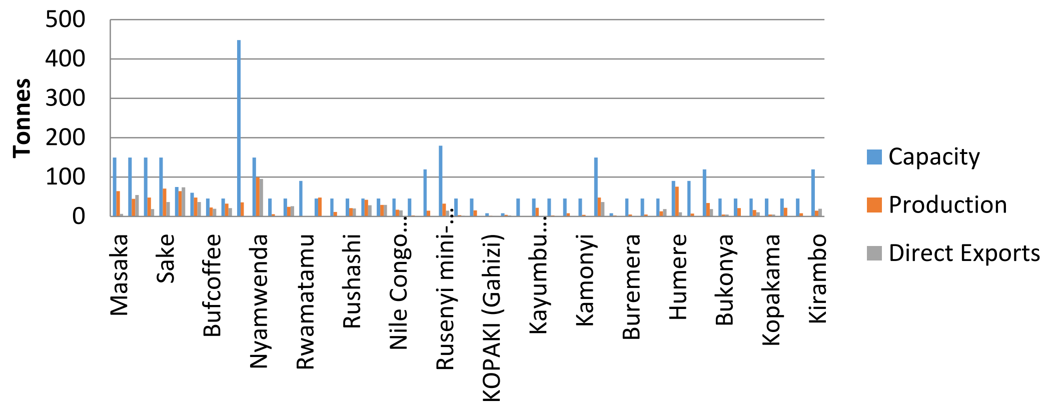
Figure 6.19: CWS Performance (2004)



Source: NAEB

[481] Interview, NAEB Official, November 2011.

Figure 6.20: CWS Performance (2005)



Source: NAEB

Table 6.3: CWS Performance (2003-2005)			
	2003	2004	2005
Capacity Utilisation	14 per cent	25 per cent	32 per cent
Direct Exports (tonnes)	162 (48.5 per cent)	542 (74.7 per cent)	475 (65.4 per cent)
Total FWC Exports (tonnes)	334	726	726
Average Price (USD/kg)	2.32 (100.9 per cent)	2.42 (104.3 per cent)	3.12 (107.2 per cent)
FWC Average Price	2.3	2.32	2.91
Export Value (USD)	376,474 (49.1 per cent)	1,314,038 (78 per cent)	1,483,433 (70.2 per cent)
Total FWC Value	768,200	1,684,320	2,112,660

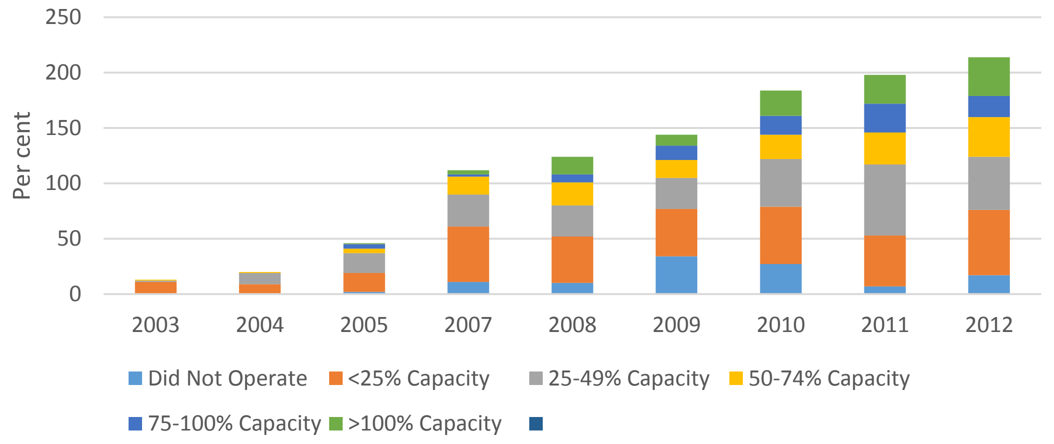
Source: NAEB

Table 6.4: Regional Distribution of CWS (2006)			
	Share of FWC (per cent)	Washing Stations	Kms of Roads
NORTH	7	9	41
SOUTH	21	23	67
WEST	50	33	171
EAST	19	12	29
KIGALI	4	2	0

Source: OTF

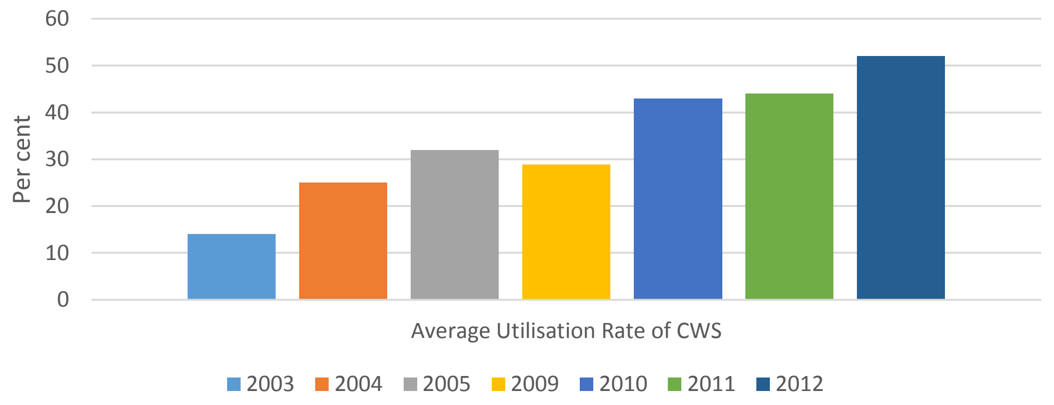
The government revised its strategy after 2008. Alternatives to large, old washing stations were sought. Technoserve – a US-based nonprofit that works with farmers to support cooperatives and integrate them into the FWC value-chain – introduced eco-friendly pulpers, which were smaller and more energy-efficient and thus more tailored to the Rwandan market’s needs. Such innovations have helped make the FWC chain more efficient. However, many of the problems regarding the location and low utilisation rate of washing stations remain (with many not being utilised at all). There is considerable variation, with CWS operating at above 100 per cent and others no longer in operation or operating at very low capacity (Figure 6.21). However, on average, the utilisation rate is increasing (Figure 6.22).

Figure 6.21: CWS Performance (2003-2012)



Source: NAEB[482]

Figure 6.22: Average Utilisation Rate of CWS (2003-2005; 2009-2012)



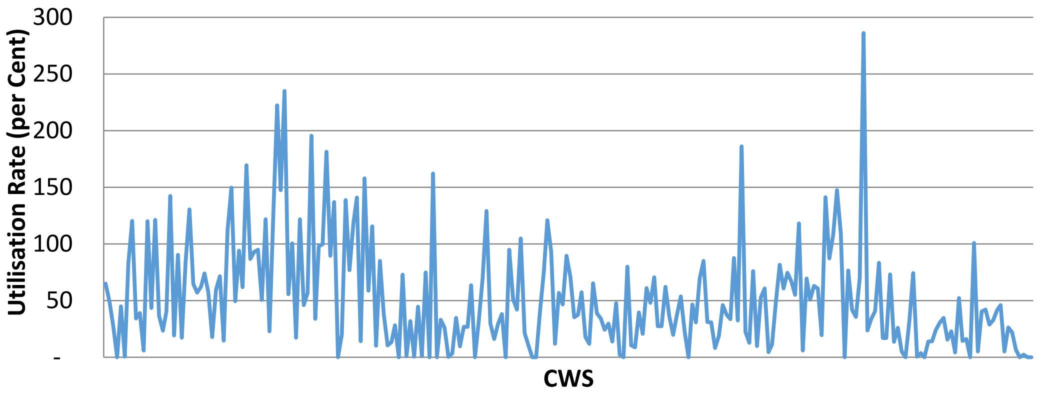
Source: NAEB

CWS occupy an important node in the domestic value-chain. CWS compete for cherries with middlemen and supply washed coffee to exporters. While exporters directly own some CWS, many CWS are independently owned. Strengthening CWS operations is vital to convince farmers to engage with the FWC chain. Initially, the government encouraged cooperatives and other private sector companies to invest in

[482] No data for 2006.

the construction of washing stations. Many of these washing stations ended up bankrupt because of a lack of knowledge, lack of technical expertise and bad advice from donors. As of 2012, most washing stations operate under 50 per cent capacity. Total installed capacity of washing stations was enough to process 70 per cent of harvested coffee in 2012 (Macchiavello and Morjaria 2015b). In 2012, 18 were not in operation because of financial difficulties while 13 were in turnaround plans (NAEB 2012). Figure 6.23 shows the variations between utilisation rates at CWS.

Figure 6.23: CWS Utilisation Rate (2012)



Source: NAEB

The rise in New York-C prices has meant SWC has provided attractive revenues (and FWC exports are most likely to be beneficial when New York-C prices are low) (MINAGRI 2008a). The government has become more cautious in the placement and distribution of washing stations.[483] The government has encouraged partnerships between cooperatives and exporters. By 2012, 44 cooperatives worked directly with domestic exporters (NAEB 2012).[484]

Middlemen are often perceived as a threat to the FWC value-chain. These traders were usually local businessmen, large landowners, eminent figures or informal traders that have long-established links to the localities and with farmers. Some had operated in the sector since before the genocide but the majority were new entrants.[485] Middlemen include money-lenders who pay for farmers' children's schooling when the family is short of cash and also include individuals in the village

[483] A group of UK-based researchers has been employed to study the placement of CWS in Rwanda.
[484] Many cooperatives own CWS and some CWS owners also exported coffee.
[485] Interview, Jean Claude Kayisinga, SPREAD, February 2012.

with access to transport. Middlemen guaranteed an assured price to farmers. Relying on such prices gives farmers reason to resist the adoption of FWC. Government officials admitted the difficulty in replacing middlemen who often held a high standing in their communities.[486]

> "Middlemen control the market. They know what the farmers need. They have personal relationships with them. Its very difficult to move these middlemen out. They're usually farmers themselves or some kind of local authorities. They help farmers when farmers need them and farmers are loyal to them."[487]

Middlemen worked closely with both exporters and CWS owners. With knowledge of both the SWC and FWC market, they often engage in speculation to gain maximum profits. 'Double side-selling' occurred where farmers inside cooperatives sell to middlemen while farmers outside cooperatives may sell to cooperatives where they are not members (Mujawamariya et al. 2013). The volatile nature of coffee prices can often leave middlemen with losses because their choices to speculate backfired (where they promise much higher prices to farmers than they will receive).[488] However, this rarely leaves them unable to sell coffee (although they may have to sell it at a lower price) as exporters scramble for limited national production. Middlemen were active because the government had not been entirely successful in convincing farmers of the benefits of adopting FWC.

> "If washing stations are up and running, it becomes easier to enforce policy. At NAEB, we find it difficult to stop people from pulping at home when CWS doesn't work. Middlemen are only there because of the gap in the market."[489]

Many exporters disagreed with the government's goal of increasing FWC at the cost of SWC. In 2012, a survey was conducted that found a difference of \$1.40 per kg between the export price of FWC and SWC, with benefits accruing to farmers, labourers at the CWS, the CWS owner and the financier (Macchiavello and Morjaria 2015a). The exporter was the only actor to lose money. Exporters lost up to \$0.4/kg on FWC compared to the same quantity of ordinary coffee (ibid). Government officials retain a preference for encouraging competition between exporters, believing that such competition will reduce the capacity of single exporters to dictate

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486 Interviews, NAEB and exporting companies, October 2011-May 2012.
487 Interview, Uwitonze, March 2012.
488 Interviews with exporters.
489 Interview, Kanyankole, May 2013.

policies.[490] At the CWS level and the exporter level, speculation creates 'false alarms' down the value-chain, which distorts the market.

> "Because of speculation, farmers think they can get more. Some give 200, others give 220. It is always difficult for farmers but speculation helps them. The government isn't thinking about the private sector. They are comfortable because of competition being there but it only helps the big companies. To succeed in this sector, you have to go two or three years without making money. It is very hard to survive."[491]

Any attempt at breaking into niche markets will fail unless agricultural practices are improved and issues affecting the quality of coffee produced are addressed. The government used cooperatives to distribute inputs efficiently and tackle pests and weather conditions when they affect crops. Large shares of Rwandan coffee are afflicted with two diseases: antestia bug and potato-taste defect.[492] Bigirimana et al. (2012) indicate that 80-95 per cent of coffee trees suffered from coffee leaf rust. Since domestic exporters do not have direct control over the cultivation practices of farmers, the government is responsible for ensuring better quality cherries reach the washing station. The government has achieved this through the distribution of better quality seeds, insecticides, coordination with donors and active extension services.[493] New seedlings were planted and distributed to farmers for free to push through the regeneration of coffee trees. However, there has been limited progress and old coffee trees planted during the 1970s have now reached the end of their life-cycle. The 2009 Coffee Census found that only 52 per cent of coffee trees were 'productive', while only 24 per cent were classified as 'young' (6 months-3 years old) (OCIR-Café 2009a).

> "Our farmers are not following good agricultural practices. Coffee is not well-maintained. Productivity is low. Some trees can have 10-15 kgs but those trees only produce 2-3 kgs. Of course, farmers are still poor and they don't have faith in prices for coffee so we also have to improve our communication to them."[494]

However, there has only been limited success in incentivising farmers to mulch, weed, prune trees or use fertilizer. The 2009 Coffee Census indicated that the

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[490] Interviews, May 2013 and January 2015.
[491] Interview, Domestic coffee exporter, January 2015.
[492] Antestia bugs have been associated with a "potato taste", which is a concern for international buyers of Rwandan coffee.
[493] Interview, Gatarayiha, February 2011.
[494] Interview, Munyankera, February 2012.

use of pesticides and mulching was only evident on a little more than half of all coffee trees (OCIR-Café 2009a). The government imposed fines on farmers who were caught not using mulch on their coffee trees.[495] The share of coffee trees that were pruned was much less (OCIR-Café 2009a). Exporters still complain that most farmers do not use fertilizers on their coffee crop.[496] One exporter explained why farmers were reluctant to 'waste' fertilizer on coffee:

> "Why would I spray fertilizer on coffee that would be harvested after six months? Tomatoes take three months. I may as well put fertilizer on tomatoes."[497]

While more fertilizer is being used on coffee, exporters are unhappy with the way fertilizer is distributed. OCIR-Café (2009a) indicates eight per cent of trees to have received manure while 76 per cent received fertilizers. Currently, fertilizers for coffee are distributed to farmers on credit by CWS. Exporters claim that barely three per cent is paid back. As a result, exporting companies are forced to take the hit.[498] The government struggles to maintain a delicate balance between appeasing investors (who are concerned with their profit margins) and incentivising farmers to take care of their crops, with only limited government funds and expertise available.

In 2015, coffee producers were receiving better prices for producing FWC than ordinary coffee (Macchiavello and Morjaria 2015a). Though 'small farmers' may be receiving better prices, it does not mean the most vulnerable workers receive benefits. However, employment at washing stations has also been an added benefit. Nevertheless, empowering cooperatives and encouraging the portrayal of uniform groups of 'small farmers' distorts images of rural Rwanda. The government masks processes of rural differentiation to tap into 'coffee karma' (Zizek 2014) and legitimise systems of accumulation in the coffee sector. Though the adoption of FWC may have resulted in some success, it has also been accompanied by negative outcomes for some workers. Its adoption continues to face resistance and negatively impacts the full-scale adoption of FWC.

495 Interview, Paul Stewart – Technoserve, February 2012.
496 Interviews, RTC, Rwacof and CBC.
497 Interview, Emmanuel Rusatira, RwaCof, March 2012.
498 Interview, Dargan, December 2011.

6.8 Loyalty and Managing Capital – Building and Owning CWS

The government initially found loyal investors to make investments in CWS. The military, the NSSF, local elites and cooperatives contributed the first investments in washing stations. Faustin Mbundu, for example, invested in the construction of the largest washing station (capacity of 2000 tonnes) in Nkora in 2003.[499] Vincent Ngarambe (MIG) and Chrysologue Kubwimana (Kinunu) also made investments.[500] A coffee cooperative, *Cooperative pour la Promotion des Activities Café* (COOPAC), built the other washing station of equal capacity.[501] Some local investors also made investments.[502] A few cooperatives (funded by donors) also owned CWS.[503] Licenses for washing stations were allocated on a first-come, first-serve basis. Most of these CWS were funded partially through grants and partially as BRD loans and later through loans from commercial banks. However, the government did little to facilitate the investments of CWS owners.

Most CWS owners were unable to pay their loans and incurred significant losses, demonstrating that the government did not build effective reciprocal control mechanisms with these investors. In a survey of 125 CWS conducted in 2008, results found that 59 per cent of CWS did not have financial statements, while only 10 per cent were self-funded, 71 per cent had delayed access to credit, 62 per cent had solvency problems and 38 per cent had inadequate production.[504] CWS were unable to demonstrate creditworthiness of their projects or access to appropriate collateral (USAID 2009). CWS failed to pay back loans despite FWC prices gaining a

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[499] Mbundu still owns this washing station.
[500] Kubwimana is currently a Senator.
[501] Emmanuel Rwakagara established COOPAC in 2001. COOPAC comprises over 2000 members and owns four washing stations. Rwakagara returned to Rwanda in 2001 from the DRC. No farmer other than Rwakagara had a land holding of more than 0.5 ha. Rwakagara's land holding was 15 ha (Coulet 2012). In most cooperatives, a few members with large land holdings contributed most of the coffee production.
[502] One such investor was Alfred Nkubiri, the owner of Enterprise Nkubiri Alfred and Sons (ENAS). Nkubiri owned coffee plantations in Eastern province. ENAS is involved in a variety of other agricultural activities including fertilizer distribution, cereal exports and rice production. Nkubiri was accused of grabbing land in the East, up to 508 ha (Reyntjens 2013). Another investor was MP Juvénal Nkusi, the former speaker of Parliament and current Chairman of the Public Accounts Committee. Nkusi also owned the Sake coffee plantation in Eastern Province.
[503] Most cooperatives were supported by donors. *Abahuzamugambi*, which was established in 1999, was supported by PEARL. *Abahuzamugambi* invested in the construction of a washing station in 2003. In 2014, the cooperative owned four washing stations. The cooperative has been successful in developing a partnership with UK-based Union Hand Roasters who sell their single-origin coffee as Maraba coffee in Sainsbury's and other department stores.
[504] NAEB Coffee Working Group Meeting (March 2012).

premium of 45 cents/lb above the C-Price (MINAGRI 2008a). As of 2009, OTF indicated that three Rwandan banks (BRD, BCR and BK) had given loans amounting to 19 million USD to washing stations.[505] Eighteen per cent of loans worth 3.4 million USD had defaulted. BRD made 43 per cent of these loans and 45 per cent of these washing stations were profitable in 2007. However, CWS owners and cooperative managers still argued that it was difficult to access credit.[506] Banks countered criticisms by arguing that loans to the coffee sector increased every year.[507] However, loans were restricted to those who could exhibit a capacity to invest in the maintenance and success of the washing station. Even donor funding was not enough to facilitate the investments of CWS owners.[508] Successful CWS owners were limited to established exporters or well-funded cooperatives like COOPAC or *Abahuzamugambi*.

> "When we started, all of us (banks) gave out a number of loans to the private sector and cooperatives. By and large, these loans were not paid back. We were all learning in the sector back then. Now, it has changed. We help those who apply with services to help them write a business plan, get the right documents etc. But we also have to be stricter."[509]

In 2012, out of the 18 washing stations with an installed capacity of more than 1000 tonnes of cherries, only five were cooperative-owned. Only one exporter – investment group, API – owned such washing stations. Prominent businessmen such as Faustin Mbundu, Robert Bigirimana, Mugunga Ndoba and Chrysologue Kubwimana own two each. Despite loyal investors operating in the sector, many have struggled to keep their businesses profitable. Some like Mbundu are gradually moving out of the coffee sector entirely.[510] The government expected these investors to sacrifice their money by making initial investments but did not incentivise these companies further.

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505 The banking sector had liberalised by this time. Several new commercial banks established operations. Coffee was no longer the top priority for the BRD. The government rapidly identified other new sectors including energy, tourism and ICT.
506 Interview, CWS owners, April 2012; Interview, NAEB official, May 2012.
507 Interview, Gatera, April 2012.
508 Donor funding increased from $10.7 million in 2004 to $24.0 million in 2008 (USAID 2009).
509 Interview, Jack Kayonga, then-President, BRD. Similar statements were made by representatives of BCR, BK and BPR.
510 Mbundu had sold a stake in his coffee company in 2011 to Nigerian-based group, Kaizen.

Existing CWS were hamstrung by the need to pay loans. Washing stations, with relatively more capital, enjoyed an advantage in being able to pay farmers “on the spot” for their cherries. CWS are also induced to buy lower-grade cherries to make sales. CWS also attempt to ‘cheat’ by selling low-quality coffee to exporters or international traders by ‘mixing’ it with better-quality coffee.[511] The current make-up of CWS ownership is undergoing a revamp, with exporting companies encouraged to invest in washing stations.[512] To increase production and improve quality to meet certification requirements, every node of the value-chain is likely to become increasingly reliant on better-resourced actors. Since the government has prioritised this approach, these ‘better-resourced actors’ must be disciplined and contracts must be strictly enforced.

6.9 Managing Capital – Rwanda’s Coffee Exporters

In January 1995, the government ‘opened up’ the sector to private (both local and foreign) investors. This section emphasises that local elites invested in the sector both out of opportunity and out of loyalty to Economic Nationalism. These investments did not reap benefits for local elites. Foreign-owned companies now dominate trade-and-export operations. These foreign-owned companies threaten the market share of local companies.[513] The government strategy currently equates market competiveness with productivity. Government officials recognise their role as regulators and their responsibility to spur innovation. The government faces difficulties in disciplining investors, enforcing contracts and incentivising foreign actors to prioritise value-addition.

Enacting market-led reforms challenged the privileges Rwandex had enjoyed for the previous two decades.[514] Rwandex retained its ownership structure, with the government retaining a significant percentage of ownership. RPF supporters and prominent businessmen who had supported the liberation effort also invested. Rujugiro and Mbundu were among the first to establish exporting companies. Most companies had trouble remaining solvent and were unable to repay bank loans. Six

[511] Exporting companies are guilty of doing the same to international traders (Interview, Uzziel Habineza, Volcafe, March 2012.

[512] Larger exporting companies like RTC, Rwacof and CBC have developed direct contracts with washing stations owned by cooperatives. These companies have also built their own washing stations.

[513] “Delays in paying farmers for their cherries meant RTC or RwaCof moved in on our market share” (Interview, John Rebero, Misozi, April 2012).

[514] Rwandex remained partially owned by the government

new companies entered the sector, two of which went bankrupt after two years (MINAGRI 2008a). Later, other smaller companies (Salama Café, KAGERA-Coffee and Al Café) that entered in 1994 also went bankrupt (IMF 2000). Some others gained market share. Coffex captured 15 per cent of the market in 1997, before leaving the sector. Others like CAFERWA disappeared but re-entered later.

There was a sharp turnover within the sector, as exporting companies entered and disappeared rapidly. In 2000, for instance, there were only four exporting companies (Schluter and Finney 2000). Swiss-based RwaCof, owned by Sucafina, entered Rwanda in 1995 and captured significant market share, partly because of their foreign contacts.[515] Since then, Rwacof has remained one of the biggest exporters in Rwanda. Rwandex's market share was under increasing threat from new entrants but it remained a significant player. Table 6.5 indicates that Rwacof and Rwandex shared about 65-75 per cent of the domestic market between 2000 and 2002, while Agrocoffee (owned by loyal businessman Sekoko) made gains despite reduced world prices.[516]

Table 6.5: Annual Exports (tonnes) of top Coffee Exporters (2000-2002)

Exporter	2000	2001	2002
RWACOF	3437 (22.3 per cent)	4907 (27.3 per cent)	5148 (26 per cent)
RWANDEX	8326 (53.9 per cent)	7462 (41.5 per ce	7540 (38 per cent)
SICAF	2671 (17.3 per cent)	3009 (16.7 per cent)	2239 (11.3 per cent)
AGROCOFFEE	1473 (9.5 per cent)	2640 (14.7 per cent)	2717 (13.7 per cent)

Source: OCIR-Cafe

Figure 6.12 indicates exporters were making less than the producer price during some months between 1998 and 2000. The government made little effort to build reciprocal control mechanisms with investors. In 1997, the government did not raise the farm-gate price in response to increases in world prices. The heavy tax burden on exporters was a major incentive for exporters to smuggle coffee through other countries (IMF 2000). Exporting companies also had to pay a handling fee of

[515] RwaCof bought the Gikondo coffee factory in 1997.
[516] Agrocoffee is a joint venture between Sekoko and Sucafina.

$48 per ton to OCIR-Café, which was later replaced with a fee of three per cent of the final freight price.

Owners of smaller exporting companies complained they suffered because of comparatively limited knowledge and resources. All these companies competed for a small amount of coffee production and none was able to attract sufficient volumes to break even in 2000.[517] Companies struggled to develop international networks through contacts with buyers and were unable to develop links with farmers and middlemen to ensure delivery of better quality products. The international players that came in, especially Sucafina, are credited with helping organise the sector and also imparting knowledge and enabling a 'transfer of technology' to other exporters.

> "It was very difficult in the beginning. It is clear that people have learned from us and the Rwandex owners that used to be here earlier. But being owned by a large company, our primary concern is increased quality and consistent production."[518]

The government feared a powerful economic player developing a monopoly. It used Rwandex and smaller companies to limit the power of Rwacof, which was the best-resourced company in the sector. When coffee prices dropped after 1997, Rwandex regained significant market share (Table 6.5). Rwandex then took on the financial burden of buying coffee from farmers when 'private' companies were unable to generate profits.

However, Rwandex's prominence reduced with the advent of FWC. One of the owners, George Drew, died in 2004. The company then gradually lost market share and became a bit-part player in the market. Foreign ownership was opposed to the FWC as it signalled a break from ordinary SWC, which they had sold on the international market for over two decades.[519] The introduction of FWC meant foreign owners had to find new buyers for specialty coffee. RwaCof was also not fully supportive of the introduction of FWC because their parent company, Sucafina, had a preference for SWC.[520] Coffee Business Centre (CBC) and Kasama Coffee Company (KCC) – two other prominent companies – also traded in both SWC and FWC. Many

[517] OTF Presentation. Coffee Consultation Summit. Boston, 2002.
[518] Interview, Swamy, RwaCof, February 2012.
[519] Findings confirmed by two interviews (Interview, Fina Kayisanabo, USAID, October 2011 and Kayisinga, October 2011). The government used Rwandex to produce their own brand of roasted coffee – 1000 Hills Coffee (Boudreaux 2007).
[520] Interview, Swamy, February 2012.

exporters such as 'bottom up' cooperatives like RWASHOSCCO, COOPAC and Misozi traded solely in FWC.[521] This was largely because donor support was contingent on the adoption of FWC. Horizon Agrocoffee – later known as API (military company) – and companies operated by loyal local businessmen such as CAFERWA and Agrocoffee only exported FWC. Foreign companies were not obliged to export only FWC. However, the government relied on their expertise and international contacts to access international markets. Sucafina (Rwacof's parent company) was a major player since it bought most coffee produced in Rwanda.

The assets of Rwandex were taken over by Scott Ford, an American billionaire, in 2009.[522] Ford had sold Alltel to Verizon in a multi-billion dollar deal in the same year. He bought the assets of the old Rwandex for 2.3 million USD and established a new exporting company (with an initial investment of 7 million USD) – Rwanda Trading Company (RTC). Ford's company initially embraced FWC and developed new markets for Rwandan coffee in the United States. RTC used new innovations in the FWC chain to capture more of the market. The introduction of these innovations helped make the domestic coffee sector more efficient. RTC was also forced to offer higher prices to farmers to compete with existing companies. "Early on, we had to offer prices above the regular market price and it worked. It was difficult to compete with Rwacof and CBC – they were the big deal here but we've made some pretty impressive strides."[523] In the last two years, RTC has captured about 10-15 per cent of domestic market share through innovations and making direct links with cooperatives and washing stations.

RTC eventually branched out to ordinary coffee. "Early on, we had to do fully washed coffee because we had to capture market. That was our opportunity. Now, we're established so we'll do what makes most sense for us."[524] RTC, CBC and Rwacof now dominate trade-and-export operations. These three companies were

[521] RWASHOSCCO was formed in 2005 with the support of USAID. 85 per cent of their production was sold to the United States to roasters such as Paramount coffee. The rest was roasted locally and sold in hotels (Interview, Zacharie Ntarikutimana, RWASHOSCCO, February 2012).
[522] Rwandex failed to clear three billion RwF worth of debt – owed to Bank of Kigali, *Banque Populaire du Rwanda* and COGEBANQUE. Rwandex was put up for sale three times (unsuccessfully) before RTC bought the assets of the company (PSF 2010).
[523] Interview, James Dargan, RTC, February 2012.
[524] ibid

expected to secure 40-50 per cent of the market. Despite CBC having a bad year in 2012, these companies continue to be the prominent players in the sector.[525]

Exporters continue to enter and disappear in the sector, showing that the government has not been able to build 'champions'. The government is more concerned with confronting monopolies than building partnerships. In 2011, Kaizen – a West African based venture capitalist firm – acquired stakes in three local exporting companies in a bid to compete in the domestic market. In the absence of loyal investors, the government encourages the entry of such investors to keep the sector competitive and discipline the larger companies. Mbundu's company, CAFERWA, was among the companies that were bought by Kaizen.

> "My company went into FWC. It was very challenging. People were not sending cherries. The banks also didn't know the process and were being a little edgy. Personally, I was finding the coffee market quite difficult. Now, I'm going to work with Kaizen for 3-4 years and then we'll list the company."[526]

In five months, Kaizen acquired eight washing stations. Kaizen owners initially beat out competition by paying farmers for coffee cherries immediately once cherries were delivered to washing stations (unlike most cooperatives).[527] Kaizen has also embraced value-addition, setting up coffee shops in Lagos and developing new markets in West Africa. However, the entry of new investors presents dangers as these companies offer higher prices to farmers and distort the market to capture market share. The burden then shifts from middlemen to exporters who struggle to sell their coffee to international buyers and are forced to take losses.

> "When new investors come in, they pick up some of your suppliers. They just pick the right price. In year 2, they start having problems because of a lack of experience. They give better prices to farmers but don't have buyers."[528]

This was the case in the 2012 coffee season. With global coffee prices declining in 2012, exporting companies had speculated for higher prices and

[525] "The reason why CBC lost market share was because we managed the price badly. We signed contracts with suppliers that were not honoured. We made a loss for some containers then" (Interview, Musengimana, May 2012).
[526] Interview, Faustin Mbundu, April 2012.
[527] Interview, Gilbert Gatali, Kaizen, March 2012.
[528] Interview, Rwagasana, May 2012.

experienced difficulties when the New York-C price fell. This sudden fall coincided with a rise in FWC exports, showing that suggestions that FWC would be most profitable when international prices for ordinary coffee reduced were correct.

Figures 6.24-6.27 indicate that over 40 companies and cooperatives export coffee. In 2014, 63 companies exported coffee out of Rwanda.[529] The domestic trade-and-export market is competitive. As the CEO of a leading domestic exporter said, "We are always on our toes, it is an incredibly competitive environment."[530] An owner of a domestic company was positive despite increasing competition.

> "I started the company in 2006 with another friend. I previously worked at BRD as a project analyst and had a Forex bureau after that. It was easy to enter the market but business is difficult. The coffee sector is very competitive and we have too many exporters compared to our production. I'm aiming to produce 10 per cent of Rwanda's production. Things are possible in the sector – we just have to get our strategy right."[531]

In 2015, he was interviewed again. He had entered a joint-venture with Dorman's after experiencing difficulties.

> "KCC came to Dorman's this month. We had to go into partnership to reinforce supply side and market linkages. Competition is good but too much can kill the industry. All Rwandans are closing their businesses. You have to be strong to survive."[532]

Unlike during previous governments, the coffee sector (through trade-and-export operations) is no longer a place a small group of elites retain profits.[533] Instead, elites (who head cooperatives or own exporting companies) compete with foreign-owned companies, other domestic elites or cooperatives to make profits. However, the government faces challenges of retaining control over policymaking, with NAEB being pushed to become 'self-sustainable' and cut unnecessary expenditure.[534] Closer coordination with larger companies has been prioritised recently, with NAEB encouraged to work closely with the Coffee Exporters and Processors Association of Rwanda (CEPAR), which was established in 2010.[535] The

[529] Interview, NAEB Official, January 2015.
[530] Interview, Swamy, March 2012.
[531] Interview, Kivu Arabica Coffee Company (KCC), May 2012.
[532] Interview, KCC, January 2015.
[533] Some elites may make money from owning coffee plantations (e.g. Nkubiri and Nkusi).
[534] Interview, NAEB official, January 2015.
[535] CEPAR comprises less than 20 of the top exporters in Rwanda.

increasing presence of companies such as CBC, Rwacof, RTC and Kaizen on both the exporting and CWS nodes of the value-chain also requires the government to work more closely with these companies. Building reciprocal control mechanisms, which encourage these companies to prioritise the production and sale of FWC is essential if appropriate systems of accumulation in the sector are to expand.

Figure 6.24: Share of Total Value Exported - 2009

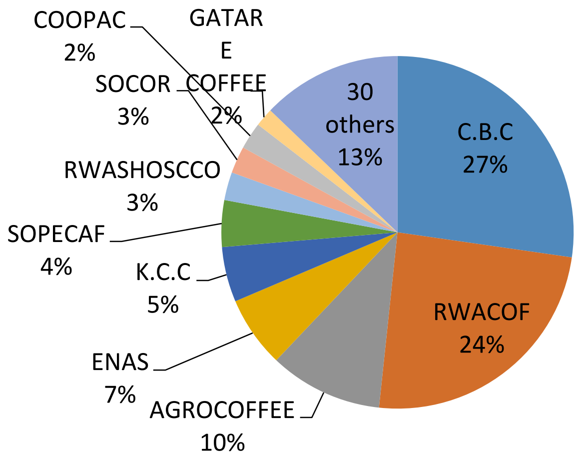
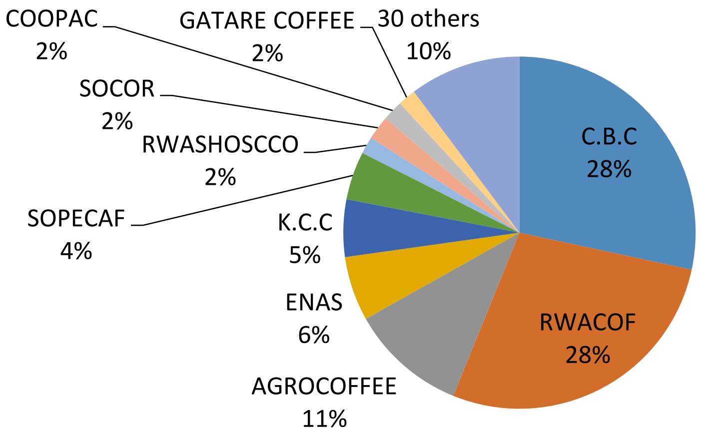


Figure 6.25: Share of Total Quantity Exported - 2009



Source: NAEB

Figure 6.26: Share of Total Value Exported (2010)

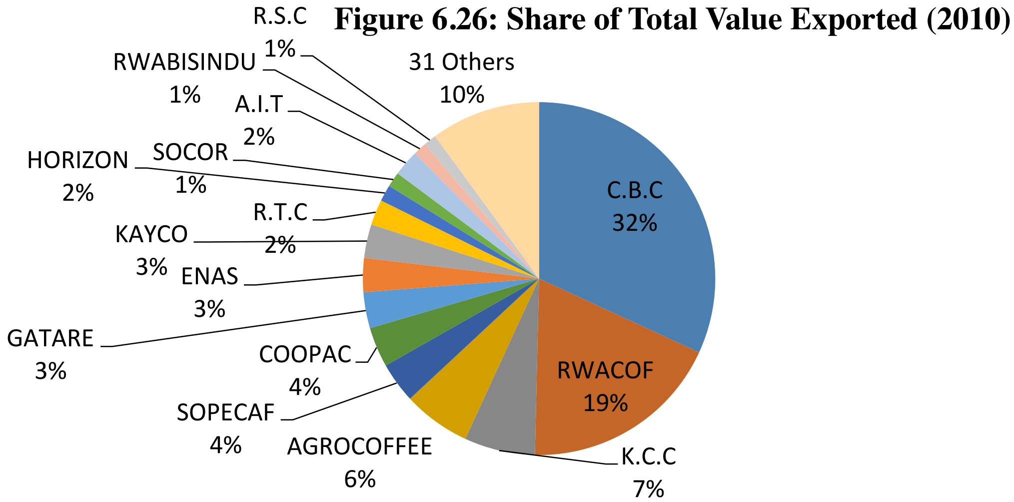
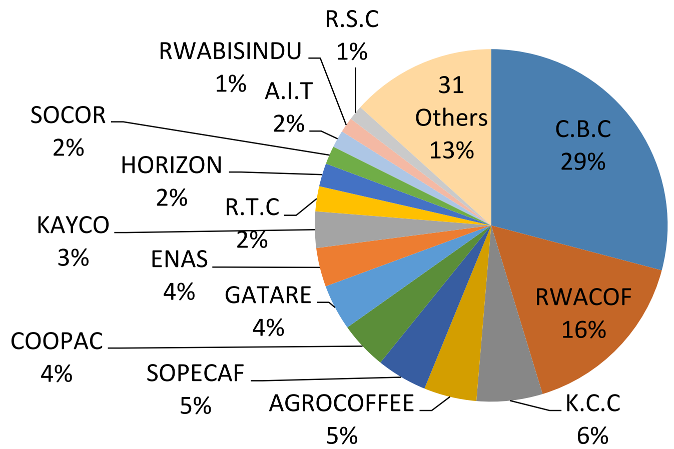


Figure 6.27: Share of Total Quantity Exported (2010)



Source: NAEB

6.10 Selling Narratives, Marketing FWC and Other forms of Value-Addition

After adopting FWC, focus shifted to roasting coffee and finding a market for such coffee internationally. OTF studies found that between 2001 and 2003, there were very few countries in Africa that had successfully found a market for roasted coffee internationally. Ivory Coast (162 tonnes) and Cameroon (76 tonnes) led the way in exports of roasted coffee during this period. Only Kenyan, Zimbabwean and Ethiopian coffees were receiving prices of more than 3USD/kg. In the absence of domestic demand for coffee, it was challenging to incentivise exporters and cooperatives to engage in roasting (when profit margins were already thin).

OTF favoured marketing a pure/single-origin coffee along the lines of Kenyan AA, Wallenford Estate (Blue Mountain) and La Minita Estate, Costa Rica. Such efforts have been inhibited by inconsistencies in coffee quality and insecure relationships with actors further up the value chain. USAID marketed Rwanda's specialty coffee around the United States and convinced roasters like Specialty Coffee Association of America and the Coffee Quality Institute to get involved in Rwanda (Chemonics 2006). Starbucks provided technical assistance.

Rather than a continued push to build more washing stations, exporters claim that FWC would be better served by more investments in marketing Rwandan coffee. "It is difficult for us to find buyers for our products. We can't always move fully washed coffee. The Rwandan semi-washed coffee established a brand over decades. Rwandan fully washed coffee is still new on the market."[536] Such struggles differ depending on the exporter but this is particularly true for the smaller exporting agencies that do not have direct links with international buyers. Since Sucafina buys a large chunk (33 per cent of all coffee exports in 2012 although only 17 per cent of FWC exports) of Rwandan production (both SWC and FWC), it is the easiest buyer to approach for smaller companies. CBC owner Rwagasana complained that RwaCof had an advantage while the transition to FWC was still in its infancy.

> "RwaCof has a mother company. They can make mistakes and not feel it. As soon as I have a problem with one container or two, I end up having a terrible year. But in the end, we also sell to Sucafina so until I find new buyers, RwaCof will have an advantage."[537]

The government invested in marketing Rwandan coffee. However, these investments were geared to improving the image of Rwandan coffee at large, rather than helping a specific investor. The government sent delegations to events held by the Specialty Coffee Association of America and Japan, the East African Fine Coffees Association, and has also held a national barista competition since 2008. The government has also engaged directly with international buyers including the Rogers Family who visited Rwanda in 2009 and bought 58 containers after the visit.

One innovation was attending and holding CoE events (OCIR-Café 2009b). The CoE programme is managed by the Alliance for Coffee Excellence, Inc., a US-

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536 Interview, Rebero, March 2011. Similar statements were made by other exporters.
537 Interview, Rwagasana, May 2012.

based non-profit organisation. Rwanda was the first African country to hold a CoE event in 2008 and has held the event annually since then.[538] At these events, coffee is evaluated, tasted, scored and cupped at least five times and then auctioned to the highest bidders. Such events have been instrumental in building a reputation for Rwandan specialty coffee and exposing Rwandan coffee to new markets.[539] Auctions take place both online and in person. In 2011, 36 Rwandan lots were auctioned and attracted buyers from all over the world including Japan, Taiwan, the United States, South Africa and Australia. The highest price of the winning lot was 44.31USD/kg, the lowest price was 11USD/kg, and 33,689kg of coffee was auctioned in total (NAEB 2012). This is up from the 2009 CoE when prices were between 4.2USD and 26.5USD/kg. Coffee sold at the CoE receives much higher prices than the usual price obtained for FWC, which is 2USD/kg-6.2USD/kg, and for SWC, which was 1.86USD/kg-3USD/kg (OCIR-Café 2009b).

The government and exporters both agree that the the CoE’s success has incentivised farmers to engage in the FWC value-chain more productively. Investment group API has been an example to follow in this regard, obtaining the highest price in the 2011 auction. Since API is a formal investment group, the government is sure of the loyalty of this firm and ensures FWC production is adopted on military-owned land to facilitate API’s accumulation strategies.

Most samples that are brought to the CoE are usually selected. In 2011, 189 samples were brought to the competition and 132 were selected (NAEB 2012). However, it is a gamble for farmers if their coffee is not selected.

> “The CoE has brought a lot of fanfare. Every farmer thinks they have the best coffee in the world and NAEB encourages them. However, every farmer tries and most of the coffee doesn’t actually make it to the competition. Then its difficult to sell that coffee.”[540]

The CoE has also helped Rwandan coffee reach new markets. The United States has become an alternative to traditional European markets. The Rwandan government has also actively sought new markets through engaging with Turkish,

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[538] Mexico’s largest coffee trading company held a national quality competition in each state to encourage producers to invest in agricultural techniques (and as market research to establish the best regions for coffee production) (Renard and Perez-Grovas 2007).
[539] Interview, Robinah Uwera – NAEB, November 2011.
[540] Interview, Dargan, February 2012.

West African and East Asian investors. Despite the concentration among roasters in the international coffee chain, the emergence of small roasters represents "interstices" (Ponte 2002), which the government hopes to exploit.[541] TRADEMAP data shows that in 2012, Rwanda exported coffee to 40 countries.

The option of roasting coffee was explored through roasting in Rwanda itself or toll roasting (a contract for roasting Rwandan coffee by an existing coffee roasting business in the country of consumption). OTF estimated that roasting in Rwanda would entail higher transportation costs, processing and packaging costs, and capital and depreciation costs as compared to toll roasting. Toll roasting would ensure the finished product matched market tastes, avoided air freight costs and ensure quicker delivery to the market. Immediately, contacts were sought in Europe, North America, China and Japan in the mid-2000s to explore such avenues. OTF approached Green Mountain Coffee, who partnered with Arkansas-based Westrock Coffee and Scott Ford's RTC. Ford was an exception among investors and was already a trusted 'Friend of Rwanda'. PEARL (and later SPREAD) were also encouraged to use their contacts to find partnerships with roasters in America. The *Abahuzamugambi* cooperative, which was established in 1999 and supported by PEARL, found a market for their coffees through Union Coffee Roasters in the UK and Community Coffee in the United States. Their coffee is exported as single-source/traceable coffee and is bought at premiums and sold at Whole Foods, Intelligentsia Coffee and Third Rail Coffee in New York (Easterly and Reshef 2010). Similar achievements were made by RWASHOSCCO and Buf Coffee – coffee cooperatives (formerly financed by donors). Potential buyers were reticent about the government's approaches, which OTF argued was because of inconsistencies in coffee quality and the failure of domestic partners in delivering consistent and timely supply.

The government has pushed companies to roast coffee domestically. Coffee roasted domestically is sold either in local coffee shops, hotels, domestic supermarkets or in the East African market. As of 2009, there were six main coffee roasters – all were domestic companies: Kinunu Coffee, Maraba Coffee, Sacof Coffee, Aromec Coffee, Tora Coffee and Bourbon. OCIR-Café also roasted coffee worth 93 tonnes in 2009 (OCIR-Café 2009b). Aromec and Tora sold their coffee in the Middle Eastern and Ugandan supermarkets respectively. By 2012, 116.8 tonnes

[541] Interview, NAEB, May 2013.

of roasted Rwandan coffee earned 831 million RwF (NAEB 2012). While there have been impressive strides (Figures 6.28-6.29), much depends on the promotion of a Rwandan "coffee culture" and then convincing exporters to take risks in investing in the long-term benefits of roasting at home (that OTF and other consultants doubt because of the lack of market). Growing a "coffee culture" depends on the existence of an expatriate community living in Rwanda. The government's attempt at convincing the population to drink coffee is unlikely to be successful.[542] Other success stories are difficult to emulate. In Ethiopia, coffee drinking was ingrained in the country's culture while Kenyan retail chains like Dorman's have taken advantage of Kenyan middle-class 'changes in taste' and a vibrant expatriate community.[543]

In spite of these difficulties, the government (NAEB and BRD) has worked with partners, the Clinton Hunter Development Initiative (CHDI) and the Hunter Foundation, to create a coffee company – the Rwandan Farmers Coffee Company (RFCC) – and invest in a 3 million USD coffee processing factory in Kigali. In 2015, the RFCC began operations and will produce under the brand – Gorilla's coffee – and sell to local, African, Asian and European markets.

> "The President talked to Mr. Clinton and Mr. Tom Hunter and made this happen. Back in the day, we used to ground coffee with a stick but now, we are producing finished products in our country. This is a big matter of pride. But if you think about everyone who is doubting us, we already have contracts in the UK and we hope to break even within 2-5 years. The clients have also given two coffee cooperatives in Muhanga and Rulindo grants and under this agreement, farmers will get 20 per cent of profits. All money will go back into the coffee sector."[544]

The government has made progress in value-addition (packaging and setting up shops) and marketing coffee (although more work needs to be done). However, they have not picked national champions to the extent other countries did. Easterly and Reshef (2010) attributed the success of one value-addition attempt in Uganda to the "strong, entrepreneurial spirit, commitment and passion" of the successful owner of Good African Coffee, Andrew Rugasira. Rugasira roasted, packaged and exported FWC directly to the UK to be sold at Sainsbury's and Tescos. While this is a "feel-good story" and Rugasira's achievements are impressive, he has had government

[542] Even most government officials seem unconvinced by this.
[543] Consultancy reports.
[544] Interview, RFCC, January 2015.

support. His book (2013) shows how his personal contacts in embassies and the Ugandan government helped him procure roasting contracts and assisted him in other ways. For example, he discusses how a Ugandan Embassy official in China put him in touch with a Chinese national who then helped provide contacts for equipment for a roasting and packing facility (Rugasira 2013, 133). This is not to take anything away from Rugasira who displayed innovation, creativity and succeded in capturing more of the value-chain. However, his accumulation strategies were facilitated through Ugandan government interventions.[545]

Most value-addition strategies emphasise 'coffee karma' stories where cooperatives, characterised as a group of hardworking vulnerable small farmers, work together to get the most out of tiny landholdings. Successful cooperatives are not evidence of the utopian assumptions associated with the cooperative movement. Rwakagara heads COOPAC and has more than 30 times the amount of land than any other farmer. *Abahuzamugambi* has succeeded primarily because of international contacts developed through donor support. Both these cooperatives have heavy membership fees, which limit the possibility of vulnerable workers becoming members. COOPAC's annual membership fee is 10,000 RwF and Abahuzamuambi's annual fee is 5000 RwF (Mujawamariya et al. 2013). Such contradictions are acknowledged by bureaucrats:

> "The cooperatives are not strong. Most cooperatives are captured by the elite. Even when they have money, they don't invest back into coffee."[546]

The government also plays an important role in developing contacts and popularising Rwanda 'coffee karma' stories. Personal relationships between Kagame and Howard Schultz at Starbucks and Peter Rogers of the Rogers Family Company have assisted the creation of partnerships in exports of single-origin Rwandan packaged coffee.[547] Rogers Family Company plans include a partnership with loyal businessmen Alfred Nkubiri's ENAS to build washing stations.

[545] Officials in the Rwandan government argued that this was not an 'entrepreneurial' success (Interviews, President's Office and NAEB, May 2013). Rugasira also has links with the Ugandan military (Tangri and Mwenda 2003). In 1998-99, he was paid $4,486,805 by Uganda's Ministry of Defence to transport military equipment and soldiers to and from the DRC (ibid).
[546] Interview, Uwitonze, March 2012.
[547] Costco and Rogers Family Company have also invested in growing coffee on 100 hectares of consolidated land in Ngorero district. Such plans include assisting 400 smallholder farmers in the

6.11 Bourbon Coffee – Using Loyal Companies to spark Diversification

Rwanda's most ambitious value-addition attempt was Bourbon Coffee. This ended up being a brand-building exercise and the venture itself is unlikely to have made profits. Bourbon Coffee was established in 2006 by Arthur Karuletwa – a Rwandan who moved to America in 1995, and worked for Proctor & Gamble, and then for the Rwandan government including as a consultant at OCIR-Café (Frederick 2008). Bourbon was initially imagined as the 'Starbucks of Rwanda.' Karuletwa's wife previously worked at Starbucks. Bourbon has three stores in Kigali and one each in Washington DC, New York, Boston and London.[548] It aimed at providing a market for high-quality coffee produced by Rwandan farmers and was developed in close collaboration with the state. The shops themselves are geared to provide a Western-style coffee experience, importing their condiments and pushing a Starbucks-style ambience. Bourbon's success was an example to others, with 17 new coffee shops established across Rwanda by others.[549] Other coffee shops include Brioche (with 3 establishments in Kigali) and Kaizen's Neo.

Karuletwa initially partnered with CVL. Later, he was pushed out of ownership and this remains a contentious issue among many in Rwanda.[550] The RPF defends itself by stating that it took over the company to act like a venture capitalist.[551] Since Karuletwa did not have the capital or the capacity to engage in the expansion of Bourbon, CVL stepped in to take over. Others say this was one of the bitterest episodes of Karuletwa's life and that he was pushed out once he no longer agreed with their plans for expansion.[552] From the government's point of view, using CVL's Bourbon (where rents were centralised and loyalty was assured) was strategically important. Since Karuletwa chose silence and did not publicly voice his discontent, he remains influential within the domestic coffee sector – contributing to

district (Jones 2014). Rogers Family Company already buys Rwandan coffee, roasts the coffee in the US and sells it to Costco as Kirkland Rwandan Coffee.

548 The London store was closed down in 2012.

549 The government invested in training baristas and encouraged the construction of local coffee shops in Kigali (Interview, Nzaramba, NAEB, March 2012).

550 One consultant and one former employee at Bourbon, January and March 2012.

551 Interview, NAEB, November 2011; SPU, May 2013.

552 Interview, former employee of Karuletwa at Bourbon and consultant who previously worked with CVL.

bringing RTC to Rwanda. He is also the co-owner and founder of Inzozi Coffee Traders, which sources single-origin Rwandan coffee.[553]

After establishing stores in Rwanda, Bourbon was encouraged by CVL ownership to explore expansion abroad. Among upper management, there was debate about what was the best way to proceed. Those with experience in the coffee industry doubted that any expansion would be successful. Instead, African markets or niche branding should have been explored.[554] Despite these warnings, a decision was reached to set up showcase shops in the US and the UK. Buying up prime real estate in Soho in London without doing market research was a detriment to the success of these shops. Additionally, Bourbon maintained its Starbucks-like ambience abroad, which worked against comparative advantage. “If it was selling Rwandan coffee, it should look like its selling Rwandan coffee” was an observation by exporters who were puzzled by their strategy.[555] Profits from local stores were invested in Bourbon’s expansion internationally but (some of these shops have closed down) the stores have not been profitable.[556] CVL was criticised for such failed experiments. However, government officials were positive about the contribution of the experiment to marketing the specialty coffee brand of Rwanda abroad.[557]

6.12 Conclusion – The Vulnerability of the Developmental Political Settlement

This chapter shows that the RPF government has been committed to tackling the vulnerability associated with producing low-quality coffee for global markets. The government’s interventions in this sector have been characteristic of interventions made by developmental states (Wade 1990). Though previous governments enjoyed larger quantities of coffee production, the economy was vulnerable because of its dependence on low-quality coffee as the primary source of foreign exchange. Unlike previous governments, there is little evidence that elites have captures rents in the coffee sector in post-1994 Rwanda. During previous

553 He is now a Starbucks employee, based in Seattle.
554 Interviews with domestic export companies.
555 Unnamed exporter (Kigali, May 2013)
556 Interviews, Government officials, exporting companies.
557 Interview, Patrick Gihana-Mulenga, Commercial Attaché, High Commission of Rwanda in the UK, April 2013.

governments, the clientelism that was associated with the coffee sector detrimentally affected political stability.

The RPF government has developed an economic strategy that is geared to achieving ideological goals (self-reliance) and navigating the demands of three constituencies. In the process, it has used loyal investors for strategic investments (although it has done little to develop long-term partnerships with these investors). It has used cooperatives to organise labour to new production techniques (adopting FWC) and distribute inputs more effectively. The sector has also been liberalised to induce innovation and encourage a competitive environment. The government has developed narratives to maintain the legitimacy of the systems of accumulation on which the strategy has been developed. It maintains an image of liberalising the sector and promoting the image that a competitive environment has resulted in a level playing field for all private sector operators. The sector is now dominated by foreign actors, with many smaller companies struggling to survive. Images of empowering ‘small farmers’ through encouraging farmers to join cooperatives feed assumptions that cooperative members receive equal benefits and that ‘small farmers’ are a homogeneous group. Evidence has been presented that this is not true and ‘control grabs’ are taking place (or, at least, cooperative membership is restricted to those who have the resources to meet certain requirements). Narratives have been used as a way to mask the political processes and exploitation that have accompanied the revitalisation of the coffee sector.

Though conditions of ‘systemic vulnerability’ motivate ruling elites to pursue strategies in line with achieving self-reliance, vulnerability (associated with having to meet the demands of three constituencies) has also reduced the government’s capacity to deliver economic development. Because there are few individual loyal capitalists on whom the government relies, no individual local investor is encouraged to make strategic investments. Either the government or investment groups usually lead strategic investments. Since the sector has been liberalised and the government has limited resources and expertise, it is very difficult to monitor the increasing number of companies and actors that operate in the sector.[558] Smaller local companies question these policies.[559] The achievement of future targets will depend

[558] Interviews, 2 NAEB officials, January 2015.
[559] Interview, local exporting company, January 2015.

on the government's capacity to convince coffee producers to adopt appropriate practices and to discipline private sector operators in line with national goals. Maintaining the strength of narratives will be crucial to ensure the government capitalises on 'coffee karma' stories and breaks into specialty markets.

CHAPTER 7: BUT WE HAVE MINERALS TOO: MAINTAINING A DEVELOPMENTAL POLITICAL SETTLEMENT IN RWANDA'S 'REBORN' MINERALS SECTOR

7.1: Introduction - The Clash of Mining Narratives

This chapter describes the evolution of the minerals sector in Rwanda. It shows how the RPF government has refocused its attention on the domestic minerals sector and away from extracting revenues from minerals emanating from the DRC. Such strategies work in line with ideological goals of achieving self-reliance. The RPF government has only revitalised the domestic minerals sector in recent years but since then, there has been progress in increasing mineral production and export revenues. There has also been some progress in beneficiation. However, the government (with inadequate expertise, funding and skills) faces challenges in ensuring that policies are geared in line with long-term objectives because it has experienced difficulties in disciplining and monitoring private companies, as well as enforcing legislation.

The RPF government's achievements have exceeded those of previous governments. However, previous governments experienced periods of high production and Habyarimana's government even invested in the construction of a tin smelter. The RPF government's interventions share the basic characteristics of a developmental state, identified in Wade (1990). The government has made some productive investments (through making some investments in research and the tagging system, which has led to the revitalisation of the sector), broken ties with commercial networks in the DRC (that can be equated with government intervention) and exposed the sector to international competition. The government intervened to provide incentives to investors who engaged in value-addition, without which such investments would not have been made.

Rwanda's domestic minerals sector has received little attention when compared to the minerals sector in the DRC. Both Rwanda and the DRC are located on the same Central African Kibara orogenic belt. This belt extends from Katanga in the south to southern Uganda in the north. Most of Rwanda's mineral production comprises the 3T minerals: Cassiterite (or Tin), Wolframite (or Tungsten), Columbite-Tantalite (Coltan or Tantalum). Other minerals include gold, beryl and gemstones including sapphire.

The narrative in the international press, made popular by claims around 'conflict minerals', assumes that most of Rwanda's mineral exports originate from the DRC.[560] This narrative criticises the RPF government for supporting rebel groups in the DRC to access mineral wealth in the Kivus.[561] Supporters of this narrative deride the international community for failing to discipline the Rwandan government for its involvement in the Kivus over the past decade. In late 2012, fighting broke out between the M23 (a rebel group linked to the Rwandan government) and the Armed Forces of the Democratic Republic of Congo (FARDC). Donors accepted the narrative put forward by civil society organisations and suspended aid.[562] This forced the RPF government to sever ties with the M23.[563]

This simplistic narrative reduced Rwanda's intentions of supporting rebel groups in the DRC to motivations of greed. Such accusations resonated with the popular work of Paul Collier and his colleagues (2001), which tested whether civil wars were caused by 'greed' or 'grievance'. The work of Collier and his colleagues drew a sharp distinction between these two categories of motivations to categorise events and fit them into statistical models. Collier went against conventional wisdom that grievances caused civil wars. Instead, Collier's (2000, 96) results "overwhelmingly point to the importance of economic agendas as opposed to grievances." Such theories relied on the logic that if individuals were driven by self-interest and rational choice, they might be driven to violence (Cramer 2006). The

[560] Autesserre (2012) highlights that the narrative focuses on the illegal exploitation of natural resources as a primary cause of violence. Examples can be seen in the work of the Enough Project and the Friends of the Congo. For examples of news articles, see Allen (2009), Polgreen (2008).
[561] Such rebel groups include the CNDP and the M23.
[562] Donors had withdrawn aid before over similar allegations. In 2004-5, the UK and Sweden delayed aid disbursements (Hayman 2009a). In 2008, Netherlands and Sweden suspended budget support.
[563] Aid was cancelled by many donors, including the EU (suspended $90 million), UK (withheld $34 million), Sweden (suspended over $10 million), Germany (suspended US$26 million), Netherlands (cancelled $6 million) and the United States (cancelled $200,000 in military aid) (Beswick 2014). In December 2012, then-Minister of Finance Rwangombwa said: "Rwanda was expecting $362 million from donors in general and sector budget support and of that, we had received $122 million while $240 million is yet to be released" (Kagire 2012a). In 2013, donors reinstated aid.

popular narrative around DRC's 'conflict minerals' mirrored these assumptions and neglected the variety of reasons why individuals and groups engage in conflict.

Advocates of this 'Coltan Rush' narrative organised themselves around the myth that the DRC held 80 per cent of global tantalum reserves.[564] The DRC has rarely produced more than 20 per cent of the world's tantalum and only holds around seven to eight per cent of global reserves (Nest 2011). Those who highlighted the greedy motives of elites as the single source of conflict reduced the complexities of the DRC to a single solution: make the export of conflict minerals illegal. This reasoning ignored the "diversity of violent conflict: the diversity of its causes and motivations and the diversity of its conduct and organisation" (Cramer 2006, 136). The commodity itself is rarely the reason why people fight. Through the conversion of a commodity into a resource, a process of social construction takes place. Explanations of how the commodity is transformed into a resource can explain how control over local resources influences the strategy of belligerents (Le Billon 2001).

Both 'greed' and 'grievance' are important motivating factors for conflict.[565] However, rather than viewing them independently, motives of violence must be understood in the context of historical social relations and how the greedy manipulate the grievances of others (Keen 2008). The conflict in the Kivus is rooted in local tensions that originate from the colonial era. Motivations of Rwandan elites have transformed since the Congo Wars began. Groups of elites maintain different loyalties and interests. Operating within the same military commercial networks may force loyalty to a centralised authority but also contribute to friction among elites within the political hierarchy. In addition, commodities other than 'conflict minerals' are traded in the Kivus. Actors in the region have also profited from trading coffee, timber, food and fuel. There is little doubt that funds from trading in the Kivus have contributed to the growth of the Rwandan economy. Section 7.6 highlights how the RPF generated funds from military efforts and centralised rents that were received from trading minerals.

The RPF's own defensive narrative clashes with the narrative in the international press. The RPF charges the popular press with ignoring the historical

[564] Coltan (columbo-tantalite) is a heat-resistant metal that is used in electronic devices.
[565] Greed is a significant factor in civil wars, interacting with grievances in complex ways (Keen 2012). See Stewart (2008), Cederman et al. (2013) for grievance-based explanations of conflict.

interaction of the communities in the Kivus, the need to protect the Banyarwanda population in the Kivus and the presence of Hutu militias (FDLR) that pose a threat to Rwandan national security. In recent years, RPF officials have argued that the government deserves credit for the revitalisation of the domestic minerals sector.[566]

> "Think about this in terms of our history. There is a long history of interaction of our communities. You could even say that parts of Eastern DRC are actually part of Rwanda… For us, security is the number one issue. When it comes to FDLR in DRC, that government is incapable of doing anything. We have lost one million people in three months because of those people and they continue to kill others in DRC. Others are so arrogant that they have forgotten this event. But in Rwanda, we have to counter any genocide… After the Dodd-Frank Act, others thought that Rwanda is finished now. But it has actually made Rwanda more stable. They have helped us in sending the political message that Rwanda does not depend on the illegal exploitation of minerals. Now, these investors can no longer blackmail us that they would rather trade minerals than invest in the domestic minerals sector. Soon, we hope that we will no longer have to export raw minerals to Malaysia and we can export finished products here."[567]

The RPF government has prioritised the rehabilitation of the mining sector since the early 2000s. The government focuses on increasing domestic production and adding value by processing minerals (beneficiation). The government relied on donors and consultancy firms like OTF for technical support. OTF identified Rwanda's competitive advantage in becoming a future hub for the transport of 'legal' minerals in the region. OTF argued that Rwanda could become a 'hub' if it successfully built processing facilities and developed contacts with foreign buyers. Neighbouring countries would then be convinced to send their minerals to Rwanda, rather than send them further abroad to be processed. The RPF's strategy required the government to construct narratives to retain a 'positive' image, which would be beneficial to entice support (from donors and investors). The government eventually chose to reduce its reliance on Congolese minerals to bet on the future of the domestic minerals sector (and self-reliance). To access the long-term benefits of such policies, elites and the government were required to reduce their reliance on 'dirty' mineral networks from the DRC (or to integrate these networks into a 'formal' supply chain e.g. through formal re-exports). It was a political opportunity (and a

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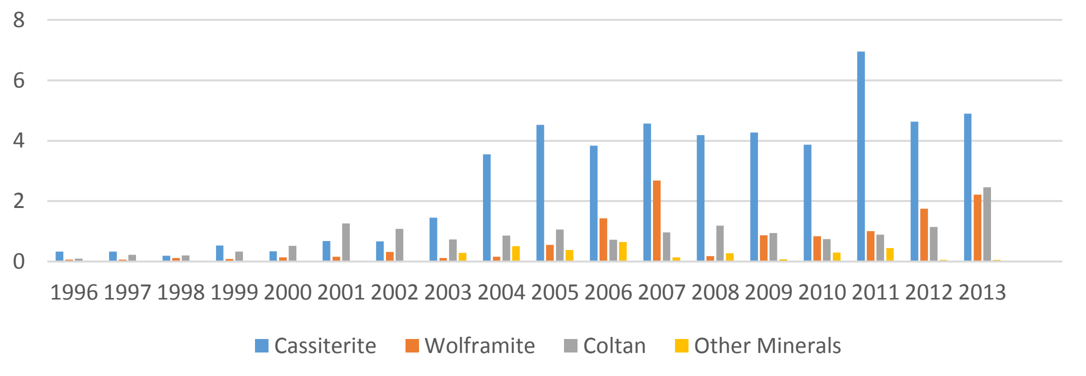
[566] Interview, MINIRENA officials, May 2013; January 2015.
[567] Interview, Nzabamwita, January 2015.

risk) as transition costs from those who gained from commercial trading networks in the DRC would have to be negotiated in the process.

The domestic minerals sector remained relatively inactive in the 1990s. Total mineral production was below 200 tonnes till 1996.[568] Since 2004, mineral production has increased (Figure 7.1). Large shares of mineral production are likely to have originated from the DRC in the early 2000s. As late as 2005, OTF reports estimated that only 45 per cent of Coltan and Cassiterite and 61 per cent of Wolfram exported out of Rwanda was produced domestically. However, several new mining sites have begun operations and 'domestic' mineral production has increased.

Figure 7.1: Total Mineral Production (million tonnes): 1996-2013



Source: MINECOFIN

RPF narratives mystify the harsh realities associated with accumulation strategies around the extraction of minerals (both at home and in the DRC). This chapter shows how dealing with demands from "three constituencies" has impacted the transformation of the domestic minerals sector. Developing a 'clean' image of the domestic minerals sector was essential for the government to retain access to foreign aid and to maintain its image as a 'donor darling.'[569] To develop this image, the government not only embraced tagging initiatives but also privatised state-owned assets and liberalised trade-and-export operations. The choice to begin tagging minerals and liberalise the sector worked in line with long-term ambitions of value-addition and revitalisation of the domestic sector (and Economic Nationalism) above

[568] According to *Bundesanstalt fur Geowissenschaftren und Rohstoffe* (BGR) estimates.
[569] In September 2014, the government signed a new grant with the EU Development Fund worth 460 million Euros. The previous grant received from the EU was 290 million Euros (Mwai 2014). In 2012, the EU had frozen aid to Rwanda.

individual profit-making interests.[570] RPF narratives highlight that the privatisation of state-owned concessions led to the successful transformation of the minerals sector.[571] Privatisation has empowered foreign firms that generated profits in global markets.[572] No national champions remain competitive although a variety of smaller domestic *comptoirs* have survived.[573] The government now relies on legislation to ensure private companies work in line with national priorities.

The government has promoted cooperative formation and 'formalisation' to organise labour to the production of minerals. OTF advised the government to focus on formalising the minerals sector through supporting artisanal and small-scale mining (ASM) and new private sector players. Formalisation was not simply a way to empower small-scale miners. It was also used as an opportunity to 'standardise rural peasantries' to assist the state in exerting greater control of the peasantry (Scott 1998). Government strategy was based on the assumption that formalising the sector would maximise long-term revenues. However, the Rwandan government did not recognise the challenges facing small-scale miners nor did it recognise the ease with which miners smuggled minerals through 'informal' channels. The government initially encouraged all actors, including small-scale miners, to invest in prospecting and research before engaging in extracting minerals. The government neither had the budget nor the personnel to enforce such rules. Also, small miners were unable to fund costs of geological surveys.[574] MINIRENA (2010, 31) emphasised the need to "increase the rigour applied to the small mine permit process such that each applicant had to have an initial estimate of the deposit reserves and a rough map of the deposit to be mined." Companies and small-scale miners relied on trading and extraction to re-invest in research (if they were interested in investing in research at all). OTF identified constraints in the sector, including high electricity costs, costs of

[570] In the first few years of the tagging system, 'conflict minerals' from commercial networks may have still been traded. However, there was a clear choice made to prioritise the 'public' narrative at the cost of short-term benefits from trading 'conflict minerals'.
[571] "Mining and trade in minerals have been recovering mainly due to the privatisation of government-owned miners, which increased productivity" (MINIRENA 2010, 6).
[572] Angola and Sierra Leone as two countries where liberalisation had similar effects (Reno 1997).
[573] *Comptoirs* refer to companies that export minerals.
[574] At a meeting in 2006, David Bensusan, then of Eurotrade International, raised questions with regard to this policy, citing the cost of a geological survey for a reasonably sized permit area at 32,000 USD, and upward of 100,000 USD for a more detailed non-alluvial study to evaluate quality of reserves. He warned that the cost would decrease both the participation and profitability of ASM, calling instead for larger players to support small miners in reserve estimation.

environmental legislation compliance, outdated ASM techniques, inadequate transportation facilities, lack of water supply and difficulties in accessing finance.

The mining sector has been reorganised over the past two decades, with all concessions under private ownership. The Ministry of Land, Environment, Forestry, Water and Mines (MINITERE), later renamed the Ministry of Natural Resources (MINIRENA) in 2011, led government responsibilities in the sector. The Rwanda Natural Resources Authority (RNRA) was established as an agency within the ministry in 2011. The RNRA is in charge of the promotion and protection of the environment and natural resources. Within the RNRA, a department dealt exclusively with the minerals sector - Office of Mines and Geology of Rwanda (OGMR).[575] OGMR was renamed the Geology and Mines Department (GMD) in 2011. OGMR and later GMD were the focal points within the ministry and responsible for most mining activities after 2009.

There has been very little academic research (Perks 2013) undertaken in Rwanda's minerals sector. Information has been obtained primarily from interviews (with government officials, representatives from the private sector, cooperative leaders and military elites). Statistics have been obtained directly from government sources. For the section on Rwanda's engagement in the Kivus, details from existing academic work and policy documents are used. Historical data was obtained through interviews, existing academic literature and from government offices in Kigali.

[575] OGMR was established in 2007 as a department within MINITERE. After a reorganisation of the ministry, OGMR was subsumed within RNRA.

7A: The History of Rwanda's Minerals Sector

7.2 Mining during the Colonial Administration

RPF narratives hold that prior to 1994, Rwanda was historically a conduit for trading minerals that originated from the DRC.[576] These narratives ignore the achievements of independent governments (MINIRENA 2010).[577] In reality, the mining sector was more than a trading hub. Preceding governments prioritised the sector but failed to develop a long-term vision for capitalising on resources.

The first geological observations were made during the visit of German Duke Mecklenburg in 1909 (MINIRENA 2010). Investments by the colonial administration were motivated by the success of *Union Minière du Haut Katanga* (UMHK), which had begun to prosper after initial difficulties (Buelens and Marysse 2009). In 1925, Cassiterite was discovered in Rwanda. Concessions were only opened for prospecting in 1927 after delays in establishing mining legislation (Hillman 1997). Unlike in Katanga, there was no dominant charter company. Concessions were allocated competitively in Rwanda.[578] As a result, capital mobilisation was a problem in Rwanda, compared to Katanga. The largest concession in Rwanda went to a local commercial house (owned by Belgian settlers), *Compagnie du Kivu*, which later formed *Société Minière de Muhinga et de Kigali* (SOMUKI). Other initial concessionaries consolidated their holdings to establish *Société des Mines d'Etain du Rwanda-Urundi* (MINETAIN).[579] The absence of powerful chartered companies limited mineral production during this period (Hillman 1997).[580]

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576 "The mining sector wasn't exploited before 1994. The previous government didn't put in any effort" (Interview, Josiane Barabareho, SPU, November 2011).
577 MINIRENA (2010) highlights the potential of the minerals sector but emphasises years of low mineral production (1980-1984).
578 The *Société Générale de Belgique* (SGB), a powerful Belgian financial group, entered the Congo through the creation of the *Compagnie du Katanga* (CK), providing the capital necessary for the exploitation of mineral resources in the region.
579 Later, two other mining companies were established: GEORWANDA in 1945 and COREM in 1948 (MINIRENA 2010).
580 Though there may have been fewer minerals in Rwanda as compared to Katanga, the absence of chartered companies in Rwanda inhibited systematic prospection and exploration.

Minerals were first exported out of Rwanda in 1928, with the export of 68 tonnes of Cassiterite. The first mining code was established in 1938, which detailed the provision of concessions, as well as licenses for research, exploration and extraction. Other discoveries followed: Wolfram (in 1937), Gold (in 1933) and Coltan (in 1947). Cassiterite was the most widely extracted mineral in Rwanda. The colonial administration received more than 75 per cent of mining export receipts from Cassiterite (Figures 7.2 and 7.3). However, production of all minerals was relatively low, compared to global production. Annual Cassiterite production was barely one per cent of global production (Uwizeyimana 1988). Individual companies invested in research and geological missions (particularly true of MINETAIN and SOMUKI).[581] However, these companies competed with each other, rather than pooling resources for a common purpose. Many mining sites were developed during this time although most did not hold concentrated mineral deposits.[582] Very few large-scale industrial mines were established and most investors prioritised extraction (rather than prospecting) to capture short-term profits.

[581] 325.4 million Belgian Francs were invested by companies in Rwanda (Uwizeyimana 1988).
[582] In 1955, 85 per cent of the region's 269 mining sites were located in Rwanda (Bezy 1990).

Figure 7.2: Total Domestic Mineral Production till 1985 (tonnes)

Figure 7.3: Total Value of Mineral Exports till 1985 (Million RwF)

Source: Uwizeyimana (1988)

Rwandans migrated to work in industrial mines in the Eastern DRC in the late 1920s. In 1926, a decree was issued that authorised Rwandans to seek employment freely outside the country and legally opened Rwanda to contract workers from neighbouring countries. Three recruiters rushed to Rwanda: the UMHK, *Comité National du Kivu* (CNKI) and individual settlers (Mamdani 2001). The UMHK's need for labour was hastened by increasing resistance from 'troublesome Rhodesians' who sabotaged activities at mines, while also persuading local Congolese workers to protest (Higginson 1989). Forced labour practices between 1914 and 1928 were met with growing resistance among the Congolese population. The context featured "incoming white settlers and fleeing locals" (Mamdani 2001, 240). UMHK used the famine of 1928 in Rwanda to draw in more workers.[583] The

[583] 7000 workers left from Ruanda-Urundi to work on UMHK mines in Katanga till 1930 (Newbury 1988). This migration was then stopped.

share of UMHK workers from Rwanda and Burundi rose from three per cent in 1926 to 30 per cent in 1930 (Higginson 1989).

In 1937, an organised phase of immigration began. Land was taken away from the local Twa and Hunde population and declared *terres dominiales* (state-owned lands) before being reserved as a zone for Rwandan immigration (Bucyalimwe 1997). The new generation of 'transplanted' Banyarwanda was granted its own native authority in Gishari in Masisi, which led to tensions with the local population.[584] This zone was invalidated in 1957, fomenting a post-independence crisis of citizenship (Mamdani 2001). Migrant numbers rose after another famine in Rwanda.[585] These miners were given uniforms and money directly by the white settlers – unlike *akazi*, which was unpaid (Mulinda 2010).[586]

The relationship of industrial mining with development outcomes has been 'contentious and ambiguous' (Bebbington et al. 2008). The sector is associated with positive attributes such as the potential to generate large profits. However, it is also tainted with a reputation for appalling labour conditions, environmental degradation and spectacularly unequal distributions of income between companies and their miners. The establishment of mines in Rwanda and in neighbouring countries provided benefits for mining companies, opportunities for peasants as well as new forms of exploitation.[587] Through opportunities in the mining sector, many peasants escaped forms of forced labour such as *ubureetwa* and *akazi*. Many Rwandan mining concessions were located in densely populated areas, forcing many off their land.[588] Miners often performed tasks for the colonial administration while also being forced to work for local chiefs. In these circumstances, 'mining farmers' suffered a kind of double exploitation.[589] SOMUKI's low wages and appalling working conditions were similar to "the mining methods of the Pharaohs" (Hillman 1997, 163).

Rwandan chiefs were charged with the dual and contradictory responsibility of recruiting migrants for wage work, while ensuring enough peasants were tied to

[584] Historical land conflicts between the Banyarwanda and other groups in the DRC are a source of conflict today (Vlassenroot 2004).
[585] Migrants increased up to 24,448 in 1945, from 8,492 in 1942 (Mamdani 2001).
[586] Forced labour was usually done for little or no pay.
[587] By 1932, MINETAIN and SOMUKI employed over 900 workers (Uwizeyimana 1988).
[588] Most new mining concessions were located in regions with a population density of more than 500 habitants/km^2 (Uwizeyimana 1988).
[589] Maconachie and Binns (2007) use this term in the context of livelihood diversification in Sierra Leone.

patron-client relationships under their authority. Chiefs forced peasants to perform increasing amounts of 'illegal' work, while also resisting Belgian demands by refusing to relinquish manpower from local projects (Newbury 1988). Chiefs were wary of the economic advancement 'escaping' brought peasants. Compared to the coffee sector, mining provided an opportunity "at independence" (Bezy 1990, 22).[590] They worked long hours in difficult conditions while also developing "political consciousness." Many leaders of early Hutu protest activity in the 1950s were former contract wageworkers in the mining sector (Newbury 1988).

7.3 Kayibanda and Mining

Kayibanda aimed for the government to secure some control over the domestic minerals sector. In 1963, he repealed the colonial mining code. The colonial mining code gave companies sole ownership of mining operations within their concessions. Repealing the code was part of the government's strategy to make ASM the core of mining operations. In doing so, Kayibanda gave miners free access to concessions and tried to bring all unexploited concessions under government control. Such reforms were enacted in 1971, with 49 per cent of land under initial concessions returned to the government (Uwizeyimana 1988).[591]

Total annual production was around 2000 tonnes during Kayibanda's reign (Uwizeyimana 1988). Kayibanda was unable to bring commercialisation (trade and export) under government control. MINETAIN and SOMUKI produced more than half of the minerals produced in Rwanda (Figures 7.4 and 7.5). During this time, companies did not make any fresh investments. However, companies established basic infrastructure for workers such as footpaths around mining sites, which are still intact today.[592] Companies remained viable because they continued to pay low wages (Uwizeyimana 1988). One reason these wages remained low was the immense competition within the peasantry to sell their labour power. Few alternatives to obtain wages existed.

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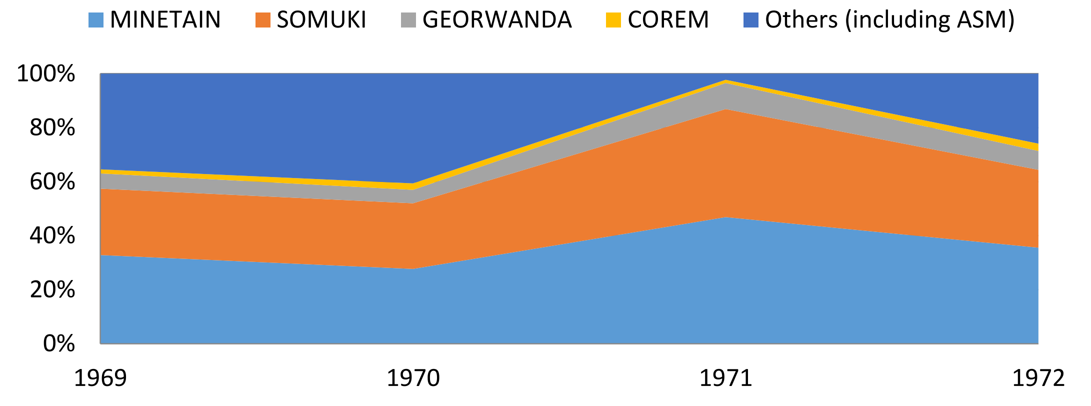
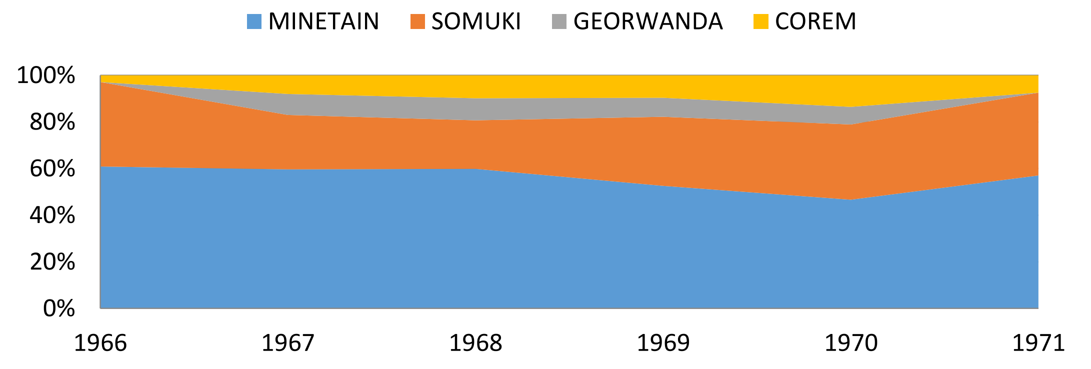
[590] Despite this "independence", Uwizeyimana (1988) maintains that most miners wasted their sporadic gains in wealth, with mining areas accounting for 1/3rd of the drunks in Rwanda.
[591] SOMUKI was the worst affected, with 78 per cent of the land originally assigned confiscated (Uwizeyimana 1988)
[592] Interview, Uwizeye, December 2011. Also in Perks (2013).

Figure 7.4: Total Annual Cassiterite production (tonnes)



Source: Uwizeyimana (1988)

Figure 7.5: Annual export revenues for mining companies (Million RwF)



Source: Uwizeyimana (1988)

7.4 Habyarimana and SOMIRWA

Habyarimana's government successfully gained some control of domestic concessions. Habyarimana worked with Jean-Louis Van Den Branden, the new President of Geomines, to transform the domestic minerals sector.[593] Their leadership represented a "spectacular change" for the future direction of the minerals sector (UNECA 1984, 50). Concessions and resources of various mineral operators were amalgamated (Uwizeyimana 1988). Concessions were bought from other operators and merged under a single company – *Société Minière de Rwanda* (SOMIRWA).

[593] Belgian-owned GEOMINES owned SOMUKI and GEORWANDA.

Belgian-owned Geomines owned 51 per cent of the company's share capital and provided management expertise. The government retained 49 per cent of shares.

SOMIRWA became the dominant player in the mining sector, processing the ore produced in its own mines, as well as buying ore from small miners. SOMIRWA then initiated 'subcontracting' labour arrangements, which persists as the dominant labour arrangement in the sector today. Under 'subcontracting', SOMIRWA organised rural labour by providing miners with access to concessions and controlling commercialisation (trade and export). Local entrepreneurs and landowners (*exploitants*) organised artisanal miners into working teams and paid them according to their production (Perks 2013).[594] Under such labour arrangements, permit holders and national operators were financially constrained and could not develop their mineral deposits. Miners struggled for daily wages under a backdrop of unenforced mine and labour standards, fluctuating international prices and ineffective government regulation (Perks 2013). Theft and smuggling persisted. Middlemen took advantage of sporadic and inconsistent governance, aware that miners would sell their products to the highest bidder.

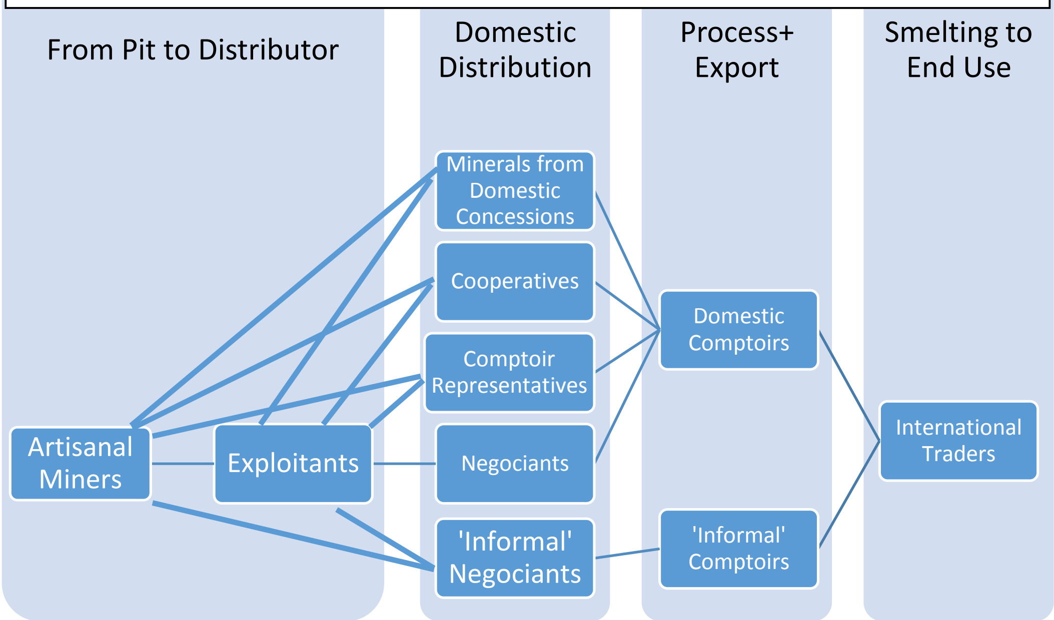
SOMIRWA was the largest employer in Rwanda. It directly employed over 2500 miners and over 7500 wageworkers (Bezy 1990, Blanc 1984).[595] During most of the 1970s, SOMIRWA maintained direct employment on its large concessions, while using the subcontracting model on smaller deposits. However, as prices fell in the 1980s, SOMIRWA favoured the subcontracting model rather than directly employing miners. SOMIRWA had control over the value-chain within the 'formal' artisanal mining sector.

SOMIRWA's monopolistic control over trade and export operations was similar to the control Rwandex had in the coffee sector. The differences between prices offered at the London Metal Exchange (LME) and the prices SOMIRWA offered to miners domestically were shared as profits between the government and Geomines. However, there were several groups further down the chain (Box 7.1) that distorted the market i.e. informal *comptoirs* or *negociants*. These groups encouraged

[594] "Usually, there's a chief of the miners. He's the one who organises his teams and pays them. The companies subcontract to these chiefs. Most mines have this arrangement. Sometimes, this chief becomes an exporter or an informal trader. We want mining companies to employ everyone directly" (Interview, Uwizeye, November 2011).
[595] Uwizeyimana (1988) cites this as 7700 in 1976, rising to 9557 in 1981.

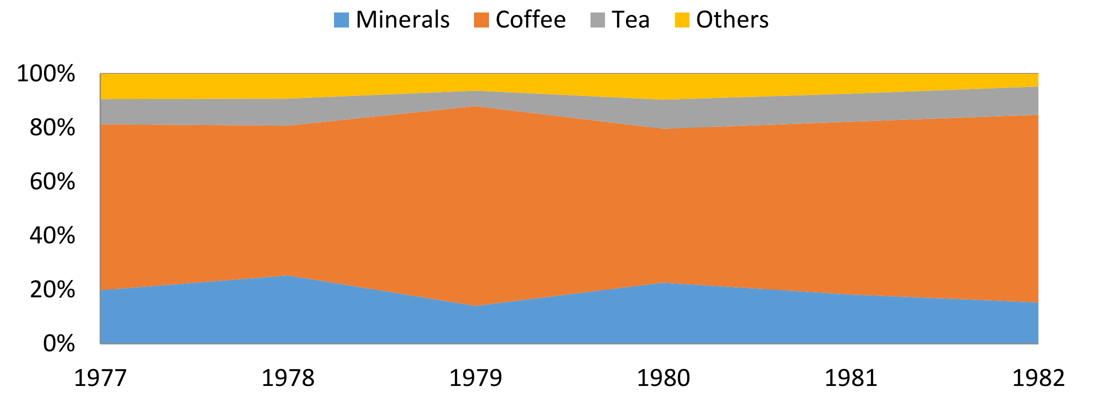
the creation of ‘informal’ mineral networks outside the formalised chain. Most artisanal miners suffered during the commodity crises that followed in the 1980s. SOMIRWA reacted to the fall in tin prices by reducing the buying prices offered to their *exploitants*. Constraints included the lack of adequate research into mineral deposits, the sporadic deposits of existing minerals, inadequate infrastructure and a lack of investments.

Box 7.1: A Modified Minerals Sector Value Chain



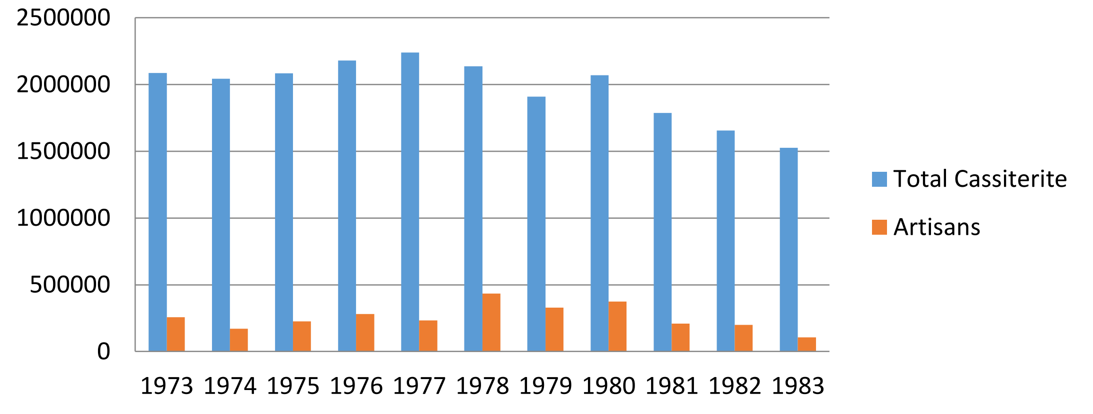
Minerals were a valuable source of foreign exchange during the 1970s and 1980s. The minerals sector was second only to coffee, representing approximately 20 per cent of total exports (Figure 7.6). Production was steady in the 1970s. Two million kilograms of Cassiterite were produced in Rwanda for most of the 1970s (Figure 7.7). Wolfram production ranged from 500,000kg-900,000kg (Figure 7.8). Coltan production ranged from 350,000kg-750,000kg but was relatively inconsistent between 1973 and 1983 (Figure 7.9). Export receipts were buoyed by high international tin prices, with the tin price at \$8.2/ton in 1974, \$10.7/ton in 1977, and \$17.2/ton in 1980 – in comparison to \$6.9/ton in 1989 (Bezy 1990). Many elites derived power and profits from their positions at SOMIRWA (Braeckman 1994). Elites who were loyal to Habyarimana (including former minister Shingiro Mbonyumutwa and Francois Habukubaho) represented the government at SOMIRWA offices and were responsible for activities at state-owned mines (Mbonyumutwa 2009).

Figure 7.6: Share of Total Exports: 1977-1982



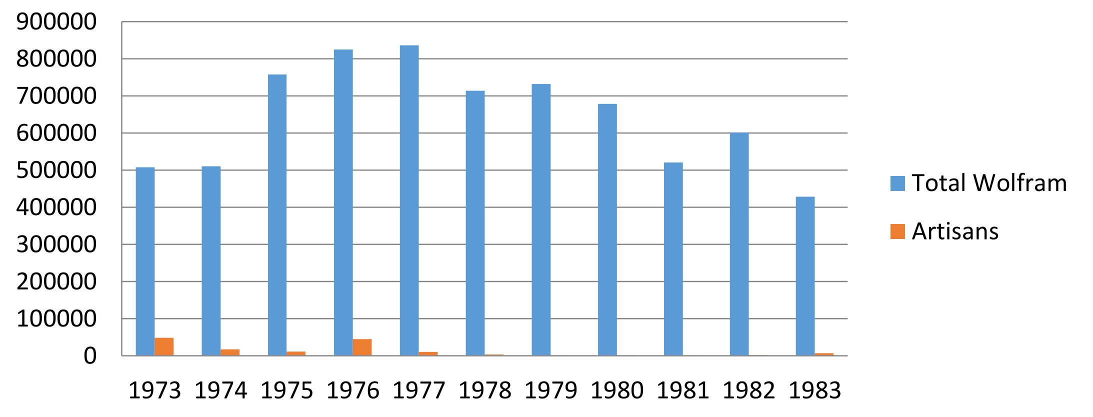
Source: Internal GMD documents and Uwizeyimana (1988)

Figure 7.7: Total Cassiterite Production (in kgs): 1973-1983

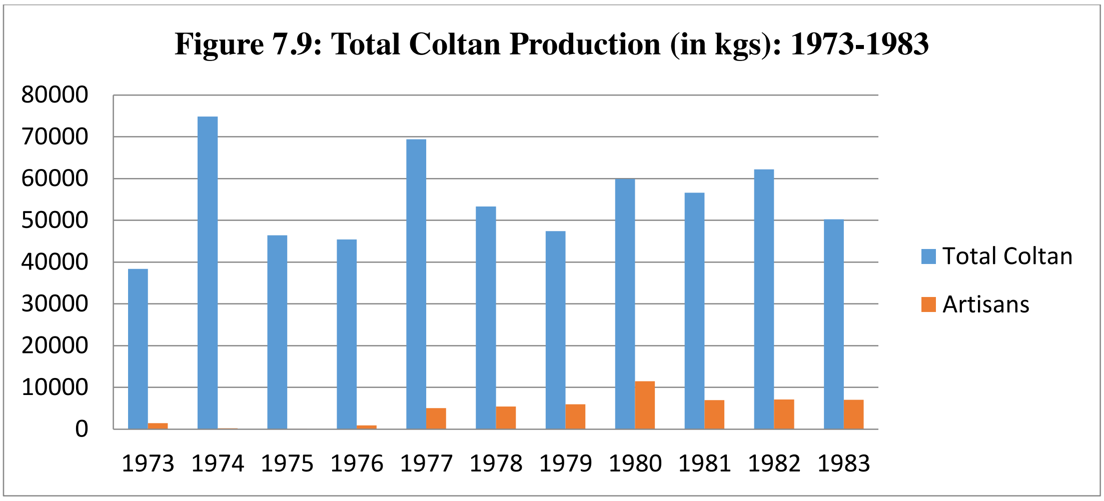


Source: Internal GMD documents and Uwizeyimana (1988)

Figure 7.8: Total Wolfram Production (in kgs): 1973-1983



Source: Internal GMD documents and Uwizeyimana (1988)



Source: Internal GMD documents and Uwizeyimana (1988)

In 1977, the government introduced plans to build a smelter to process ore produced in Rwanda. Rather than being part of a long-term 'developmental' ambition, the construction of the smelter was undertaken to take advantage of rising global tin prices.[596] Since Belgian owners showed little interest in the investment, the government retained sole ownership of the smelter (UNECA 1984). The smelter was built in 1981 in Kabuye (15 km from Kigali) at a total cost of 8.9 million USD. The construction of the smelter was financed by a loan from the European Investment Bank (2.7 million USD) and SOMIRWA's own cash reserves (6.2 million USD) (World Bank 1985). Despite the impressive infrastructure that was built, the smelter never yielded profits.[597] The supply of minerals never matched the 3,000-ton capacity of the smelter (only 25 per cent in 1983).[598]

Heavy losses hit SOMIRWA in the early 1980s. Losses amounted to 2.2 billion RwF in 1984 before the company finally went bankrupt in 1985 (Bezy 1990). The choice to invest in a smelter reduced the government's capacity to react to the fall in global tin prices. Processing costs exceeded the decreasing market prices for tin. Resources would have been better utilised in investments in geological mapping. Following this shock, increasing stress was placed on the coffee sector as the main source of exports.

[596] Brazil's entry (a large, low cost producer) and a reduction in global demand were reasons for the price crash. The crash coincided with the collapse of the International Tin Agreement in 1985, which "persuaded the developed world that commodity price stabilisation was infeasible" (Gilbert 1996, 6).
[597] Interview, Raphael Ritter De Zahony, Manager – Phoenix Metals, May 2013.
[598] After 1985, an Indian investor rented the smelter till 1994. In 1994, he left and never came back (Interview, de Zahony).

Geomines closed operations in Rwanda in 1985. Over the next few years, the government acted as a caretaker for concessions. The European Economic Community (EEC) expressed concerns about Rwanda's subcontracting model – particularly in regard to the dependency that was placed on miners and associated problems with smuggling. The EEC proposed ASM formalisation as an advantageous strategy for both the government and miners. "For the former, it would enhance revenues and limit negative social, security and environmental impacts, while for the latter it would ensure social protection and promote fuller economic participation" (Perks 2013, 740). Consequently, the government-supported *Union National des Coopératives Artisanales Minières et Rwandaises* (COPIMAR) was established in 1988. COPIMAR generated profits almost immediately through buying and selling the production of its members. It even repaid their original loan (Perks 2013).[599] The relative success of this experiment was surprising since most 'top-down' approaches to formalise and support ASM in Africa have failed.[600]

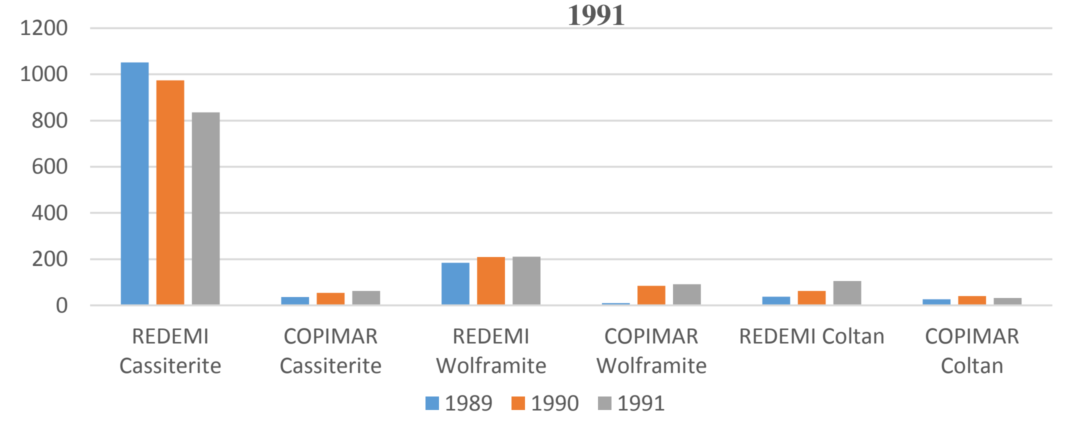
The Habyarimana government struggled to reduce the trade deficit and find new sectors for the accumulation of rents in the 1980s. The mining sector's inactive concessions presented an opportunity to solve these problems. In January 1989, *Régie d'Exploitation et de Développement des Mines* (REDEMI) was formed to operate the former SOMIRWA concessions. REDEMI operated in a total area of 104,000 ha with a capital of 97 million RwF (GoR 2010). Habyarimana reactivated the defunct concessions "from the ashes" (UNCTAD 2006, 61), ignoring donor advice to ditch the old subcontracting model. Habyarimana's government reacted by increasing the unit price for minerals produced through subcontracting arrangements, maintaining a state monopoly of in-country buying and limiting export contracts to one or two international buyers (Perks 2013).

Mineral production at both REDEMI and COPIMAR was impressive in 1989 (Figure 7.10). Initial success (especially for REDEMI) waned over the next few years (Figures 7.10, 7.11). Elites retained control of rents in the minerals sector. Trusted government official Jean Bosco Bicamumpaka, who served as REDEMI's first director, and other Gisenyi elites such as Nzabandora served as directors at

[599] Interview, Augustin Ruhigira, Executive Secretary – FECOMIRWA, April 2012.
[600] These strategies usually fail to account for the reluctance of artisanal miners in securing a license (Hilson 2009).

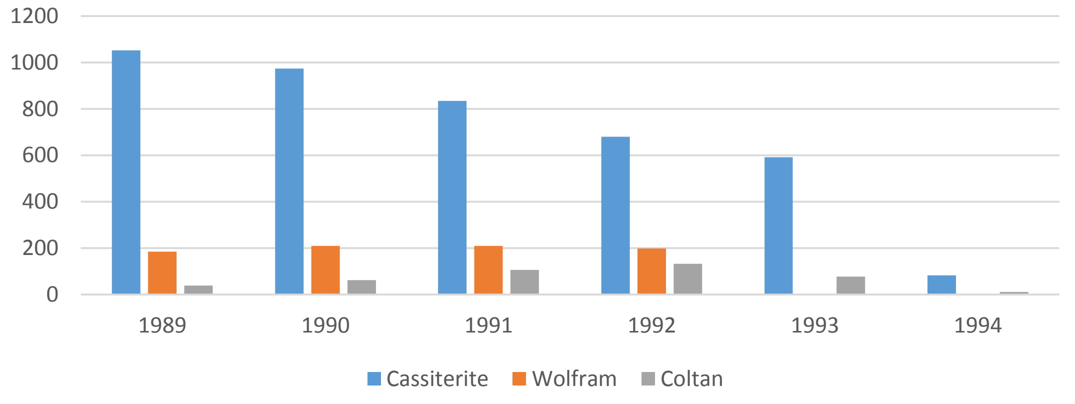
mines. These officials were loyal to the *akazu* (Revue de Presse 1993). Jean Mburanumwe, the President of COPIMAR, worked closely with Protais Zigiranyirazo (a lead figure in the *akazu*) during the genocide (ICTR 2008). REDEMI provided access to wages for an increasingly oppressed population. Nearly 10,000 miners were employed in 1989. They worked either as artisanal miners under COPIMAR, as permanent employees at REDEMI (2,798) or under subcontractors.

Figure 7.10: REDEMI and COPIMAR Production (tonnes): 1989-1991



Source: OGMR documents

Figure 7.11: Official REDEMI Production (tonnes)



Source: OGMR documents

Though Habyarimana invested in the construction of a tin smelter and negotiated some national control of the domestic minerals sector, his policies did not counter vulnerabilities to global price fluctuations. Research was also not prioritised. Habyarimana's policies were more geared to appeasing the concerns of individual elites than to delivering long-term outcomes for the population. He installed loyal government officials at SOMIRWA to ensure he retained full control over distribution of rents. Investments in REDEMI in 1989 may have provided some respite for Habyarimana. However, REDEMI was also on the verge of bankruptcy by 1993, losing 50 million RwF a year (EIU 1993). Habyarimana failed to develop long-term policies that were geared to countering vulnerability to global price fluctuations. The RPF government's policies are contrastingly different in this respect when compared to those of its predecessors.

7B: The Minerals Sector in Post-1994 Rwanda (and the Kivus)

7.5 The Congo Wars

Rwandan presence in the Kivus was – according to one academic – fuelled simply by the "need (of the Rwandan elite) to maintain a lavish lifestyle and possess a large and efficient army" (Reyntjens 2009, 226-227). RPF narratives contest these claims. Instead, RPF narratives posit that national security interests and the need to protect Banyarwanda groups in the Kivus motivated Rwandan involvement in the DRC.[601] This section highlights the reductionism displayed in popular narratives, which imagine RPF elites as unified in their goals to extract revenues from accessing mineral wealth in the DRC. The RPF had control over commercial networks in the Kivus during the Congo Wars and over the following decade. A trade-off existed between rebuilding the domestic minerals sector and maintaining 'dirty' commercial networks in the Kivus.

The RPF's initial involvement in the Congo Wars was legitimised on the basis of protecting national security interests. The RPF highlighted the strengthening of Hutu militias in refugee camps outside Rwanda and the funding received by camps from donors.[602] Former *Interahamwe* and ex-FAR soldiers controlled these camps and launched infiltrations into Rwanda almost immediately after 1994 (Prunier 2009). Within Rwanda, Tutsis quarrelled between themselves distinguishing on the basis of their "tribes of exile" (Prunier 2009). Increasing numbers of Tutsi refugees and a citizenship crisis in the Kivus coincided with the retreat of Hutus from Rwanda.[603] Ugandan RPF cadres rebuilt a national Tutsi identity by outlining a clear enemy in the retreating *Interahamwe* (and its allies).[604] Mobutu's decision to harbour *genocidaires* made the Congolese government an enemy of the RPF. Kagame built a

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[601] "None of this is about minerals. There is a history here. The boundaries themselves have been artificially drawn and why don't you talk about the FDLR and the way it kills people in the DRC?" (Interview, junior RDF officer, November 2012).
[602] Stearns (2011) finds that these camps received more funds from donors than was received by the Rwandan government.
[603] The Banyamulenge were in danger of losing their land after the Vangu commission declared all Rwandans had to return to Rwanda in 1995 (Kisangani 2012).
[604] The *Interahamwe* was also a 'real' threat to the security of the RPA government.

regional support base including Uganda, Burundi and Angola. When the First Congo War began in September 1996, greed was not the primary motivation.[605]

In 1997, the Alliance of Democratic Forces for the Liberation of Congo-Zaire (AFDL)-led forces, supported by Angolan, Rwandan and Ugandan troops, installed Laurent Kabila as the new President of the DRC. In 1998, Kabila reacted against Rwandan control by sending many of his Rwandan supporters home. James Kabarebe was fired from his post as Kabila's first CDS. Kabarebe retaliated by launching a military effort against the Congolese government and took control of the Kivus in 48 hours (Prunier 2009).[606] From then on, neighbouring countries and the rebel groups they supported fought over control of the Kivus. Commercial networks developed around the trade of minerals such as Coltan, tin, diamonds and gold, agricultural goods such as coffee and timber and the control of land. Initially, these commercial networks were developed to pay for continued military efforts.[607]

Rwandan interests were slowly transformed to what Jackson (2002) called an 'economisation of conflict' where actors reoriented their goals to create profitable opportunities.[608] However, the values of Economic Nationalism dictated that profits obtained from commercial networks were re-invested in line with national priorities, rather than to make elites rich. In comparison to the networks of other countries, UNSC (2001) and Vlassenroot and Romkema (2002) observed that Rwandan commercial networks were disciplined with strict centralised control from Kigali.[609] Even the most disciplined "ideological" project, as Stearns (2011, 301) calls Rwanda's incursion into the Congo, had contradictions. Discipline was unlikely to have been applied universally. It is possible that some elites were allowed to make

[605] For the RPF, the security threat outweighed the importance of potential gains from accessing the DRC's mineral wealth. Coltan prices had not risen yet.
[606] It is unclear whether Kabarebe had the full support of the RPF's dominant coalition. Kabarebe's actions may have been a source of contention among elites in Rwanda (Prunier 2009).
[607] Kagame described it as a "self-financing war" (Jackson 2002, 528).
[608] Zimbabwe's reasons for being involved in the Kivus were also perceived to be motivated by greed (Dashwood 2000). President Robert Mugabe and Zimbabwean soldiers used the Congo Wars to transform themselves into 'military entrepreneurs' (Chitiyo in Towriss 2013). The former intelligence chief became one of the richest men in Zimbabwe. Others who profited included General Solomon Mujuru and Vice Air Marshal Robert Mhlanga (Towriss 2013). However, Nest (2001) argued that greed was only one factor and became the central motivating factor later. Other reasons included Mugabe's desire to establish Zimbabwe's position as a regional power.
[609] UNSC reports gathered empirical evidence through interviews with rebel groups, donors, NGOs and a variety of relevant sources. For a criticism of their methods, see Clark (2013b).

individual profits. However, the legitimacy of the positions of elites within RPF hierarchy depended on being perceived to obey the values of Economic Nationalism.

Rwandan troops and the rebel groups they supported, including *Rassemblement Congolaise pour la Démocratie-Goma* (RCD-G), were opposed by a combination of rebel groups.[610] Military commercial networks funded their military efforts. Such networks extracted revenues from mining in the Kivus in a number of ways. Military and rebel officers (usually younger ones) engaged in mineral extraction themselves. Military networks invested in shares in mining companies. Militaries and rebel groups provided protection for companies and imposed taxes on local and international actors. Many companies were established primarily in response to the rising mineral prices (particularly Coltan). Coltan prices increased about tenfold during 2000 before a dramatic fall. These companies linked traders, politicians and military officers on the Rwandan side of the border with those on the Congolese side of the border. Rwandan-linked companies included *Société Minière des Grands Lacs* (SOMIGL),[611] Rwanda Metals (RM)[612] and Grand Lacs Metals (GLM). UNSC (2001) indicates 35 companies (from a number of countries) traded minerals through Rwanda in 2001. Jackson (2002) finds that during 18 months in 1999 and 2000, Rwanda could have made nearly "$17 million a month", while UNSC (2001) finds the total amount to be nearly $250 million.[613] In 1997, Rwanda's official Coltan exports increased despite very little mining taking place domestically

[610] Alliances constantly shifted in the DRC. However, Rwandan-supported groups were often opposed by groups formed on anti-Tutsi sentiment. Reyntjens (2005) describes how *mai-mai* militias (who had previously fought Kabila) later aligned with Kabila to form an 'anti-Tutsi' coalition. Anti-Tutsi rhetoric also assisted Rwandan-supported groups to enlist support since "every anti-Tutsi slur or assault was a reminder of past violence" (Stearns 2008, 263).

[611] SOMIGL obtained a monopoly for the commercialization and export of Coltan and was managed by the notorious Aziza Gulamali. Gulamali shifted alliances in the region several times (UNSC 2001). However, this monopoly did not last long. The RPA dissolved SOMIGL, centralised control over rents and frustrated RCD-Goma's attempts at raising revenues for its own purposes (UNSC 2002).

[612] RM was a Tri-Star subsidiary, which acted as a centre for organising the export of minerals from the DRC out of Kigali. Some key RPF members have been identified as directly involved in RM and GLM including Dan Munyuza (Cuvelier and Raeymaekers 2002) and Francis Karimba, who was RM's director and later became Commercial Attaché in the Rwandan High Commission in South Africa. The Rwandan government sold RM in 2003 because of international outcry against exploitation of international resources. Booth and Golooba-Mutebi (2012a) suggest that money from the sale may have been used to set up new companies under the Tri-Star banner. RM is no longer listed as an exporter of minerals in Rwanda.

[613] There are numerous different calculations.

(ibid). Diamonds were also officially listed as exports although Rwanda held no diamond deposits (ibid).[614]

During the Congo Wars, the Rwandan military developed contacts with international mining companies. Chris Huber, for instance (who is still active in Rwanda), was accused of using several companies including Finmining and Finconcord to export Coltan from Kigali to Kazakhstan (and later to processing plants in other countries).[615] Rwanda-based companies including Rwanda Metals and COPIMAR were used as *comptoirs* (Cuvelier and Raeymaekers 2002). Links were established with arms suppliers such as Viktor Bout (UNSC 2002).[616] Inevitably, some military officers developed privileged access within these networks. Those RPF cadres who respected Kigali's centralised control above individual temptations increased their importance within the RPF.[617] Kagame was reluctant to cede power within commercial networks, often reserving positions for his own relatives.[618]

Many contacts developed during this time were also encouraged to establish mining operations in Kigali.[619] The 'conflict minerals' narrative posed a threat to domestic networks of accumulation. Many foreign companies were forced to stop direct business in Central Africa because of negative publicity.[620] Such decisions were often temporary but forced international companies to improvise by altering ownership structures e.g. Cabot used Malaysia Smelting Corporation (MSC).[621] One company, Pyramides International, shifted its focus to the Rwandan minerals sector.

> "Since 2002, we left trading. It was a big, expensive decision. But we became convinced Rwanda had minerals. Our reserves were greenfield reserves. Many people thought we were crazy but now, you can see everyone is coming here."[622]

[614] Current MINECOFIN statistics do not list records of diamond exports.
[615] It is rumoured that he is connected to Rwanda Rudniki, one of the largest exporters in Rwanda.
[616] In 2002, Kagame claimed to have ended all links with Viktor Bout (Africa Confidential 2002).
[617] Rwandan elites increased their own power within the RPF hierarchy because they controlled commercial networks. Some of these individuals included Dan Munyuza (junior officer in these operations) and senior officers including Kabarebe.
[618] Alfred Rwigema, the President's brother-in-law, was on Eagle Wings Resources International's (EWRI - a company connected with Huber) payroll in Kigali (Cuvelier and Raeymaekers 2002)
[619] EWRI, which was named in UNSC (2001), began explorations for Coltan in Gitarama (Cuvelier and Marysse 2003).
[620] Some European and North American traders such as Starck and Cabot International imposed an embargo on minerals out of Rwanda. Starck, Cabot and Ningxia process around 70- 80 per cent of the world's Coltan (Nest 2011). Rwandan *comptoirs* then relied more on Asian *comptoirs*.
[621] The ownership structure of most mining companies is unclear.
[622] Interview, Mahmoud Salem, Pyramides International, January 2015.

RPF interests in the DRC were organised through the Congo Desk (CD).[623] The CD included many senior military officials who ran military and economic operations in the Congo. The CD was initially created as a division within the Rwandan External Security Organisation (ESO) (Reyntjens 2001). CD received taxes from *comptoirs* operating in the region. On average, a *comptoir* with a turnover of $4 million/month paid $200,000 per month to the CD (UNSC 2001). After the battle for Kisangani between RPA-supported and Uganda People's Defence Force (UPDF)-supported forces (where now-General Patrick Nyamvumba beat the forces of veteran Ugandan officer James Kazini), the CD forced all local diamond traders to sell to a single principal *comptoir* (UNSC 2002).[624] These *comptoirs* deliberately undervalued the price of minerals (paid to miners) to increase the margins to be shared by the CD and themselves, at the cost of rebel groups such as RCD-Goma (UNSC 2002).

These informal networks were amalgamated through *La Systeme* – an 'informal economy' consolidated through Rwandan-owned companies or by Rwandan- or RCD-protected companies (with owners paying these groups for the privilege of operating in the market). The companies who profited from the system enjoyed reduced business costs; fewer tax agencies and little political interference (Stearns 2013). The CD was a power centre for RPA officials through the war. Working together in the war effort forged alliances and loyalties among elites in the military. Many RPA cadres forged relationships, on the basis of kinship, personal and historical loyalties, with their Tutsi brethren across the border (Longman 2002). Such alliances and loyalties did not necessarily correspond with loyalty to Paul Kagame's leadership.[625] Several military officials including Kayumba[626] and Kabarebe developed power of their own.[627] Such factions and disagreements gradually re-shaped the elite bargain within Rwanda (as described in Chapter 4).

In 2003, a power-sharing agreement was reached between rebel groups and the Congolese government. Rwandan-supported RCD-G was one of several groups

[623] The GoR (2002) denies the existence of the Congo Desk.
[624] The CD was operated directly by military officials such as Kabarebe, Charles Murigande, Nziza, Karegeya and Mazimhaka (Mararo 2005). The CD consolidated disciplinary authority over *comptoirs*. UNSC (2002) documents how Aziz Nassour, Israeli businessman Philippe Surowicz and Lebanese businessman Hamid Khalil had managed such monopolies.
[625] Observations from interviews with military officials.
[626] When military officers were asked about Kayumba, only one described him as a "traitor". Most continued to show some admiration of him and some showed regret that divisions had emerged between Kagame and Kayumba.
[627] Military officers interviewed (both higher-ranked and lower-ranked) tended to revere Kabarebe.

who ceased fighting the Congolese government. The agreement held that belligerents of the Second Congo War (1998-2002) would be merged into a new national army. The new national army promised to geographically spread military officers and ensure a 'balanced' composition within the military ranks (Baaz and Verweijen 2013). The RCD-G dodged attempts at integration and operated autonomously in the Kivus. The RCD-G justified its resistance by stressing the need to protect the Tutsi population in the Kivus. After the agreement, Eugene Serufuli was appointed Governor of North Kivu. Serufuli was an RCD member and the former Vice-President of the *Tous Pour la paix et le Developpement* (TPD) NGO, established in 1998.[628] The move to elevate Serufuli, a Hutu, was helpful for the RPF since the RPF feared the isolation of the Tutsi community in the Kivus. Serufuli promoted himself as a "Rwandophone" leader, organising marches and public rallies protesting the threats Kinshasa directed against both Hutus and Tutsis (Stearns 2008).

Laurent Nkunda, a former RPA soldier who had fought in the liberation effort, refused to join the Congolese army in 2003. Profiting from the continued support of the Rwandan government and Serufuli, Nkunda reacted to the deal by organising several rebel militias, with the support of other RCD-G dissidents.[629] Nkunda enjoyed enormous popularity among Tutsis in the region for his stance on protecting Tutsi rights (Lemarchand 2009). In 2006, Nkunda formed the CNDP on the premise of protecting Banyamulenge citizens from genocide. Serufuli also switched sides and began working closely with Kabila while highlighting Tutsis as enemies.[630] Rwandan commercial networks were gradually reorganised since the RPF chose to support Nkunda against Serufuli (Stearns 2008). Within a few months of its formation, the CNDP became one of the most powerful groups in the DRC in military, political and economic terms (Baaz and Verweijen 2013).

"The CNDP was never a Rwandan puppet" or simply an extension of the RPF (Stearns 2012, 58). Elements within the CNDP resisted Kigali's control. Some within the CNDP had "uncomfortable and distrustful relations with Kigali" (Baaz and Verweijen 2013, 580). Nkunda was increasingly popular within CNDP ranks and

[628] In South Kivu, the Rwandan hierarchy supported a less well-organised militia led by Xavier Chirhibanya (Prunier 2009).
[629] The Rwandan government encouraged them to be more independent this time (Stearns 2008).
[630] Earlier, Serufuli "forced Nkunda to flee to Rwanda in 2005" (Stearns 2013, 22). Serufuli's support base in the Hutu community were unhappy with Rwandan control in the region (Stearns 2008).

enjoyed the respect of several older RPF cadres.[631] Kigali countered Nkunda's rise in power in the region by installing Bosco Ntaganda as the new leader of the CNDP in March 2009.[632] Nkunda was then placed under house arrest in Rwanda.[633] Twelve days after being announced as the new leader of the CNDP, Ntaganda announced joint operations with the Congolese army to fight the FDLR.[634] Ntaganda's wealth and increased prominence fostered discord within CNDP ranks.[635] Some even joined other rebel groups.[636] Sultani Makenga, a prominent Nkunda loyalist, was a rival to Ntaganda's power within the CNDP.[637]

With the reorganised CNDP and through Kigali's support, Ntaganda's influence strengthened. Ntaganda worked closely with the RPF, removing Nkunda loyalists and placing his own officers and those chosen by the RPF in positions of responsibility (Stearns 2013). However, tensions continued to grow within the CNDP as Ntaganda favoured his own patronage network above other powerful officers. The Congolese government also countered Ntaganda's power with increased attempts at reintegrating the CNDP into the army, appeals to Kigali and the mobilisation of the Congolese population on 'us-them' rhetoric against Tutsis (Stearns 2012).

In April 2012, the M23 was formed. The M23 officially mutinied because Kinshasa did not respect the 23 March 2009 agreement. The mutiny was actually a reaction from former CNDP officials to the Congolese government's attempts to constrain its power. After Rwanda was accused of providing support to the M23, many donors withdrew aid. The Rwandan government eventually reacted by withdrawing support from the M23. Though the M23 relied on the RPF for support, the M23 had a tense relationship with the RPF.[638] The M23 was not unified and tensions persisted between the Makenga and Ntaganda wings.

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[631] Interviews, May 2013.
[632] Ntaganda had joined Nkunda's forces in mid-2005 as Chief of Staff (Stearns 2008).
[633] Though Nkunda roams Kigali with relative freedom, Kagame's decision to place him under house arrest was perceived as an affront to a senior leader (Interviews, Kigali, May 2013).
[634] This agreement was signed on 23 March 2009.
[635] "Ntaganda himself made millions of dollars from mineral smuggling, embezzlement of military funds, and tax rackets" (Stearns 2012, 39).
[636] One group joined the *Forces Patriotiques pour la Libération du Congo* (FPLC), a small multi-ethnic group based in Rutshuru and hostile to the Rwandan government (Stearns 2012).
[637] Makenga is the current military chief of the M23. In early 2013, two wings of the M23 fought against each other. Makenga's *Kifuafua* fought Ntaganda's *Kimbelembele* (Vogel 2014). In November 2013, Makenga surrendered to Ugandan forces. He is currently being held in Uganda.
[638] Stearns (2012, 54) quotes an ex-CNDP officer: "We didn't like the RPF but we had similar interests."

The 'economisation of conflict' gradually represented a trade-off with achieving self-reliance. Businessmen including Rujugiro had individual interests in the Kivus that were protected by Ntaganda's forces.[639] Rujugiro's own decision to exit the dominant coalition can be ascribed to decisions such as these, which showed little concern for his individual property rights. Other businesses were engaged in selling goods in the Kivus.[640] Rebel leaders including Ntaganda owned cattle ranches in Masisi (Stearns 2012, UNSC 2012a). However, Rwandan and M23 involvement in the DRC was also motivated by the need to protect the Tutsi population in the Kivus. Individual RPF elites held a variety of loyalties and interests in the DRC. Some elites had pushed to withdraw support for M23 much earlier.[641] Others pushed to continue support for the M23.[642] The choice to withdraw support from the M23 caused tensions within Kigali.

> "Of course. These are difficult decisions. We fought alongside some of these people. But it is simple for us. We debate about it and then we reach a decision. Then everyone agrees to that. Once decisions are made, there is no disagreement anymore."[643]

Analysis that develops the image of a homogeneous predatory elite (Reyntjens 2004, 2013) or an RPF elite that operates through consensus (Booth and Golooba-Mutebi 2013) does not explain why Kagame's government survives. The survival of Kagame's government depends on maintaining the perception of perceived progress while the elite bargain is re-shaped. The dominant coalition dissuades estranged elites from contesting its position by displaying a credible threat of violence. The RPF retains moral authority through strengthening its own narratives. The failure of RPF rivals to delegitimise RPF narratives has reduced the capacity of rivals to mobilise support for its claims. Refocusing on the domestic minerals sector threatened individual power centres in military networks in the DRC. The Developmental Political Settlement was maintained by refocusing efforts on revitalising the mining sector while countering threats from rivals.

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[639] Rujugiro invested in land in Masisi while the CNDP controlled the area. This land was worth "millions of dollars" (Stearns 2012, 59).
[640] A MINICOM study in 2012 indicated that 80 per cent of informal exports went to the DRC. Most of this was in food and beverages, with CVL-owned Inyange also trading in the region. In 2011, there was a sharp growth in footwear exports.
[641] Interviews, RDF Officers, May 2013.
[642] Ibid.
[643] Interview, RDF officer, January 2015.

7.6 But We Have Minerals Too…

Focusing on the domestic minerals sector led to foreign actors acquiring control of the sector. The government faces a challenge in developing effective partnerships with these actors. The successful revitalisation of the domestic minerals sector will depend on the continued facilitation of the strategies of those willing to invest in making the most of mineral concessions and engaging in beneficiation. While there is a need to develop partnerships with actors who have control of key assets (such as mines like Rutongo or the tin smelter), it will also be necessary to avoid becoming too dependent on those who own such assets.

> "We need to have a good cocktail in the sector. The industry is open and we can't have monopolies. Business entities will work together and work with us. It is difficult but we can find solutions. That's why we are paid. We can't oblige these companies but we can find solutions that work for all of us."[644]

Capitalising on domestic mineral resources has contributed to reducing the trade deficit, increasing the tax base and providing wage employment. Emphasising the existence of a domestic minerals sector also diverts attention from the negative outcomes associated with the 'conflict minerals' narrative. Embracing fast-faced privatisation reforms has left the government with little capacity to discipline private actors and enforce legislation.

> "If we compare it to the life of a human, the sector is in kindergarten. We are just reviving it and looking at what are the best options. It is always difficult to get miners to optimally use their concessions. We are still dealing with the consequences of the reforms we took. Sometimes, there are speculators and they take advantage of the weaknesses in our system. Other times, they acquire licenses without understanding what mining is."[645]

The minerals sector only recovered to 1970-levels in 2004. Annual Cassiterite exports did not reach the 2000-ton mark (consistently achieved in the 1970s) till 2004. Gradually, the RPF government has begun to exceed the performances of its predecessors. Between 2004 and 2012, annual Cassiterite exports were between 3000 and 5000 tonnes.[646] Since 2006, Wolfram exports have exceeded 1970s levels (with

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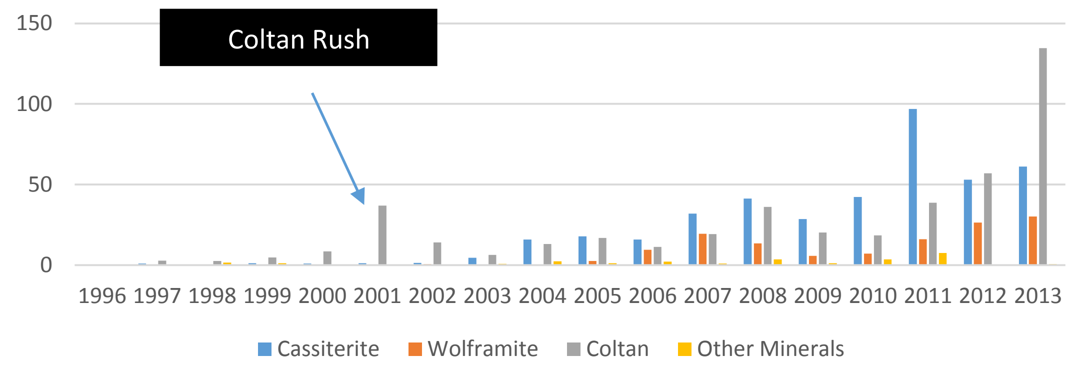
644 Interview, Imena, January 2015.
645 Interview, Imena, January 2015.
646 2011 was an exception. Cassiterite production was nearly 7000 tonnes in that year.

the exception of 2008). Coltan exports are at their highest levels in Rwandan history.[647] Government officials recognised that a large share of these exports (in the early 2000s) comprised minerals that originated from the DRC.[648]

Figure 7.12: Revenues from Mineral Exports (Mllion USD): 1996-2013



Source: MINECOFIN

Until the early 2000s, the domestic minerals sector was not prioritised. State-owned REDEMI retained ownership of domestic concessions through the 1990s and early 2000s. Very few new mining sites were developed.[649] Labour was organised around two inherited methods – the earlier subcontracting arrangement and local cooperatives. In the 1990s, COPIMAR was relatively active in organising small-scale miners although many small-scale miners operated independent of COPIMAR. Government departments were hindered by a lack of expertise. Very few geologists and officials from the previous regime stayed on.[650] The government did not retain centralised control of the domestic minerals sector. Informal *comptoirs* operated and their networks were established through security guarantees. Smuggling within Rwanda was likely to have occurred with help from government officials.[651]

In the 1990s, REDEMI acted as a *comptoir* for minerals being re-exported from the DRC. During the first Congo war, there were surges in Cassiterite and Coltan exports from Rwanda in some months in 1997 and 1998 (Figure 7.14 and 7.16). Most spikes in exports before 2004 are explained by an increase in minerals

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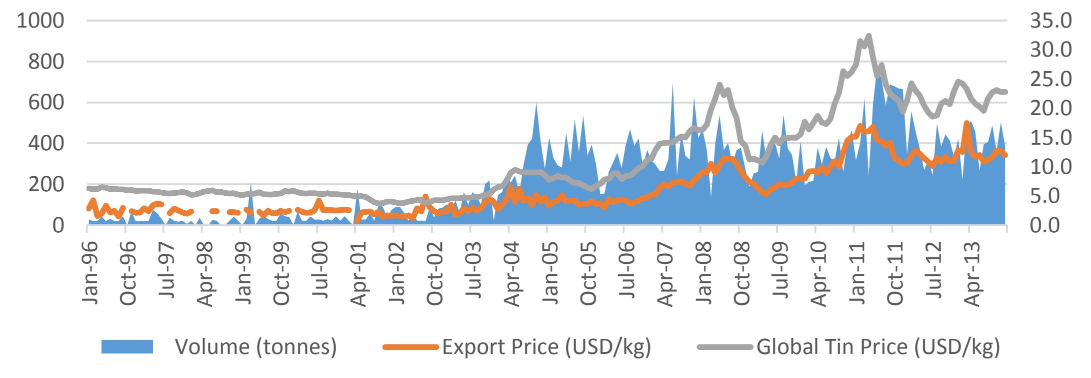
[647] During the 1970s, Coltan exports did not cross 100 tonnes.
[648] Interview, MINIRENA officials, November 2011 and March 2012.
[649] These included Bugarama, gold in Myove and Byumba and Sapphire mining (informally) in Nyungwe.
[650] Interview, Uwizeye, January 2012.
[651] Interview, Evode Imena (then-Geologist, Geology and Mines Department), February 2012.

traded from the DRC and as a response to global prices (Figures 7.13-7.16). During the Coltan Rush that started in late 2000, prices rose exponentially from 20 USD/kg in January to about 200 USD/kg in December. Price increases were caused by an overvaluation of the technology market, particularly because of the introduction of a new generation of mobile phones and video games (Sony Playstation II). Prices subsided by July 2001. Most of the Coltan that came through Rwanda originated in the DRC. Some Coltan was a product of artisanal mining. Many peasants in the eastern part of Rwanda (e.g. Gatumba), shifted from agricultural activities and either became agents of REDEMI or exploited minerals as artisanal miners (Bucagu et al. 2008). Some 'lucky ones' were able to develop enough networks and capital to become *negociants* and middlemen.

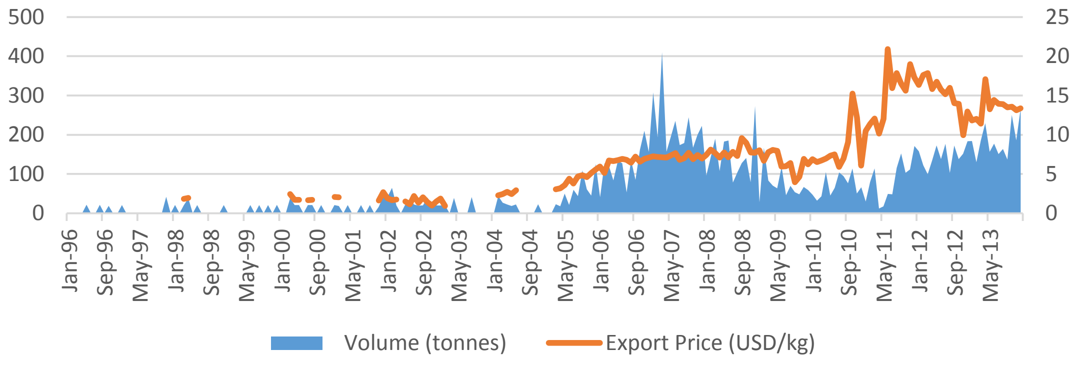
Cassiterite production has increased within Rwanda. However, international tin prices have not had a significant impact on domestic production of Cassiterite (Figure 7.13). Similar stories hold true for Wolfram and Coltan (Figures 7.14 and 7.15). The government's attempts to revitalise the mining sector focused on three central priorities: (a) ensure labour is organised to extracting minerals; (b) investors are attracted to Rwanda and those that invest work in line with national priorities e.g. investments in exploration before extraction; (c) investments are made to process minerals to ensure more profits are captured within the domestic value-chain.

Figure 7.13: Monthly Cassiterite Production and Prices: 1996-2013



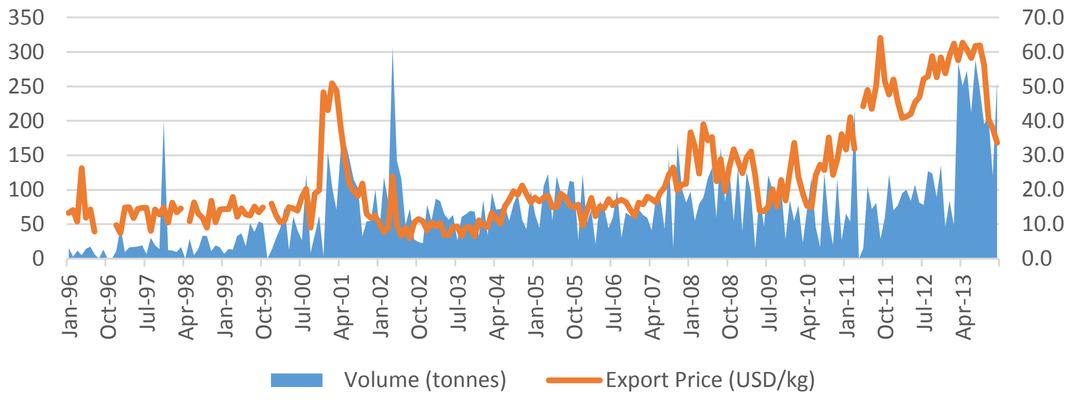
Source: MINECOFIN

Figure 7.14: Monthly Wolfram Production and Prices: 1996-2013



Source: MINECOFIN

Figure 7.15: Monthly Coltan Production and Prices: 1996-2013



Source: MINECOFIN

7.7 Retaining Loyalty and Minimising Resistance – ASM and Labour Arrangements

In 2001, Rwanda's minerals sector provided wage employment to more than 25,000 Rwandans. Most jobs were unskilled and unregulated. Early targets within the minerals sector aimed for employment to reach 37,000 by 2011, of which 20-30 per cent would be women (MINITERE 2006). By 2011, the government had exceeded targets. 58,000 were employed in the minerals sector in 2011 compared to 22,000 in 2006 (Malunda 2013).[652] Government policy prioritises professionalising the mining sector, while advancing ASM's interests in the medium-term. Nearly 500

[652] These numbers included those who were self-employed and those who worked for wages (but not those who were involved in the trading of minerals).

permits have been distributed to small-scale miners to exploit concessions.[653] However, small-scale miners are a diverse group, with concessions ranging from less than one hectare to over 500 hectares.[654] Many small-scale miners held multiple permits.

> "Our motto is 'professional mining.' How can we transit from a sector that was dominated by guessing where some people try and see if they can gain something quickly by getting a license? Now, we want people to have plans, have estimates about reserves and then develop the mine… In the future, I don't see Rwanda having 700 mining companies and 700 sites. We want to merge the smaller sites. Right now, there are five companies on one hill. We want them to make a consortium and produce more. Then we can collect royalty or they can easily send minerals to the smelter."[655]

New investors retained the old subcontracting model. The government prioritised formalising the subcontracting model used by companies, while also formalising ASM practices through strengthening cooperatives and ensuring official employment contracts, health insurance and payroll taxes. The government encouraged local companies to provide equipment and employ miners directly (but found it difficult to force companies).[656] The government focused on organising local cooperatives to facilitate the supply of minerals to *comptoirs* and formalise employment procedures.[657] In Rwanda, Perks (2013, 733) lauds "the spirit of the cooperative, whereby members invest in the operations through contributions and redistribute annual profits." She is positive about the egalitarian ideals of these cooperatives in comparison with the DRC, where cooperatives were disorganised and rarely represented the interests of artisanal miners. In the DRC, artisanal miners earned more from mining than in smallholder agriculture but "layers of taxation and payment for security entrenched many groups of artisanal miners into cycles of poverty and debt" (Perks 2011, 1123).

Despite Perks' optimism regarding cooperatives in Rwanda, it is likely that the distribution of profits was unequal between members of cooperatives and wageworkers that are employed by small-scale miners. Cooperatives are charged

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653 Internal MINITERE document
654 Data shared by GMD
655 Interview, Imena, January 2015.
656 Interview, Uwizeye, February 2012.
657 "Earlier, all miners were selling about one kilogram each to *comptoirs*. Now, one person sells all the minerals as a cooperative". (Interview, de Zahony, May 2013).

with organising labour to mineral production. Joining cooperatives requires an initial investment from miners.[658] Rules such as these reduce the capacity of vulnerable miners to join cooperatives and become 'formalised' in the sector. Some miners may be forced out of the sector while others continue to operate informally.[659]

Formalisation provided an opportunity for the government to increase its tax base and also to reduce 'informality', which was perceived as regressive and a threat to efficiency.[660] In 1995, 36 African countries legalised artisanal operations or indicated a purpose of doing so (Fisher 2007). This trend ignored that the process of formalisation often concealed social and power relations that make the access to resources extremely unequal (Chachage 1995). Formalisation relied on assumptions that reforms meant equal gains for all actors. OTF worked with COPIMAR to create regional cooperatives by 2006. Original plans held that new cooperatives would send their production to COPIMAR or its later incarnation, *Federation des Cooperatives Minières au Rwanda* (FECOMIRWA).[661] COPIMAR or FECOMIRWA would then export minerals they received. Top-down cooperative formation in Rwanda was modelled on the example of Ghanaian artisanal gold mining and in particular, the Precious Minerals Marketing Corporation (PMMC).

The PMMC had overseen tenfold gold production increases between 1989 and 1997. PMMC received revenues worth $117 million from gold exports and $98 from diamond exports.[662] PMMC acted as a centralised *comptoir*, facilitating trade out of Ghana. 750 licensed agents purchased from artisans and sold local gold production to the PMMC. OTF envisioned COPIMAR having a similar role in the Rwandan mineral sector. The Rwandan government learned from the Ghanaian example to create mining district centres where 400 cooperatives quickly registered. In Rwanda, 22 cooperatives were established by 2010. A further seven signed up by 2012 and a total of 39 were established by 2013. In 2011, the federation had a total of 749 members, with a further 4,419 workers hired as permanent or casual labour.[663] In 2012, the federation produced about 42 per cent of total domestic production (Perks

658 Interview, FECOMIRWA representative, May 2012.
659 Government respondents argue that small-scale miners operate through informal channels and work against formalisation efforts.
660 Interview, Imena.
661 FECOMIRWA was formed in 2009.
662 Information from OTF Internal documents.
663 Interview, Ruhigira, April 2012. This may have been because of the institution of the tagging system and the requirement for miners to sell their minerals through the formalised sector.

2013).[664] This increased from six per cent in 2011 and seven per cent in 2007 (Mitchell and Garrett 2009).

OTF also emphasised the example of Chinese success in the tin and tungsten sectors. China was the world's largest producer of both tin and tungsten, and produced half of its tin and one-third of its tungsten through ASM practices. OTF's work focused on quantifiable targets. In this case, production or the numbers of cooperatives created were measures of success. However, the PMMC has not been universally perceived as a successful experiment. One observation finds that the PMMC was unable to provide small-scale miners with even "minimal technological and financial assistance" and instead concentrated power among foreign entrepreneurs from India, Sri Lanka and Lebanon (Hilson and Clifford 2010). However, the PMMC did offer guaranteed close-to-market prices to cut the number of middlemen and predatory traders (UNECA 2011). In Rwanda, FECOMIRWA has been established with no guarantees extended to the federation in protecting their supply of minerals. As a result, FECOMIRWA has struggled to compete in the liberalised trade-and-export environment.

> "Earlier, we were number 3 in exports. Now, it is unlikely that we can compete with Phoenix and MSA. The biggest problem has been money. In this business, you need cash."[665]

FECOMIRWA only buys minerals from cooperatives. Individual cooperatives are free to sell their products to other *comptoirs* and this has often resulted in competitive pricing between *comptoirs*. FECOMIRWA officials claim they struggled to compete with other *comptoirs* in some years because of other social responsibilities e.g. giving loans to members. They complained of added difficulties, such as the increase in taxes and payments because of recent transparency initiatives.[666]

> "From the time we started, we have had a decline in production. We give mining cooperatives technical advice and even invested in mining cooperatives. Once the traceability system came and with

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[664] This number is questionable. 'Illegal' minerals from the DRC could have found their way to less-stringently watched cooperatives. Another interpretation would hold that transparency initiatives forced miners to join cooperatives. Under transparency initiatives, no minerals outside the 'formalised' value-chain were cleared for export. Since the government required miners to join cooperatives for their products to enter the 'formalised' chain, FECOMIRWA gained importance.
[665] Interview, Ruhigira, January 2015.
[666] Interview, Ruhigira, April 2012.

> added taxes, they found situations where if they supplied minerals to us, we deducted our initial investments. Now, other comptoirs compete with us and our miners sell their minerals to them. Our production should be increasing but the environment has meant it has decreased."[667]

Perks (2013) found that FECOMIRWA ensured miners received a fair price for their labour, compared to SOMIRWA where they 'worked for free.' Where formalisation proponents have often expected illegal operators to unrealistically take the initiative on their own to secure a license (Hilson 2009), Perks' respondents indicated that they were facilitated in the process of acquiring permits by the government, unlike in most countries (Ghana – Hilson and Potter 2003). However, such facilitation is not perfect given the government's budgetary difficulties and lack of expertise in the sector. Thus, some miners remained "trapped in a vicious circle of poverty, indebtedness and consequently bound to various middlemen who, in the absence of formal support, exploit their advantageous position and provide loans on inequitable terms" (Hilson 2009, 3). Such 'traps' are accentuated by the reluctance of banks to 'risk' loans to cooperatives, let alone individual miners, with access to finance a significant impediment in the sector.[668]

Companies complained of labour shortages even though prices were high, indicating that the government had difficulty in organising labour for mineral production. Often small-scale miners entered mining simply to make enough and then leave.[669] Despite government discourse around formalisation and full-time contracts for miners, most companies paid miners on the basis of their production. Such arrangements were risky for miners who did not trust the potential of minerals within deposits.[670]

Though the government has achieved some success in organising labour to mineral production, there is no evidence to support assumptions that members receive equal benefits. The government has been unable to support FECOMIRWA in organising cooperatives effectively. Such interventions are required to organise labour to mineral production efficiently and reduce the power of comptoirs who are better placed to buy minerals from small-scale miners.

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[667] Interview, Ruhigira, January 2015.

[668] Interviews, BK, BPR, Fina Bank and BCR. Difficulties in accessing finance have been identified as a problem by government officials (Interviews, GMD and SPU).

[669] Interviews, several *comptoir* representatives, January 2012-June 2012 and May 2013.

[670] Interview, two domestic mining companies and one foreign-owned *comptoir*, February-May 2012.

7.8 Managing Capital – Privatisation and Liberalisation in Rwanda's Domestic Minerals Sector

RPF narratives attribute the success of the minerals sector to the privatisation of REDEMI's concessions and the liberalisation of trade-and-export operations (MINIRENA 2010). The 'trade and export' side of the minerals sector was initially liberalised in the late 1990s. Two international *comptoirs* then operated alongside REDEMI and some locally owned companies. 'Informal' *comptoirs* also operated. In 2004, REDEMI exported about 60 per cent of Rwanda's Cassiterite. Some of these exports came from the REDEMI-operated Cassiterite processing facility in Rutongo. COPIMAR and Metal Processing Association (MPA), among other companies, were also involved in the production and export of Cassiterite (Pourtier 2004). REDEMI exported most of the Wolfram in Rwanda (approximately 65 per cent in 2004). Most Wolfram was produced in the REDEMI-owned concession in Nyakabingo. COPIMAR and other companies exported the remaining share of Wolfram (Yager 2004). REDEMI operated processing facilities in Gatumba for Coltan production. Artisanal miners produced most of the Coltan produced domestically in Rwanda.

In 2004, REDEMI operated eight concessions and received a small amount of production from independent traders who purchased minerals from small-scale miners (Garrett 2008). In total, REDEMI controlled 20 concessions although 12 were not in operation. By the end of 2005, only two concessions that were previously under operation remained under REDEMI control. Investments and joint ventures in the early 2000s were ways for Kagame to reward loyalists. For example, Simba Manasseh owned a local company named Pyramides.[671] Manasseh's company was assisted in developing a joint venture partnership with a Chinese Company to build a Coltan refinery in Western Rwanda. Manasseh became a representative for Rwandan mining companies and a member of the Value Addition Committee, set up in 2006. Other examples included Felicien Mutalikanwa who had managed SOGERMI, which was directly linked to minerals exported from RCD-Goma controlled mines (Cuvelier and Raeymaekers 2002). Mutalikanwa later became Chairman of

[671] Manasseh was a prominent former RPF officer who was the first Chairman of *Armée Patriotique Rwandaise* F.C. – the RPF football team. Further, he operated as a mining exporter during the Coltan Rush years, working with Jean Pierre Munyandamutsa.

MINIMEX, Rwanda's sole maize mill. These elites were rewarded with rents but the use of these rents was disciplined in line with Economic Nationalism.

A flood of companies registered mining companies in the mid-2000s. The Rwanda National Innovation and Competitiveness Report listed 55 private sector companies in the sector in 2005. Companies in the minerals sector comprised 23 per cent of all companies operating in Rwanda (Temesgen et al. 2006). Most of these companies were small *comptoirs* who exported small quantities of minerals after buying them from artisanal miners. These companies benefited from the rapid privatisation that was prioritised ahead of the establishment of a mining law in 2009.[672] Many companies had no obligations to invest in exploration and operated in 'trade-and-export' or direct extraction of minerals. However, most of the companies that received four-year licenses during this time left their concessions by 2012.

> "REDEMI had no capacity to mine and couldn't exploit all key concessions. Privatising was the right thing in terms of getting finance but we didn't get the best of investors. It was difficult because the mining sector was not known in Rwanda."[673]

By 2010, 38 large-scale mining licenses were granted to (almost entirely) foreign investors. These investors were from countries including South Africa, USA, Germany, Botswana, China and Russia. Most investors obtained vast concessions at low prices. The government retained shares in the two largest concessions, Gatumba and Rutongo. Joint ventures were established and two companies were created to operate these concessions – Gatumba Mining Concessions and Rutongo Mines Ltd. Between 2007 and 2011, registered investment stood at nearly 81.5 million USD.[674]

The government struggled to force most private companies to comply with the mining law. Most of these companies based their business plans on trading first and investing in exploration thereafter. Others were simply there to raise the value of their company on the basis of survey reports and some were waiting for 'a big discovery.'[675] The government complained that many large companies did not respect the mining law e.g. Natural Resources Development (NRD). NRD operated five

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[672] The new mining law required investors to engage in exploration before extraction. It entailed a prospecting permit (two years); followed by an exploration permit (maximum of four years); exploitation of a small mine permit (five years) OR exploitation of a big mine/concession (30 years).
[673] Interview, Biryabarema, April 2012.
[674] MINIRENA officials admit some of these investors never paid up the full amount.
[675] Interviews, foreign companies. Some companies did invest in exploration, including Tinco in Rutongo.

concessions and had 110 regular employees, with 1100 artisanal miners selling their production to the company (Garrett 2008).[676] NRD was accused of wasting their land and being more interested in trading than extracting minerals from their own concessions.[677] Since then, two different groups have contested ownership of NRD.[678]

The government found it difficult to discipline investors. Biryabarema said: "We didn't know the value of our minerals. We gave them on a first-come, first-serve basis. Then we realised we didn't want to just give away concessions without knowing the value of our mines."[679] 'Undercapitalisation' persisted in many concessions. The RPF government was in danger of repeating the mistakes of the colonial administration, which had failed to get companies to exploit the full potential of their concessions. Government officials complained that this was because of insufficient resources dedicated to the sector (through the budget) and insufficient capacity within government departments.[680] Officials complained that many companies did not submit reports on time, did not meet their obligations and that they had inadequate power to punish these companies.[681] For example, Bayview Group sold its concession to NRD without informing the government. The government was unable to react to this illegal sale for over a year.[682] In 2014, this concession was sold to UK-based Balosero Alloys. Liberalisation occurred rapidly but was difficult to manage for the government. Such reforms reduced the possibility of rival domestic coalitions deriving rents from the minerals sector but these reforms also reduced the capacity of the dominant coalition to retain future rents.

Funding gaps have plagued the sector.[683] "In government documents, mining is always lost while it is always first in exports."[684] The minerals sector did not receive half the budgetary support that was initially promised between 2009 and 2012. Only four out of 40 mining technicians were under 40 years old. Forty per cent

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[676] NRD defended this, stating it was the logical thing to do to obtain money to reinvest in concessions (Interview, Prosper Nnanika, Chief Geologist – NRD, January 2012).
[677] Accusation made at a mining sector working group meeting. Kigali, December 2011.
[678] In 2014, power struggles over the ownership of NRD continued (Mugisha 2014b).
[679] Interview, Biryabarema, February 2012.
[680] Funds to the mining sector comprised only 0.1 per cent of the national budget.
[681] Interviews, Biryabarema and Uwizeye.
[682] Interview, Uwizeye, May 2013.
[683] Donors were aware of funding deficits. "Michael pushes for funding to get geologists trained. They don't have a critical mass of skills in the mining sector" (Interview, Lucy Fye – World Bank, December 2011).
[684] Interview, Imena, March 2012.

of mining technicians were over 57 in 2009 (MINIRENA 2010). In 2012, three senior geologists reached retirement age, making the situation even worse.[685] Many private companies also hired the few geologists that were working for the government, leaving the government with fewer geologists.[686] Since 2012, the government has invested in developing Rwandan mining expertise. Around 50 students were sent to study geology in the UK, India, Nigeria and other countries. They returned in 2015. Plans are in place to establish a Faculty of Geology and Mines in the University of Rwanda and a mining training centre for mineworkers.[687] Liberalisation was much quicker than the speed at which government capacity was strengthened.

> "Almost the entire surface area of the country is covered by licenses. It is a challenge to know if people are actually working. Those ones are the 'guessers' – by chance, if something erupts, then they'll get advantages. We didn't have clear standards at the time. Earlier, we were managing 40. Then we had 400 so quickly. But we adapted our system."[688]

Liberalisation coincided with several positive developments. Most notably, production soared. The minerals sector accounted for a large share of national exports, amounting to about 30 per cent of national exports since 2007 (Figure 7.16). New mining sites have been developed. Wolfram production increased since 2006 after investments from companies including Wolfram Bergbau, Pyramid International, Rwanda Allied Partners and Africa Primary Tungsten (APT). By 2011, 21 companies and cooperatives were listed as producing Wolfram domestically. Coltan was produced by 44 companies and cooperatives, and Cassiterite was produced by 104 companies and cooperatives (Kanzira and Mukamurenzi 2012).[689]

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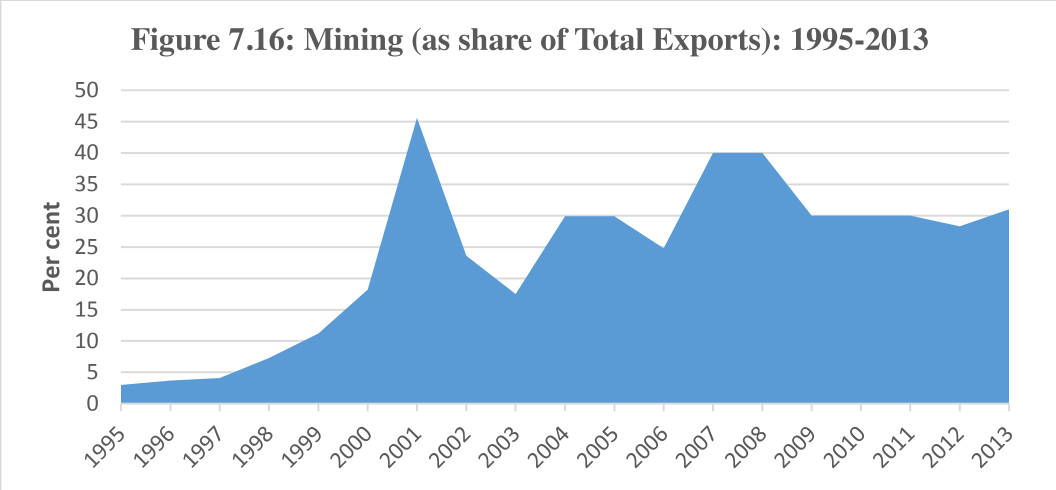
685 The government retained the expertise of these individuals as part-time consultants (Interview, Uwizeye, May 2013).
686 In 2013, government officials said there were five geologists left in the government. Out of which, three were either retiring or due to retire.
687 Interview, Emmanuel Uwizeye, January 2015.
688 Interview, Imena, January 2015.
689 The bulk of exporters (at least 60-70 per cent) are reliant on small-scale miners for their production. They do not own concessions and only export small quantities of minerals.



Source: MINECOFIN

Liberalisation also coincided with reduced theft from industrial mining sites. This was particularly noticeable in Rutongo – "Before Rutongo was privatised, they were producing 2-5 tonnes of Cassiterite a month. Now, it is about 100-120 tonnes of Cassiterite a month."[690] The reduced stealing was attributed (by government officials) to the presence of diligent investors rather than to negligent, incompetent or even corrupt REDEMI officials. The government took a lead in 'cleaning up' informal smuggling networks in Rutongo.[691] However, the experience in Rutongo was different from experiences in the rest of Rwanda. There were increases in smuggling in smaller concessions (Perks 2013). Concessions were too vast to organise and manage efficiently and there were 434 active permits provided to private entities by 2013. There were over 700 active permits in January 2015.[692]

Though ASM is the predominant form of mining in Rwanda, the government has identified a preference to move to professional industrial mining throughout Rwanda.[693] To achieve such goals, the government will have to find investors who are willing to redevelop mining sites (and who the government trusts). In 2012, the minerals sector was listed alongside energy and ICT as key strategic sectors. Twenty-one new Potential Target Areas (PTAs) were identified to attract new investors. However, investors were unwilling to invest without assurances on the potential of

[690] Interview, Imena, February 2012.
[691] Interview, Mining Consultant, May 2012.
[692] Interview, Imena, January 2015.
[693] MINIRENA officials stated a preference for industrial mining but acknowledged difficulties in finding the 'right' investors. ASM is not perceived as "environmentally-friendly and industrial mining reduces accidents in mines. Lots of small-scale miners have underdeveloped machinery." (Interview, Zephanie Niyonkoru, RDB, February 2012.

minerals, especially since there was insufficient exploration data to prove their existence. The mining law required investors to undertake exploration on concessions before beginning extraction. Though investors came in, very few were undertaking exploration and meeting all government demands.[694] To remedy the situation, GMD acquired enough money to employ German-based Beack consultants to conduct exploration on four concessions.[695] Until the government is able to invest more funds into understanding the full potential of mineral deposits, the government will struggle to dictate terms to potential investors.

Taxation has been used to retain some control over incomes from its mineral resources. Such reforms work in line with the Africa Mining Vision (AMV), which was adopted at the African Union (AU) summit in 2009. The AMV focuses on creating more fiscal space and responsive taxation to allow African nations to use gains for beneficiation efforts, employment generation and infrastructure expansion in and outside the mine.[696] Rwanda operated the highest royalty tax on minerals in East Africa in July 2013 – four per cent on ordinary minerals and six per cent on precious metals.[697]

> "The fact that we need royalty is real. Even investors, although they argue, understand its importance. In the philosophy of the law, you pay royalty because you have extracted a resource and it will never come back. It means something must be given to the owners of that resource and the owners are all Rwandese."[698]

After rapid privatisation and embracing liberalisation, the government adopted a stricter stance with investors. A new mining law was established in 2014, which demarcated access to land at 400 ha each, rather than the immense areas of land earlier designated to companies.[699] Minister of State Imena is quoted: "each block will be independent – we will have the right to take any block the investor is not using" (Namata 2014). The new mining law also departs from the previous rigid

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[694] Interview, Uwizeye, January 2012.
[695] Beack's research did not yield positive results. Another consultant said the government didn't appreciate the research because Beack did not find any potential for mineral deposits in the concessions that were studied. "They only found anomalies" (Interview, May 2013, Kigali).
[696] Interview, Antonio Pedro, Director, UNECA, May 2012. Pedro led the formulation of the AMV.
[697] OTF suggestions ran counter to this. In 2009, OTF recommended the reduction of royalty taxes to assist investors. The shift in priorities from 'assisting the investor' to 'shoring up government power' shows that the government adapted its policies after privatisation reforms.
[698] Interview, Imena, January 2015.
[699] There will be a more flexible time span designated to holders of permits, with 30 years thought to be too long for medium-size mines and five years considered too short.

time spans that accompanied the granting of licenses. The previous law only allowed the government to grant five-year licenses or 30-year licenses. The government can now provide more flexible licenses depending on investors. The RPF narrative tags these reforms as 'investor-friendly'. However, the government can use these reforms to increase its bargaining power vis-à-vis investors.[700]

> "New licenses will be allocated on the basis of the size of the deposit, the amount of investment capital, the technology to be used, the proposed duration of the project, value-addition strategies and the employment plan. License holders will have to meet conditions and will be in regular contact with the government. The Ministry will allocate these licenses."[701]

The example of the Gatumba Mining Concession (GMC) indicates how the government has improvised to discipline investors who were slow or rejected national priorities. GMC was a joint venture between a private company and the government. Production was low until 2012 in the Gatumba concession, which was among the largest in Rwanda (about 22,000 hectares). Investors claimed to have invested $12 million in mining equipment and training and installing processing plants. Government officials claimed the processing plants that GMC procured did not match the types of deposits in the concession. The company complained about 'vested interests' and said that local officials incited residents to raise environmental complaints. Some argued that GMC was just "unlucky geologically."[702] In 2014, the government found that GMC no longer had the funds to extract minerals. GMC's operations were then closed down (Mugisha 2014c, 2014d). The government carved up the concession into 20 smaller units and put these smaller units up for sale to other investors. 96 bids were received for these blocks and the bidding process was still ongoing in 2015.[703]

The government was reluctant to facilitate accumulation strategies that ran counter to national priorities. It faced barriers in incentivising companies to invest in exploration. "If you are in South America, private companies would do exploration because they get massive returns. Here, the 3T market is small. It's not a paradise for

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700 In an interview with Imena in 2012, he stressed that rapid liberalisation was necessary to revitalise the sector. However, government capacity diminished as a result.
701 Interview, Imena, January 2015.
702 Interview, Philip Schutte, BGR Consultant, May 2013.
703 Interview, Imena, January 2015.

exploration. The state needs to create more incentives."[704] The government preferred to build national champions (but had not found any it could trust). "They don't want anyone else. They don't trust foreigners here. But in the end, they aren't able to find anyone with sufficient money to invest in the sector."[705] Local *comptoirs* find it difficult to compete with international *comptoirs*. "You must have running money to buy minerals. You need cash. The bank doesn't always give loans either. Big companies can come in and dominate the sector."[706]

The government's liberalisation reforms coincided with quantifiable results in export receipts and production surges. However, the government is now reliant on enacting legislation and maintaining disciplinary authority over private investors to ensure policies are geared to achieving priorities and some mineral wealth was retained domestically.

7.9 Beneficiation – Achieving Ideological Goals of Self-Reliance

> "A lot has been changing lately. As a matter of principle, you can't have an economy that gives away its natural resources without any money in return. We want to create employment on the ground by succeeding in value-addition. The key challenges here are energy, expertise, skill and scope."[707]

Successful beneficiation is essential if the government is to make progress in achieving ideological goals of self-reliance In 2006, OTF reports circulated with the finding: *If Rwanda could smelt all exported Cassiterite today, it would increase export revenue by 6 million USD (33 per cent increase)* and *for every additional 10 per cent transformed of Cassiterite, revenue would rise by 1.3 million USD*. Beneficiation helps to retain a larger share of revenues in the mineral value-chain within the country of origin. However, beneficiation has rarely been associated with success in Sub-Saharan Africa. Hausmann et al. (2008) highlight the experiences of South Africa, Zambia and Botswana as countries that attempted such policies. Hausmann and his colleagues argue that beneficiation experiments in South Africa were ill advised because resources could have been better spent on other sectors. The 'opportunity cost' argument ignores the long-term benefits to be derived from

[704] Interview, Schutte, May 2013.
[705] Interview, consultant, May 2013.
[706] Interview, Uwizeye, May 2013.
[707] Interview, Gatare, May 2012.

beneficiation. Any infant industry is likely to endure long periods of losses and protection before capturing long-term profits.

Many countries with low volumes of production have faced challenges in guaranteeing supplies to make the operation of machinery feasible e.g. smelters.[708] Additionally, beneficiation alters the organisation of the domestic value-chain. The place of processors within the economy gains in importance. Often, the increased power of processors reduces the power of other actors within the sector. Some government officials attributed the failure of the domestic minerals sector in the 1980s to the privileged position that was given to the smelter.[709] Also, transition costs have to be negotiated to stabilise the elite bargain from organisational shifts in the value-chain that may result after successful beneficiation.

In 2006, a Mining Industry Value Addition Committee was established to develop a value-addition strategy. The committee included representatives from OTF, the government and the private sector. Private sector representatives included Jean-Paul Higiro of APT, Simba Manasseh of Pyramides and David Bensusan of Eurotrade International. MINITERE had prioritised beneficiation processes and the committee was part of a process to get feedback from stakeholders within the industry. Initial targets stipulated that tin concentrate exports must be of greater than 65 per cent Sn-content for the first six months. Later, tin exports would need to have 99.99 per cent Sn-content in tin ingot form. Wolfram concentrate would have to be a minimum of 60 per cent Tungsten-content. Coltan would have to be either a minimum of 25 per cent Tantalum or 50 per cent Niobium and Tantalum. Detrimental consequences of such legislation included: a) decrease in investor attraction; b) reduction of average income to artisans and industry actors lower on the value-chain as it would reduce their bargaining power; c) centralisation of buying power in the hands of processors and the consolidation of their price-making power; d) alienation of current customer base; e) increased restrictions on business environment and reduction of flexibility; f) negative environmental effects of increased smelting.[710] Foreign companies disagreed with these directions.[711] In 2009,

[708] Such machinery consumes large amounts of electricity. To operate such machinery, large volumes of production are required to make these units viable.
[709] Interviews, Uwizeye, May 2013; Imena, January 2015
[710] Internal MINITERE and OTF documents.
[711] OTF documents.

while processing was encouraged, the government did not apply rules stringently because new investors had to be encouraged to invest in the mining sector. Increases in concentration requirements were "managed very carefully" and "should not be enforced where private firms can prove that the price gaps are too low between the higher and lower concentrates" (MINIRENA 2010, 35). Few loyal national companies invested out of patriotism.[712]

Despite the slow progress, nine processing facilities were established by 2011. Plans were also in place to establish a Kigali Mineral Campus (KMC). KMC would be established to provide opportunities to diversify into higher value-addition activities. These activities included the provision of gem-cutting and design facilities to build a Rwandite brand, modelled on the success of Tanzanite. However, little progress was made in building facilities and reducing infrastructural constraints necessary to make value-addition a feasible activity for investors.

A central priority was to make the tin smelter (that was built by SOMIRWA in the 1980s) operational again.[713] In 2015, the smelter had made progress in passing the Conflict-Free Smelter test, which owners said (in 2013) was extremely unlikely.[714] Obtaining clearance through these tests was initially perceived to be extremely difficult. Malaysia Smelting Company (MSC) went through a similar audit for the third time in 2013.[715] Thirteen tantalum smelters had been awarded 'conflict free' status by August 2012, including Ninxia in China, which sourced minerals from Rwanda. Only one tin smelter had achieved this status by 2013 (UNSC 2012a).

> "We came here because of the tin smelter. We think it is good for the country. Now, we have got the green light to start production although we are still being monitored. But we still need to ensure production is continuous in order for smelting to be profitable… If it works, it will be the first Conflict-free tin smelter in Africa. When Dodd-Frank Act happened, things did not look good but they changed the protocol in 2013."[716]

In 2001, the government decided to put the smelter up for sale ahead of other REDEMI assets. Though the reference price was listed at 446 million RwF, the government accepted a price of 133 million RwF. The buyer made an additional

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[712] ROKA Rwanda was the only domestic company who processed minerals for a brief period.
[713] In 2013, Egyptain investors had expressed an interest in building a Wolfram smelter.
[714] Interview, Phoenix Metals, May 2013.
[715] Interview, Raphael Ritter de Zahony, Phoenix Metals, May 2013.
[716] Interview, Phoenix Metals, January 2015.

pledge that two billion RwF would be invested to renovate the company and expand the capacity of the smelter. European-based NMC Metallurgie (who later changed their name to Phoenix Metals) was granted control of the smelter.[717] As promised, the company invested in the maintenance and repair of the factory. However, despite the efforts and investment put in by Phoenix, the smelter was not operational until 2015. Raphael Ritter de Zahony, the MD of Phoenix, justified the lack of activity by complaining about low, unreliable quantities available, the high cost and unreliable supply of electricity and the difficulty in finding buyers for Rwandan minerals. Zahony complained that institutional changes and government indecision regarding subsidising electricity have slowed down the pace of reforms.[718] In 2013, discussions gathered pace in government circles to guarantee an assured supply (and a cheaper price) of electricity to Phoenix Metals (that had been discussed since 2006). The government feared that giving Phoenix an electricity subsidy would result in other companies in strategic sectors asking for similar benefits.[719]

> "It is very tough. If they have a power cut for more than one hour, they will lose a million dollars. Energy is a problem for us in Rwanda but we will do our best."[720]

The government also faces a political decision if it chooses to guarantee the supply of Cassiterite to the tin smelter. In 2014, Phoenix exported 20 per cent of Rwandan minerals, while MSA exported around 60 per cent.[721] Given that trade-and-export operations are liberalised, it would be difficult for Phoenix to make sure that enough Cassiterite production was supplied to the smelter while also ensuring the company made profits.[722] Government officials were undecided about how best to tackle the issue since competition was perceived to be central to maintaining productivity and restricting monopolies.

> "Last year, we produced 400 and 500 tons of Cassiterite every month. If we keep that up, the plant should be fine. Of course, that number is not guaranteed. These companies are business entities. It is possible that they reach an agreement together. But of course,

[717] Though Phoenix initially invested in Rwanda to operate the smelter, the company later became engaged in trade-and-export operations.
[718] Zahony mentioned Vincent Karega (now, High Commissioner in South Africa) tried to provide incentives to get the smelter working until he was moved as Minister of Infrastructure in 2009.
[719] Interview, Uwizeye, May 2013.
[720] Interview, Imena, January 2015.
[721] Interview, domestic investors and MINIRENA officials, January 2015.
[722] Interview, Phoenix, January 2015.

> the government will have to take a decision. The smelter is important to us."[723]

Difficult decisions will have to be made if beneficiation strategies are to be facilitated. Phoenix has to be guaranteed a consistent supply of electricity and the smelter would have to be provided with a guaranteed supply of Cassiterite. Beneficiation efforts will demonstrate how the government navigates the contradictory priorities of maintaining a competitive environment and prioritising policies in line with achieving self-reliance.

Rwanda has also prioritised production of non-T3 (tin, tungsten and tantalum) minerals – precious metals and gold. Gold was traditionally produced through domestic ASM practices but there are now investments in large-scale mining. Six foreign companies and two domestic companies have registered investment, with Dubai-based Precious Mining, committed to building a refinery plant by 2016. Company representatives were positive about the potential of deposits within their mines.[724] Some companies have reported promising research findings e.g. Rogi Mining.[725] Rogi Mining owned three properties including the 2,937 ha Miyove Gold Project. At least four companies had begun surface exploration for gold by 2012 and government officials were positive that gold deposits existed in ten separate sites.[726] However, production has not reached significant levels. Companies involved in gold exploration did not deliver on the investments they had promised.[727]

OTF highlighted precious metals as a promising direction for the mineral sector. Some investment has been received. One investor was German-Rwandan Abdul Aziz Rudasigwa, owner of Sapphire Miners Cyangugu. He controlled several mining sites, with one 9800 ha concession. Rudasigwa echoed the government's view that there was potential for sapphire, beryl and amethyst exploration. His company suffered from a lack of funds. He previously worked with a Thai investor who was no longer willing to commit more money to the project.[728] Though the government prioritised investments in several spheres of value-addition, it faced

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[723] Interview, Imena, January 2015.
[724] Interview, Sacha Nshimye, Precious Mining, February 2012.
[725] "Samples showed a satisfactory trend and drilling had reached more than 150 metres underground in 2012" (Interview, Oleg Moiseev, Rogi Mining, May 2012).
[726] Interview, Kanzira Hildebrand, April 2012.
[727] Interview, Biryabarema, April 2012.
[728] Details in this paragraph are taken from two interviews. Interviews, Abdul Aziz Rudasigwa, February and March 2012.

difficulties in enticing investors to commit to such projects. It has also been difficult to enforce legislation in line with conditions specified in contracts.

> "At the ministry, it is very difficult for us. There are lots of changes and so many new investors. People are looking at the mining sector now and we cannot make the mistakes we made before. We have to deal with investors carefully. RDB helps us but all of this is very challenging."[729]

7.10 The Dodd-Frank Act – Selling Narratives and Cleaning up the Mining Sector

The work of advocacy groups, who propagated the 'conflict minerals' narrative, eventually contributed to the inclusion of Section 1502 in the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 2010. Section 1502 directed the U.S. Securities and Exchange Commission (SEC) to promulgate new disclosure rules for SEC-reporting companies that use "conflict minerals" originating in the DRC or adjoining countries. "Conflict minerals" included Coltan, Cassiterite, Gold, Wolframite or their derivatives. "Adjoining countries" included Angola, Burundi, the Central African Republic, the Republic of Congo, Rwanda, Sudan, Tanzania, Uganda and Zambia. Section 1502 impacted global manufacturing chains for a variety of products including light bulbs, turbine engines, aircrafts, microchips and microprocessors, cell phones and nuclear reactors. In June 2014, companies disclosed details of their product supply chains to the SEC, which was celebrated as a "historic day" for victorious advocacy groups like the Enough Project (Biron 2014).

Many buyers immediately shut down their supply networks in the region while others were careful to adhere to the guidelines of the Act by dealing only in tagged minerals. Very few companies on the international market were willing to purchase untagged Congolese minerals (UNSC 2013). An immediate result was reduced production in the Kivus and Maniema, as well as rising unemployment and increased poverty among those dependent on artisanal mining as their primary income (UNSC 2011). Seay (2012) claims that Section 1502 has had a negative effect on the livelihoods of Congolese miners.[730] Rwanda took a lead in responding

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[729] Interview, MINIRENA, January 2015.
[730] There is a consensus around this view. See Vogel and Radley (2014).

to Section 1502, immediately embracing transparency initiatives.[731] While refocusing its interests on the domestic minerals sector, respondents argued that Rwanda was treated unfairly and criticised the simplistic ‘conflict minerals’ narratives.

> “Not all minerals traded from the Congo were ‘conflict minerals’. Many people developed a variety of personal relationships with people across the border. It’s a matter of pride for Rwandans in the private sector and the government. We wanted to prove that we actually do have minerals.”[732]

The Act required that any country exporting ‘conflict minerals’ would have to prove the origin of their commodities. However, no tagging system existed to help prove the origin of commodities. To fill the void, the International Tin Research Institute (ITRI), which worked on the implementation of a due diligence plan for the 3T minerals, sponsored the ITRI Tin Supply Chain Initiative (iTSCi). iTSCi was supported by a working group including MSC, Thailand Smelting and Refining Co Ltd (Thaisarco-AMC) and Traxys Europe SA. The first project was piloted in South Kivu but was closed down because the DRC government imposed a mining suspension between September 2010 and March 2011. The iTSCi system included a chain of custody system through which mineral purchasers could collect all information on production and trade. The system involved two types of bar-coded tags: a mine tag and a *negociant*/processor tag. These tags were added to bags of minerals at two points of the supply chain i.e. extraction and processing. Tagging was also accompanied by detailed data collection in logbooks, which provided a record of the tagging process in adherence to OECD guidelines.

By the end of 2013, 224 mining companies were participating in the iTSCi tagging system in Rwanda. Out of these companies, 53 mining companies began operations in Rwanda in 2013. The system was used on 638 sites, out of which 200 sites were inactive or suspended from operations (ITRI 2013). April 1, 2011, had been set as the deadline for countries to fully adopt the mineral tagging system and Rwanda was easily ahead of any others.[733] Cassiterite production rose considerably in

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[731] Kagame (2013b) stressed Rwanda’s readiness to embrace these initiatives. “When it came to mineral tagging, I don’t think there is any country in this whole region that is doing it the way we have been doing it. In fact, we might even be the only people who are doing it.” However, he argued that the ‘conflict minerals’ narrative was simplistic. “But, there are hundreds of millions, if not even billions of minerals, that move around this region by the way, benefiting and involving those countries that are behind putting these measures, whose clarity is not to be talked about.”
[732] Interview, Lydia Bwakira, ROKA Rwanda, March 2012.
[733] Interview, Joseph Mbaya, ITRI Rwanda, February 2012.

2011 – the year tagging began. Some attribute the increases in mineral exports from Rwanda as evidence that the government was attempting to clear its stocks.[734] More Cassiterite was actually exported after April 2011 (Figure 7.13).[735] Since the tagging system was still in its first year, it is likely that minerals from the DRC were mixed in the domestic supply chain.[736] Some government officials argue that surges in mineral exports in 2011 and 2012 were the "fruits of regulation and reforms that were introduced four years before."[737] Regardless of where these minerals originated, the forced closing down of commercial networks in the DRC incentivised private operators to focus on the Rwandan minerals sector.

> "First when Kabila banned exports from the DRC in 2010/11 and then later with the tagging system, it pushed everyone to produce minerals in Rwanda."[738]

> "The tagging system has a cost and a lot of bureaucracy with it. But the good thing is it makes people go into mining and think about trading less. No one can say now that Rwanda has no minerals."[739]

The RPF government has been lauded for its "growing commitment" to implementing the system (Channel Research 2013, 6). UNSC (2011) highlighted MSA and Phoenix Metals as *comptoirs* who had shown interest in implementation in the early stages. In November 2011, Rwanda mining authorities seized over 81 tonnes of minerals along the Congolese border and returned these minerals to the Congolese government (UNSC 2012b). Even Global Witness (2013) admits that there has been progress, although it criticises the Rwandan government for a lack of 'political will' to punish those found guilty of being involved in trading minerals from the DRC.[740] Actions were taken against those guilty of subverting the tagging system. In March 2012, GMD banned four Rwandan mining companies for illegally tagging minerals and suspended APT – a prominent mining company.[741] Jean Paul Higiro, President of APT, immediately resigned as President of the Rwanda Mining

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734 Interviews, mining consultants.
735 April 2011 was the deadline. Since ITRI took time to become functional, it remained much easier in initial months to transport Congolese minerals.
736 Interview, Mining Consultant, May 2012.
737 Interview, Imena, January 2015.
738 Interview, Phoenix, January 2015.
739 Interview, Foreign investor, January 2015.
740 One mining consultant made similar claims.
741 Interview, Mbaya.

Association (RMA).[742] UNSC (2012) claims that GMD was complicit in the illegal tagging that had been carried out by APT. Government officials argue that measures continue to be taken to train government officials.[743] Minerals from DRC and Burundi are still mixed at mining sites.[744] In-country smuggling continues and illegal miners continue to work within concession (both under direct supervision of mining companies and against the wishes of mining companies).[745] However, the enforcement of the tagging system has improved since it was established.[746]

> "The Minister of State is responsible to reinforce the 'clarity', which saves us a lot of burden from outside, and continues to allow us to benefit from our own resources that are confused for other resources."[747]

Meagre government capacity and insufficient external funding have inhibited the tagging system, showing that the government faces 'capability traps' because of the demands of fast-paced reforms (and donor demands). The number of GMD field agents has increased from 40 in 2011 to 96 in 2013. However, they have failed to log incidents and have not complied with basic traceability rules. The government has dismissed some of them (Channel Research 2013). To tackle capacity deficits, the RNRA (that was formed in 2011) has been reorganised.[748] Biryabarema continues to head GMD, with a new Mines Inspection Unit in charge of traceability issues and a Traceability Coordinator supervising field agents. While the government has been forced to speed up the strengthening of capacity within GMD, many agents are hired without any training– "at one stage, they recruited 120 people in 2-3 weeks."[749]

Rwanda decided to lead the way in enforcing the iTSCi system in the region. However, this decision was made without sufficient investments in building up capacity to support the iTSCi system. 'Cleaning up' the sector has reduced potential smuggling.[750] It has forced domestic actors to reduce reliance on trading minerals

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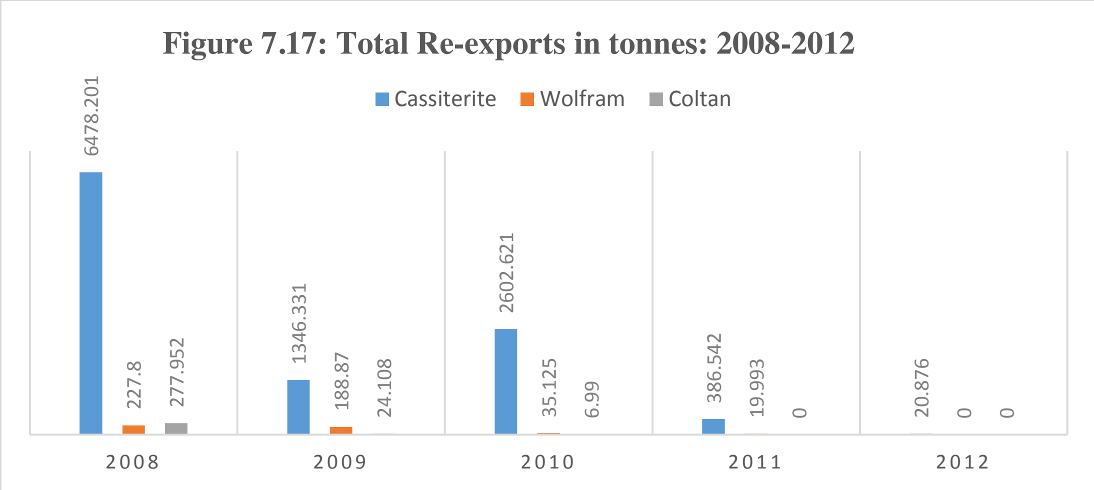
742 The RMA was an association of Rwanda mining companies.
743 Interview, John Kanyangira, April 2012.
744 Interview, Mining Consultant, April 2012.
745 Mining consultants, March-May 2012.
746 Interviews, Cecile Colin, Joseph Mbaya, Philip Schutte and John Kanyangira.
747 Kagame (2013b)
748 Emmanuel Nkurunziza leads the RNRA. He was the former DG of the National Land Centre.
749 Interview, Channel Research representative, February 2012.
750 Smuggling has not been completely eradicated in the sector. "There are still a lot of illegal miners. Lots of random artisanal miners are digging and selling" (Interview, Schutte, May 2013).

from the Kivus. The iTSCi system has also forced miners to join cooperatives to find a market for their production.

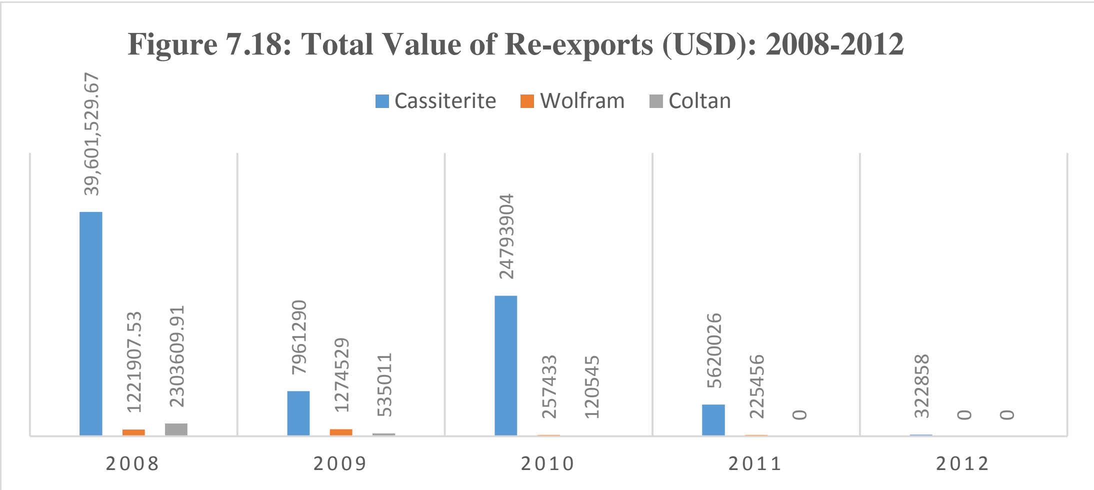
The government shifted some of the burden of financing the iTSCi system onto *comptoirs* and miners. Many domestic companies complained they had to make payments to the government and further payments to ITRI for maintenance costs of the system.[751] These companies claimed that added costs cut into their already thin profit margins. An example of such a company was ROKA Rwanda. ROKA was the only domestic company to own one of the large concessions in 2011. ROKA also won the RDB Investor of the year 2011 award and was one of the few companies that immediately invested in processing.[752] Recently, exports have been concentrated among foreign-owned companies with comparatively more financial resources. These foreign-owned companies included MSA, Phoenix Metals and Rwanda Rudniki.[753] These three companies have dominated the trade-and-export node of the value-chain since 2011.[754] Domestic mining companies operated in the sector but none are prominent.

In rebuilding the minerals sector, the government publicly distinguished between its own production and re-exports, which had originated in neighbouring countries (Figures 7.17-7.18). In 2008, MINECOFIN began listing mineral re-exports in official records. MINICOM had also begun registration of cross-border trade, which had not been recorded previously. The iTSCi system has assisted the formalisation of the minerals sector. Many middlemen have been forced out in the process, while others concentrate their efforts on attempts to infiltrate the tagging system.[755] The Rwandan government chose to sacrifice the short-term gains of ‘illegally’ trading minerals. In doing so, the government prioritised making Rwanda a future ‘hub’ for ‘legal’ exports and re-exports.

[751] Interview, Emery Rubagenga and Augustin Rudahigwa, 2011.
[752] Interview, Emery Rubagenga, CEO – ROKA Global Resources, March 2011.
[753] Chris Huber is involved in this company.
[754] Interview, de Zahony, May 2012.
[755] Interview, Cecile Colin.



Source: MINECOFIN



Source: MINECOFIN

7.11 Conclusion – The Vulnerability of the Developmental Political Settlement

The RPF government has shown an intention to counter the vulnerability to fluctuations in international prices (unlike preceding governments). It has expanded domestic mining to larger areas across Rwanda than ever before, while also enforcing some nationalistic policies (e.g. royalty taxes). It has actively intervened in the sector to ensure capital is managed and labour is organised in line with national priorities. These interventions have included exposing the sector to foreign expertise, providing incentives to capitalists to invest in line with national goals and making productive long-term decisions (by focusing on the domestic minerals sector and cutting off ties with commercial networks in the DRC). Thus, policies in the sector can be likened to those followed by East Asian developmental states (Wade 1990).

Retaining a Developmental Political Settlement depends on strengthening RPF narratives and retaining legitimacy among three constituencies.[756] Foreign disapproval of Rwandan involvement in the DRC forced the government to refocus on the domestic mining sector.[757] Embracing the tagging system helped the government to show that it adhered to donor demands while highlighting how Rwanda was unfairly singled out.[758] The interests of individuals who profited from commercial networks in the DRC were threatened but disciplined in line with ideological goals of achieving self-reliance. Since 2012, threats from elites have also been negotiated. Refocusing on the domestic minerals sector was accompanied by the need to organise labour to new systems of accumulation and also resulted in the creation of employment opportunities.

However, these policies are associated with vulnerabilities, which inhibit the government's capacity to achieve its goals. The government faced difficulties after embracing rapid privatisation since it did not have the capacity to discipline such firms or use appropriate legislation to advance national priorities. 'Capability traps' plague the sector. The government's over-ambitious targets are hamstrung by "institutional weakness and capacity gaps."[759] The government relies on selling its mineral exports through Dar-es-Salaam and companies have suffered because of theft along this route. Such problems have impacted the faith of international buyers.[760] The government has also been reluctant to facilitate the accumulation strategies of specific investors. For several years, Phoenix's investments have not been facilitated. FECOMIRWA, which provides training to many cooperatives, has also struggled because of a lack of funding. Evidence has also been presented that the government still struggles to organise labour to mining production despite policies geared to formalisation and organising miners into cooperatives.

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[756] "Above all else, Rwanda wants to keep a façade of cleanliness" (Interview, Mining Consultant, April 2012).

[757] Interview, Josiane Barabareho, President's Office, Kigali, November 2011.

[758] The Ugandan government decided not to tag minerals because it sells all its minerals to China and India (Interview, John Kanyangira, GMD, April 2012).

[759] Interview, Schutte, May 2013.

[760] In 2013, buyers of Rwandan minerals lost confidence in some Rwanda-based companies when 11 containers (containing minerals) departing Rwanda were stolen in Tanzania. Phoenix was among the *comptoirs* whose exports were stolen. Some buyers withdrew contracts and companies were forced to find new buyers (Interview, de Zahony, May 2013).

Chapter 8: Emulating Ceylon Tea: Maintaining a Developmental Political Settlement in the Rwandan Tea Sector

8.1 Introduction

This chapter describes the evolution of the Rwandan tea sector, which was prioritised immediately after 1994. Since then, the RPF government has achieved some success in reducing its reliance on the Mombasa tea auction and diversifying to higher-quality teas. Reducing the amount of tea sold at the Mombasa auction works in line with ideological goals of achieving self-reliance. Though previous governments enjoyed healthy growth in the tea sector, few attempts were made to engage in value-addition. Ruling elites (during preceding governments) were more concerned with maximising short-term profits obtained from the sector, rather than developing long-term goals. The RPF government has dealt with the demands of "three constituencies" by developing narratives and promoting reforms that show its commitment to ideological goals of self-reliance. It has exhibited characteristics of a developmental state, identified by Wade (1990). The government has committed to productive investments in the sector (through distributing inputs, expanding tea acreage and leading value-addition exercises), provided incentives to companies engaging in some aspects of diversification (that would not have occurred without government intervention) and exposed the sector to international competition.

The production of tea forces a reorganisation of class relations in society. The organisation of tea cultivation assigns bargaining power to processors (those with processing equipment) versus tea growers. Tea is processed immediately after it is plucked. It is then withered, rolled, graded and packed before shipment. Since these processes are usually highly mechanised, most tea estates hold one processing plant and retain a monopoly over tea-growing areas in a region. In addition, tea production is extremely labour-intensive and requires continuous care throughout the year.[761] Thus, tea is one of the best-suited crops for centralised industrial production techniques (Paige 1975). Tea processors and owners of plantations assume the role of agrarian elites.[762] The government (if interested in empowering these elites) attempts to secure a supply of labour for tea plantations and for facilitating the processing and marketing activities of tea processors. Governments and agrarian elites work together, in the name of development, often portraying that they are empowering 'small farmers' along the way. However, these narratives of development repress the 'contradictions' as such processes always depend on the exploitation of labour.

The Kenya Tea Development Authority (KTDA) is one example of a successful tea outgrower scheme.[763] The KTDA's share of national tea supply increased from six per cent in 1965 to 33 per cent in 1980. By 2010, the KTDA had 598,000 small-scale out growers across 109,000 hectares (Oya 2012). However, processes of class formation and exploitation intensified through the formation of the KTDA. Between 1960 and 1972 in Kenya, Steeves identified three divisions within the dominant class: i) those who were non-resident, salaried and commercially based;[764] ii) those who were resident and dependent on land; iii) those who were impaired in their further development by the limited size of their land. The KTDA's organisational approach was based on a 'one-acre ideal' where plantings below the minimum of one acre were assumed to not be worth the farmer's time and care (Leonard 1991, 127).[765] Such requirements favoured the first two groups, reducing the power of the third group while creating opportunities for wage labour.[766]

[761] Tea is a tree rather than a bush and must be constantly pruned to keep it growing outward to maximise its leaf area (rather than growing upward, which would maximise the trunk). New tea leaves (or 'flush') must be picked within three days before they lose their flavour.
[762] Sometimes, the same individuals act as both tea processors and owners of plantation.
[763] The KTDA was established in 1960. It provides Kenyan farmers with a range of services connected to tea growing and operates domestic tea factories. KTDA registered growers, guaranteed their purchases and provided growers with planting material and technical assistance. Growers owned shares in factories and were represented on the KTDA board (Glover 1984, 1150).
[764] "These capitalist farmers emerged from a process of 'straddling' i.e. households of capitalist farmers combine agricultural enterprise with salaried employment in the public or large-scale non-agricultural private sectors" (Sender and Smith 1990, 86).
[765] Rules such as these reflected the internal change that was brought about by intensifying engagement with the international market. Sender and Smith (1986, 2) write: "the object of analysis is internal change: even in societies where external forces played a significant role, it is not possible to determine their effects… unless the focus of the analysis is upon internal change, in particular upon changes in social relations of production."
[766] In Tanzania, speeding up processes of rural class differentiation was less successful. Rather than focusing on policies derived from a 'pro-peasant' or 'family farm' perspective, policies aimed at

"Landless and migrant wage-earners had begun to appear as a distinct social formation" (Steeves 1978, 132).

KTDA was transformed from an organisation of small-scale tea farmers in 1964 to become "the world's top producer of quality tea" (Chege 1998, 226).[767] The KTDA's success was attributed to institutional heritage, organisational acumen, buoyant international tea prices and individual leadership (Leonard 1991). However, politics also influenced this success. Many tea growers were Kikuyus from the Central Province and President Kenyatta's political strategy was based on securing the prosperity of the Central Province (Kenyatta's support base). Charles Karanja, the first General Manager of the KTDA, prioritised grower interests in the Central Province to fit Kenyatta's political preferences (Leonard 1991). The KTDA was used "by the dominant fraction of the indigenous bourgeoisie to further its own moves into tea production" (Swainson 1977, 51). Foreign and local actors contested power within the KTDA. Foreign actors included the British-based Brook Bond Tea Company, which had controlled international marketing of tea since 1938. National actors comprised "petty-bourgeois factions within the Kenyan parliament" who pushed for decentralisation of the tea industry (Swainson 1977, 52).

KTDA successfully developed narratives, which stressed the moral appeal of 'mutual gains' for members. The RPF aims to mimic the success of the KTDA (both in terms of empowering 'small farmers' publicly, while concealing the speeding up of class formation in tea-growing areas). Of course, there were also benefits for members in terms of receiving better access to inputs, equipment and training. However, cooperative membership is restricted to those who could meet the minimum requirements needed for certification standards. Maintaining such certification standards is essential to break into niche markets. Thus, maintaining images of 'mutual benefits' associated with 'cooperatives' and that members are homogeneous groups of 'small farmers' is essential to achieving targets.

Rwanda's climate and geography is well suited to tea production. High altitude, steady rainfall and rich volcanic soils (in some tea-producing areas) give Rwanda an edge in the production of high-quality tea. Since the 1980s, Rwandan tea

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improving income levels of the rural poor must include the removal of constraints faced by capitalist farmers and an improvement of rural wage employment conditions (Sender and Smith 1990).
[767] Small-scale tea farmers refer to the first two groups Steeves identified.

has attracted premium prices at the Mombasa tea auctions. Tea is cultivated, harvested and exported throughout the year. Yearly highs are reached in April to June, while lows occur between September and November. Most of Rwandan tea production is processed by the Black CTC (crush, tear and curl) method. In 2011, Rwanda began producing orthodox, green, organic and specialty tea.[768] Farmers pluck green leaves, which are transported to the factory before they are withered (or partially dried), cut (or rolled) and later fermented. During fermentation, the leaf develops flavour and a black colour. The tea is then dried to stop oxidation and then sorted. The final product of black-sorted tea is packed (according to specific grades) into paper sacks. Black CTC tea involves the rolling of tea between two rollers. The CTC process ends with small grains that are used mostly for tea bags. Orthodox Black tea, which is also produced in Rwanda, involves rolling tea against a cutting table, rather than two rollers. Orthodox teas are small curled tea leaves, which are generally used for high-quality loose teas. Bulk tea is transported for sale to the Mombasa auction or sold directly to foreign buyers. The processing of both orthodox and CTC teas is capital-intensive and requires a continuous supply of freshly plucked tea. Black CTC tea is more widely produced in East Africa because its production is more cost-efficient than the methods used to produce Orthodox tea (OCIR-Thé 2006).

In Rwanda, each tea factory enjoys a monopoly (for the most part) over the supply of tea produced in specific areas. Tea growers are organised to produce tea in three ways: a) wageworkers are employed by the *Bloque Industriel* (BI) or Industrial Estate run by tea factories. BIs are situated adjoining the factory and owned by the factory owners; b) COOPTHEs (Tea cooperatives), which are blocks of large sizes owned by tea cooperatives. In COOPTHEs, land is consolidated and distributed by the government for the purpose of growing tea exclusively. Cooperatives are professionally managed and farmers own equal plots of land. Farmers employ both family labour and wage labour.;[769] c) *Thé Villageois* (TV), which are small independent tea plots owned by farmers who have very small plots of land (official average of 0.25 ha).[770] These farmers are organised into cooperatives, with the

[768] The production of green (or unfermented) tea is much less complex. Tea leaves are heated by either steaming or roasting, then rolled or twisted and finally dried (Talbot 2002).
[769] Gisakura, Mulindi and Shagasha have COOPTHEs (Internal World Bank document).
[770] Interview, Anthony Butera, NAEB, October 2011.

cooperative charged with distributing fertilizers, providing access to credit, transporting tea leaves to the factory and maintaining roads. Of the 19 cooperatives listed in 2013, 16 were TVs and three were COOPTHEs. In 2013, TVs owned the most land under tea cultivation (57.1 per cent), followed by BIs (34 per cent) and COOPTHEs (8.9 per cent).

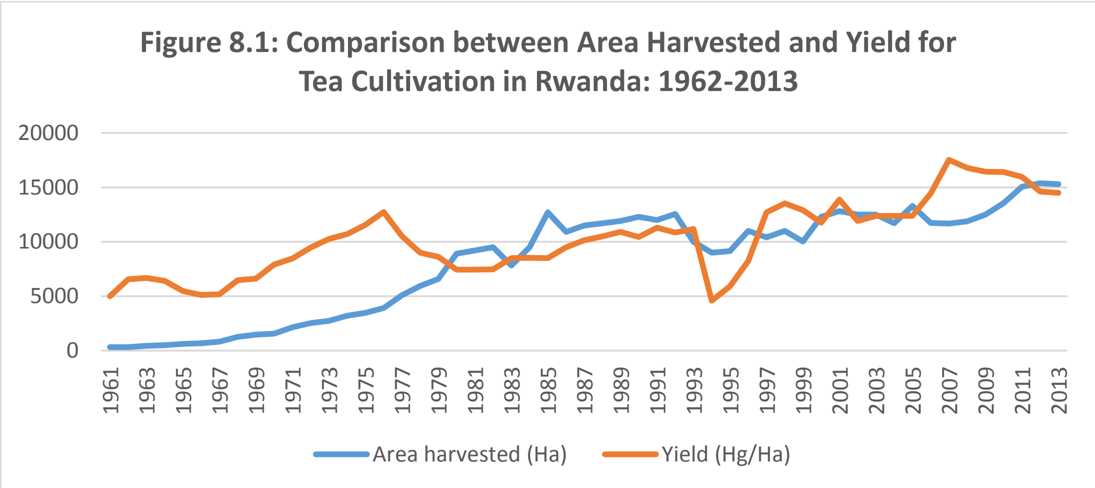
BIs are usually under shared ownership between cooperatives and factories. However, owners of Mulindi and Shagasha (the first two factories built in Rwanda) do not own any of the land in the BI. In these factories, COOPTHEs have full ownership of the BI. Cooperatives comprise a variety of farmers who own different sizes of land. In 2013, the Rwandan tea sector comprised 12 tea factories – all under private ownership (although the government retained minority shares in some companies). Tea is more widely cultivated than before. 20,665 hectares were dedicated to the cultivation of tea in 2012, as compared to 12,869 ha in 2004 (60.5 per cent increase). Factories directly employed over 70,000 people and employed thousands in casual wage labour (Gathani and Stoelinga 2013).

OCIR-Thé was established in 1974. OCIR-Thé acted as the government regulatory board in-charge of tea marketing and production. In 2011, OCIR-Thé, OCIR-Café and the Rwanda Horticulture Development Authority (RHODA) were merged to create the NAEB. Cooperatives formed a federation – *Fédération Rwandaise des Coopératives de Théiculteurs* (FERWACOTHE) – in 2000, which was legally recognised in 2007. Jean Munyemana established FERWACOTHE. In 2014, he was still its President.[771] FERWACOTHE comprised four member cooperative unions.[772] In 2009, these unions comprised 14 primary cooperatives that served 31,000 households as their members (Mukarugwiza 2010).[773] In 2011, 37,528 tea growers were registered in the federation.[774] FERWACOTHE's main responsibilities include lobbying and advocating for better prices for green leaf tea, assisting in cheap access to fertilizers, improving access to transport to and from factories and advocating for farmers to be allowed to buy shares in privatised tea

771 Munyemana refers to himself as "a lifelong farmer" (Interview, Munyemana, May 2012). No other information was provided. He is the Chairman of the PSF's Agricultural Chamber.
772 Each union comprised three or four cooperatives (Interview, Venant Ngendahayo, FERWACOTHE, May 2012).
773 All cooperatives have not joined the federation.
774 Interview, Munyemana, President – FERWACOTHE, May 2012.

factories.[775] The government intends for FERWACOTHE to perform a similar role in the sector as the KTDA did in Kenya.

Tea production has increased since independence. Tea is cultivated more widely, farmers produce better quality leaves and made tea attracts healthier prices compared to average prices at the Mombasa tea auction.[776] Yield is still higher compared to the levels achieved by previous governments, reaching a peak in 2007 before gradually falling (Figure 8.1). Yield gradually increased during the 1960s and 1970s. However, as the area under tea cultivation increased and farmers were forced to produce tea, yield reduced in the early 1980s. As coffee prices fell, tea became more attractive for the government and farmers preceding 1994. Yield was steady till 1993 before dropping, only recovering in 1998. The increases in yield since the 1950s may also be influenced by an increase in prices. However, since 2008, despite increases in prices of tea exports, yield has decreased (Figure 8.2).[777] Between 1997 and 2004, average prices at the Mombasa tea auction were higher than prices attracted by Rwandan tea. Since 2004, Rwandan tea has been competitive with average prices at the Mombasa tea auction (Figure 8.3).



Source: FAOSTAT

[775] The low prices of tea leaves, the high cost of fertilizer and the lack of dividends from factories were listed as the primary concerns of farmers in a 2008 survey (Internal OTF documents).
[776] Made tea refers to black tea that is ready for export (after being processed in factories).
[777] This may be because of forced cultivation of tea as area under tea cultivation has increased.

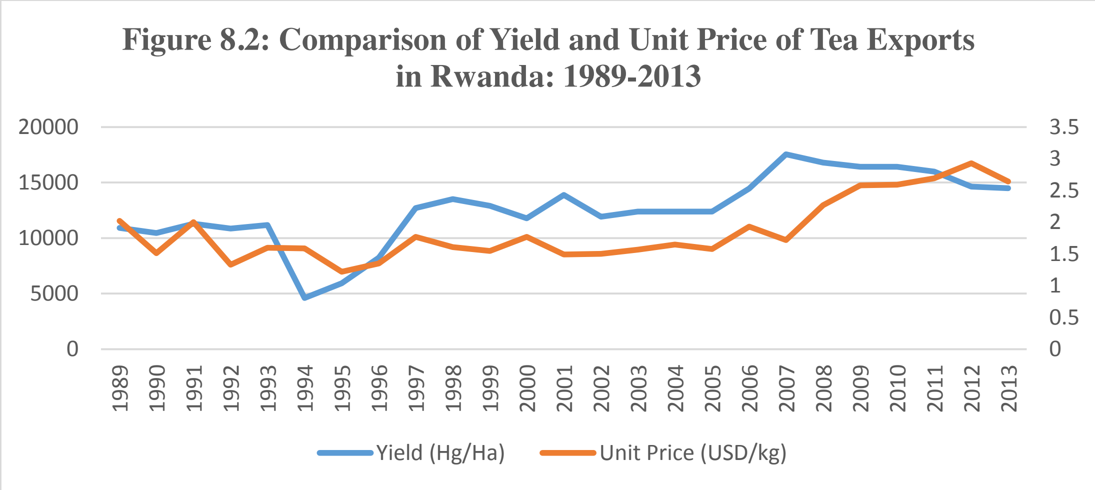


Figure 8.2: Comparison of Yield and Unit Price of Tea Exports in Rwanda: 1989-2013

Source: FAOSTAT and OCIR-Thé

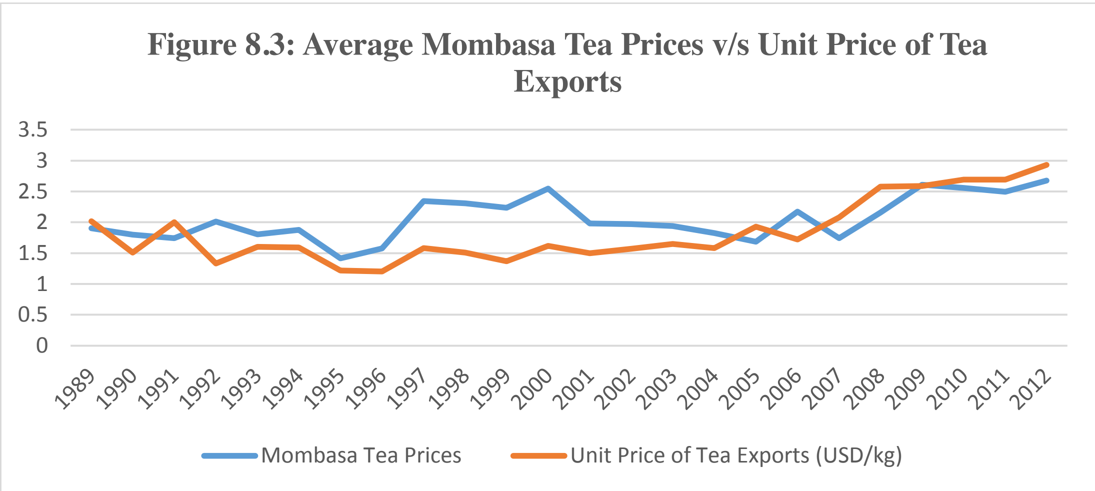


Figure 8.3: Average Mombasa Tea Prices v/s Unit Price of Tea Exports

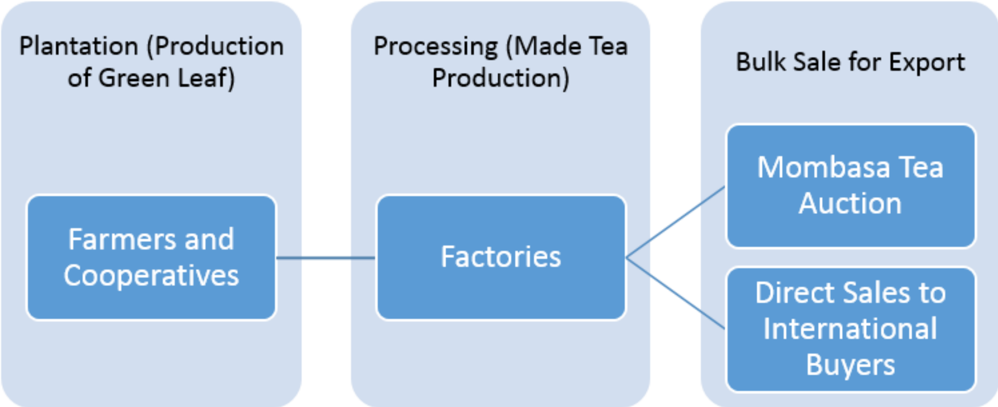
Source: OCIR-Thé and World Bank

The RPF government aims to move into value-added tea, mimicking the successes of Sri Lankan government-supported projects around Ceylon tea.[778] Boxes 8.1-8.2 show the value-chains for the production of bulk tea and value-added tea in Rwanda. The government prioritises reducing the share of its tea production that is sold at the Mombasa tea auction. Instead, priorities include selling tea directly to foreign clients, diversifying into specialty teas and manufacturing single-origin packaged tea for distribution in the domestic and international markets. Though the government has achieved some success in value-addition, 70 per cent of Rwandan tea was still sold at the Mombasa auction in 2008. The government still experiences

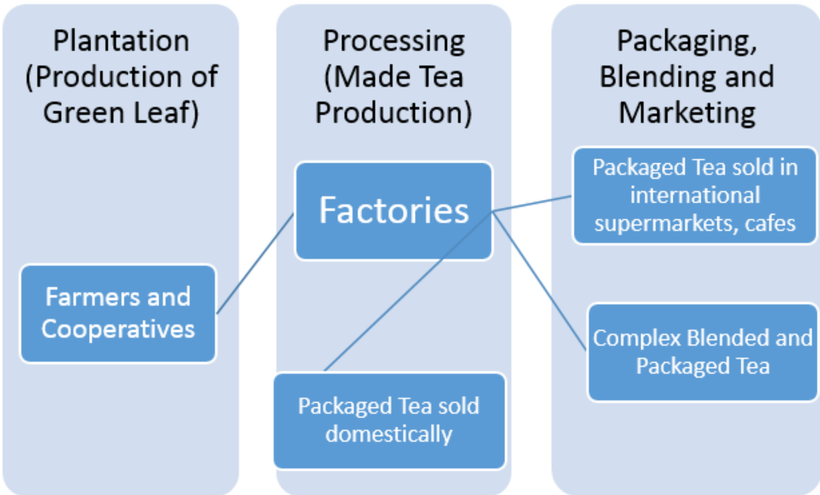
[778] Such projects were not prioritised in Kenya.

difficulties in organising labour to tea cultivation and building effective reciprocal control mechanisms with factory owners.

Box 8.1: Value Chain for Bulk Tea



Box 8.2: Value-Chain for Value-Added Tea



As is expected of any government, the RPF government has ignored the contributions of preceding governments in making initial investments in the tea sector. Most factories were actually built by Hutu-led governments. Preceding governments used the tea sector as a way to empower agrarian elites (or even remove some elites from direct control of the military).[779] During Kayibanda's reign, troublesome military elites (Sabin Benda, Aloys Nsekalije and Kanyarengwe) were given positions at tea factories to move them out of powerful military positions

[779] The RPF also empowers agrarian elites in similar ways. However, it does so while maintaining an image of embracing market-led reforms. Also, the government has empowered foreign agrarian elites (reluctantly), which previous governments did not (apart from US-owned SORWATHE).

(Green 2011). In the late 1980s and early 1990s, some of Habyarimana's Gisenyi-based elites were empowered through positions at OCIR-Thé and at tea factories. Rents from the tea sector were concentrated among Hutu power elites who were directly involved in the genocide.

RPF narratives emphasise the importance of market-led reforms in the tea sector, feeding the image that the government operates in line with donor advice. In the tea sector, the government was reluctant to cede control to international companies who would be difficult to discipline in line with value-addition strategies. An ambitious attempt to package single-origin Rwandan tea for international markets was undertaken by locally owned Rwanda Mountain Tea (RMT) in partnership with the government. The government has prioritised selling tea factories to build effective business-state partnerships with loyal elites. Retaining loyalty has proven difficult for the government. In one case, a tea factory originally sold to a trusted elite was later sold to an international company (without the knowledge of the government). In another case, one trusted elite (Rujugiro) later sided with the RNC. Assets of the factory he owned were confiscated. Other domestic companies have not matched foreign-owned firms in achieving success in diversification because they have been unable to develop international contacts.

This chapter also shows that the government (sometimes) struggles to provide an adequate supply of wage labourers to tea plantations. Sender and Smith's (1990) study in Tanzania suggests that resistance to proletarianisation could be ascribed to intra-household power relations where women are forced to confine their labour to household production.[780] In the tea sector in Rwanda, women often take on the work of plucking tea leaves.[781] Despite the government's policies to impose gender quotas on employment, work remains to counter patriarchal relationships at the household level (Nabalamba and Sennoga 2014). The government also failed to ensure wages were paid on time.[782] Companies requested more assistance and incentives to expand production processes. Success in achieving value-addition strategies depends on managing these constraints and organising labour to tea production effectively.

[780] This could be an area for future research.
[781] In a survey conducted in 1985 in Giciye commune, women comprised 19 per cent of the work force on tea plantations and performed the job of plucking tea leaves. This was the only form of off-farm wage employment for women in the area (Von Braun et al. 1991).
[782] Interview, Venant Ngendahayo, FERWACOTHE, May 2012

There has been no academic research undertaken in the post-1994 Rwandan tea sector. Information in this chapter has been obtained primarily from interviews (with representatives from all tea companies and relevant government officials at NAEB and MINAGRI), government documents and documents shared by consultants and donors. Statistical data has been obtained directly from NAEB. Some historical data has been obtained from public databases. For the section on the history of the tea sector, details from existing academic work are used.

8A: Historical Background

8.2 Tea during Kayibanda's Reign

The Belgian colonial administration did not cultivate tea in Rwanda. In hindsight, tea was recognised as the "ideal crop for Rwanda" with "42,000 acres of land, with an estimated productive capacity of 19,000 metric tonnes of tea potentially suitable for cultivation (with half of this land comprised of swamp and marshes)" (Nyrop et al. 1969, 158). Tea was introduced in Rwanda in the 1950s by some private settlers on an experimental basis. In 1957, acreage under tea was approximately 200 hectares and green leaves were processed in Uganda and Zaire (Von Braun et al. 1991). In the early 1960s, the European Development Fund (FED) carried out feasibility studies to expand tea production.[783]

In 1961, the first plantations were established in Mulindi (which had their first yield three years later) and later in Cyangugu. A tea factory with the capacity to annually produce 800 tonnes of made tea was constructed in Mulindi in 1962.[784] Nine tea plantations were established in Rwanda by the late 1960s. Some of these plantations had been converted from marshlands; others were located on hills and were developed by establishing *paysannats* (planned agricultural settlements). In 1966, the government had relocated 16,060 families on 24 *paysannats* (Nyrop et al. 1969, 47) – some of which were used to organise tea cultivation.[785]

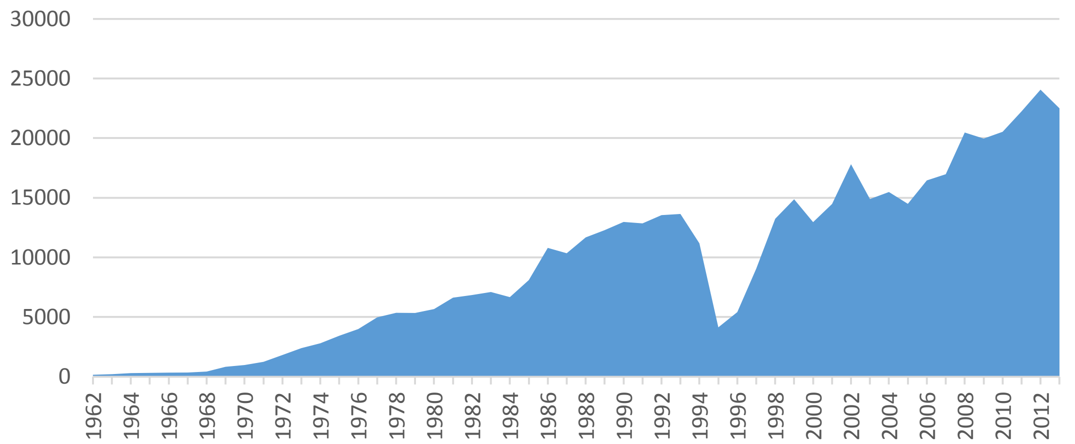
The government lacked the expertise to manage these plantations and factories – Mulindi (located in Byumba) and Shagasha (located in Cyangugu). A German firm, AGRAR and Hydrotechnik, won a tender to manage these factories and the plantations.[786] Production was largely undertaken by cooperatives, which were financed by the FED and supervised by AGRAR.[787] AGRAR's responsibilities were limited to establishing plantations and running the factory. The government and

[783] The FED underwrote the cost of 11 studies on tea production by 1968 (Nyrop et al. 1969).
[784] The capacity of the factory was increased to 1200 tonnes by 2001.
[785] Only one per cent of these families was on tea *paysannats*. The bulk of the families – 78 per cent – were on coffee-growing *paysannats*.
[786] In 1967, two of the nine plantations were run by private planters, small-scale farmers comprised one plantation and the government owned one plantation. Five were run by European settlers (Nyrop et al. 1969).
[787] The FED committed investments worth 402.1 million RwF to tea projects in Rwanda by 1971 (although nearly 100 million RwF had not been disbursed). AGRAR purchased tea at 9 RwF/kg, which was relatively generous considering unit costs should not have exceeded 4 RwF/kg (IMF 1973).

donors split the land into small plots for distribution to Rwandans who worked there (Voigt 2004). AGRAR then processed the tea in the two government-owned factories and sold the tea to companies in London.[788] Elites owned tea plantations and had managerial positions in tea factories.[789]

In 1963, Rwanda produced four metric tonnes of made tea. By 1967, production of tea had increased to 348 metric tonnes. By 1971, production was 1245 metric tonnes. Despite these increases, the value of tea exports in 1971 remained below six per cent of total exports. Area under tea cultivation had increased from 285 ha to 3085 ha in 1971. The quality of tea remained below that of other East African teas (IBRD 1968).

Figure 8.4: Total Tea Production (metric tonnes): 1961-2013



Source: FAOSTAT

8.3 Habyarimana and the Consolidation of the Agrarian Elite

Plans to build new factories were put in place during Kayibanda's reign. Tea expansion resonated with Habyarimana's racial egalitarian ideology, which emphasised the need for hardworking peasants to focus their efforts on producing export crops (coffee and tea) for the good of the nation (Verwimp 2006). Eight tea factories were built during Habyarimana's reign – Pfunda, Gisakura, Gisovu,

[788] AGRAR was first managed by Werner Voigt who set up the Mulindi plantations and factory and later similar operations in Cyangugu (Voigt 2004).
[789] Not all these posts were ways to appease elites. Sabin Benda was sent to manage the OCIR-Thé factory in Shagasha as a way to get Benda away from Kigali. Benda joined Habyarimana in mounting a successful coup in 1973. Aloys Nsekalije (who was also part of the same group) was also sent to head a tea factory.

Rubaya, Nyabihu, Kitabi and Mata. Plantations were also developed in the neighbouring areas around these factories. A factory was also constructed in partnership with American investors – SORWATHE. Production rose because of these investments. Yield showed steady improvements till 1977 before declining and picking up again. Till 1984, tea prices were healthy and investments paid dividends. Tea production nearly tripled in the first ten years of Habyarimana's reign.

The total acreage devoted to tea cultivation increased from approximately 285 ha in 1962 to 10,120 ha in 1984 (Von Braun et al. 199, 22). Some of this land was redeveloped from marshlands, forest land, cultivated land and pasture land (Verwimp 2011). Habyarimana's tea expansion exercises (contradicting his speeches and his 'egalitarian' ideology) occurred at the cost of the population.[790] Expropriation of land was met with "hostility" in some places (Bart in Verwimp 2011, 406). Some peasants complained that tea plantations claimed the most fertile tracts of lands (Pottier 1986, 211). In other places, dislocated farmers were compensated with "a higher proportion of tea-factory work" (Von Braun et al. 1991, 82).[791] Farmers were faced with a choice to cultivate tea or produce their own food (or food to be sold on the market). Habyarimana's development project depended on farmers cultivating tea and wageworkers seeking work on tea plantations. Like in the coffee sector, Habyarimana's 'racial egalitarianism' masked the coercive elements of the regime where resistance was suppressed.

Labour was organised by facilitating class differentiation in rural areas by the end of the 1980s.[792] According to a 1988 survey, the 51 highest income households generated an average income of 253,000 RwF per year – 3.6 times the average of households outside this high-income group (Clay et al. 1997). These high-income households showed evidence of 'straddling' and 77 per cent of these households had a family member employed as a functionary or a small businessman (ibid). This showed evidence that an agrarian elite was created. Meanwhile, 47 per cent of all households surveyed indicated family members held off-farm employment, with 31 per cent of all households employed as agricultural wage labourers on the farms of

[790] Habyarimana's peasant ideology prioritised national food security. However, "the production of export crops was only beneficial to the population as long as incomes from export crops were higher than incomes from food crops" (Verwimp 2006, 6).
[791] Von Braun et al. (1991) interviewed 32 households that were displaced in Gishwati in a second round of displacements for the Rubaya and Nyabihu tea factories in 1986.
[792] The 1988 survey administered questionnaires to 1,019 households (Clay et al. 1997).

their neighbours (ibid). This indicated increased rural differentiation, which may have been a source of grievances. Such findings tally with André and Platteau's study (1998), which shows that inequality in rural areas was a source of grievances (but were not an independent cause of violence).

In the tea sector, the agrarian elite comprised those who owned tea plantations, held leadership posts at tea factories or were OCIR-Thé officers. While tea prices were high in the 1970s and the economy was vibrant, Habyarimana shared power among Northern elites (from Ruhengeri and Gisenyi). After the failed coup in 1980, Habyarimana increasingly relied on the Gisenyi elite. Donor investments assisted the government in managing high operation costs in the sector.[793] The tea sector was one of the few places where funding remained secure in the late 1980s. The guaranteed source of funding in the sector made it an ideal source of rents for the *akazu*. Verwimp (2001, 4) claims that "only the *akazu* really benefited from tea production." Elites who held interests in the tea sectors included *akazu* members or perpetrators of the genocide e.g. Felicien Kabuga,[794] Michel Bagaragaza,[795] Alfred Musema,[796] Denis Kamodoka[797] and Juvénal Ndabirinzi[798] (Des Forges 1999, Verwimp 2001).

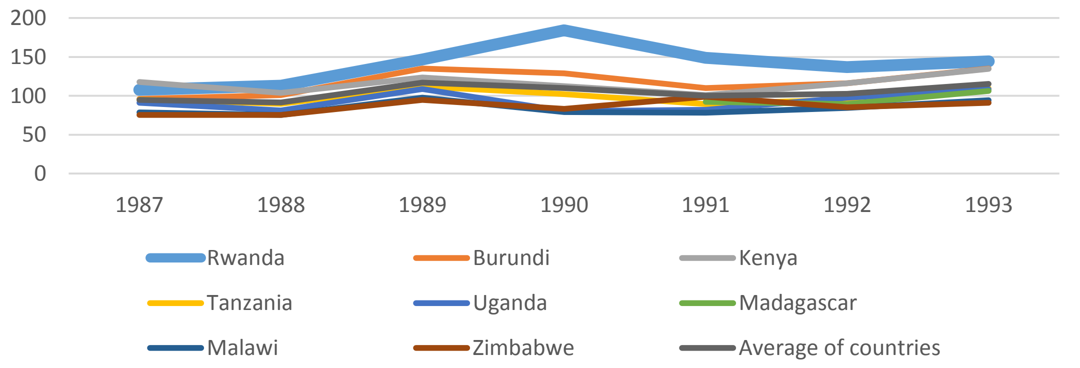
Global tea and coffee prices began to fall in 1984 and 1985 respectively. When global prices of coffee and tea were high, the government paid a high producer price to farmers. The collapse of these prices forced the government to lower the farmgate price and reduce social services by 40 per cent (Verwimp 2003). Despite reduced prices, Habyarimana continued to force farmers to grow both coffee and tea on top of taxes and compulsory labour through *umuganda*. The government restricted fertilizer use to the production of cash crops (Verwimp 2002). Expansion of tea plantations continued. Several hundred households were removed from their land to develop new tea plantations around Mulindi and Gisovu (Verwimp 2003). Wages on tea plantations often covered only part of the nutritional needs of labourers

[793] In 1989, the IFC approved a loan to SORWATHE (51 per cent owned by US investors). SORWATHE was responsible for 18 per cent of production in Rwanda at the time (EIU 1989).
[794] Kabuga owned tea plantations and other businesses. His daughter was married to Habyarimana's son (Kagire 2012b).
[795] Bagaragaza was Head of OCIR-Thé. Bagaragaza also used his position to supervise drug trafficking (cannabis), which had developed under the control of the *akazu* in the 1980s (Braeckman 1994, Storey 2001). Bagaragaza had earlier served as the Speaker of the National Assembly.
[796] Director of the Gisovu Tea Factory since 1994
[797] Director of the Kitabi Tea Factory
[798] Director of the Mata Tea Factory

(Verwimp 2002). Government-enforced discipline was met with resistance with farmers refusing to pay taxes or avoiding *umuganda*.[799] Wageworkers also formed support bases for agrarian elites, with employment at tea plantations one of the few sources of wages (Des Forges 1999). Businessman Kabuga gained some of his popularity by offering employment to farmers on his plantations (Kagire 2012b). Kamodoka and Ndabarinzi led their employees at tea factories (most of whom were party supporters) in the first attacks in April 1994 in Rwamiko and Mudasomwa communes in Southern Province (Des Forges 1999).

Tea was also prioritised in the late 1980s and early 1990s because the growing reputation of the quality of Rwandan tea began to fetch higher prices. Despite the global fall in tea prices, Rwandan tea drew comparatively high prices at the Mombasa tea auction between 1987 and 1993 (as compared to other African teas – Figure 8.5, 8.6). Rwandan tea enjoyed a healthy reputation because of the country's high-quality soils. Tea production increased despite a reduction in prices (Figure 8.7). Tea never rivalled coffee as the primary export during Habyarimana's reign. In the early 1990s, tea export revenues were directly linked to funding violence. Egypt sold \$6 million in arms to Rwanda in March 1992 (HRW 1994). Rwanda paid for some of these arms through a delivery of Rwandan tea, worth one million dollars, and a pledge of future tea harvests from the Mulindi plantation (ibid).[800]

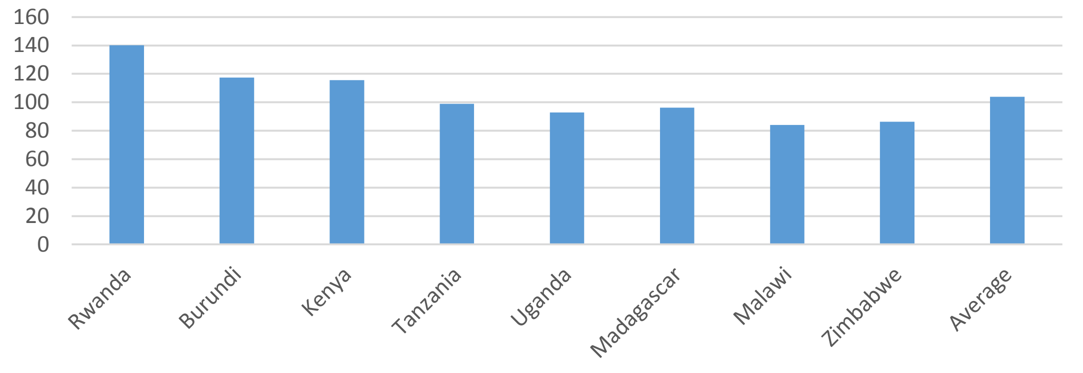
Figure 8.5: Average Price of Tea of Different Countries (UK pence/kg): 1987-1993



Source: OCIR-Thé

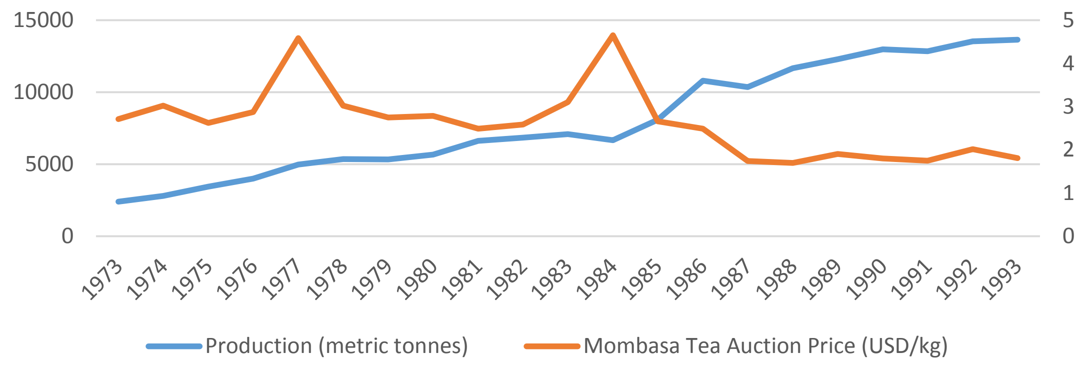
[799] Tea expansion was resented by farmers since many farmers "on the land frontier were forced to move and ended up with smaller parcels" (Verwimp 2011, 416).
[800] In 1993, the Mulindi tea plantation was taken over by the RPF and the factory was not in operation. The Credit Lyonnais eventually took the hit and the company's general manager was fired because of the losses (Prunier 1995).

Figure 8.6: Average Price of African Teas (Cents/kg): 1987-1993



Source: OCIR-Thé

Figure 8.7.: Made Tea Production and Mombasa Tea Prices (USD/kg)



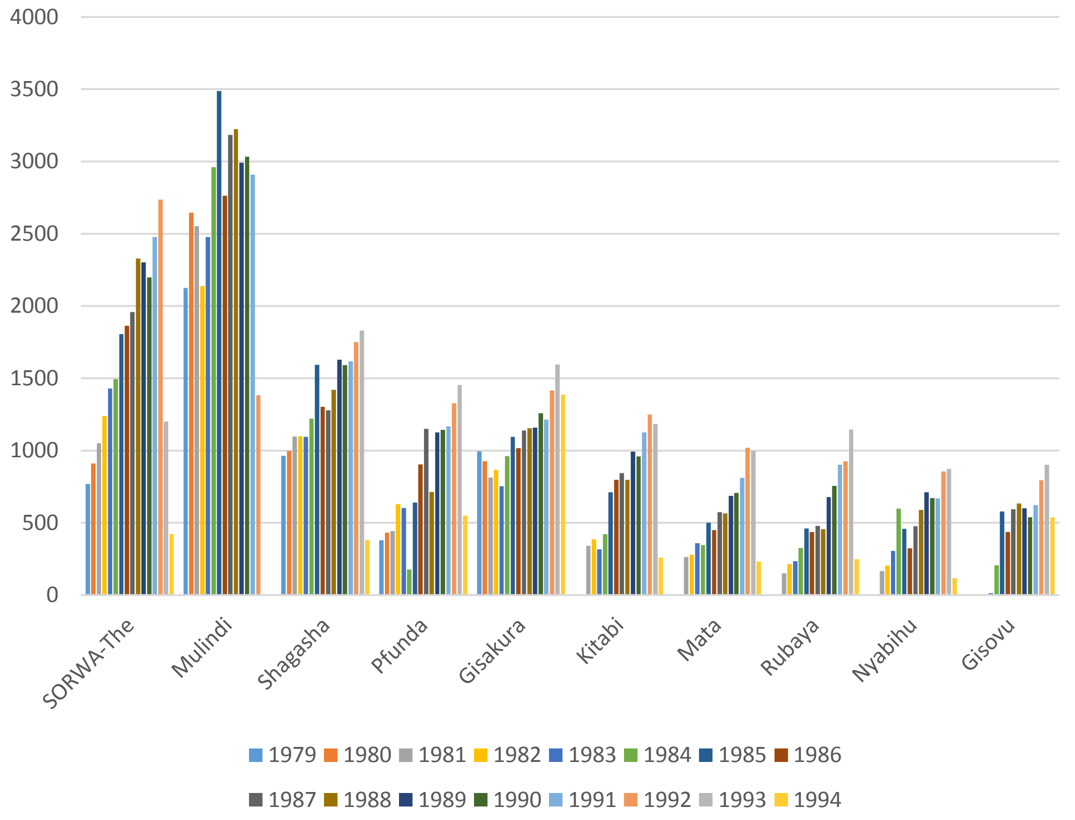
Source: World Bank, FAO and OCIR-Thé

Despite reduced tea prices, most factories had consistent increases in production in the 1980s and in some years during the 1990s (Figures 8.8-8.9). Increases occurred despite a proportion of the tea harvest being smuggled out of Rwanda for resale (EIU 1992b, 1994). Production in the Mulindi factory was the first affected by the tensions in the 1990s, with production in 1992 being less than half the production in 1991. In the following two years, the factory was not in operation and the tea crop in surrounding plantations was damaged. The RPF established its headquarters in Kigali at the Mulindi factory in 1993. National tea production only decreased by 8.5 per cent between 1992 and 1993, compared to a 28 per cent decrease in coffee production and a 33.5 per cent decrease in mineral production.[801]

[801] Calculated from Official NAEB and OGMR data.

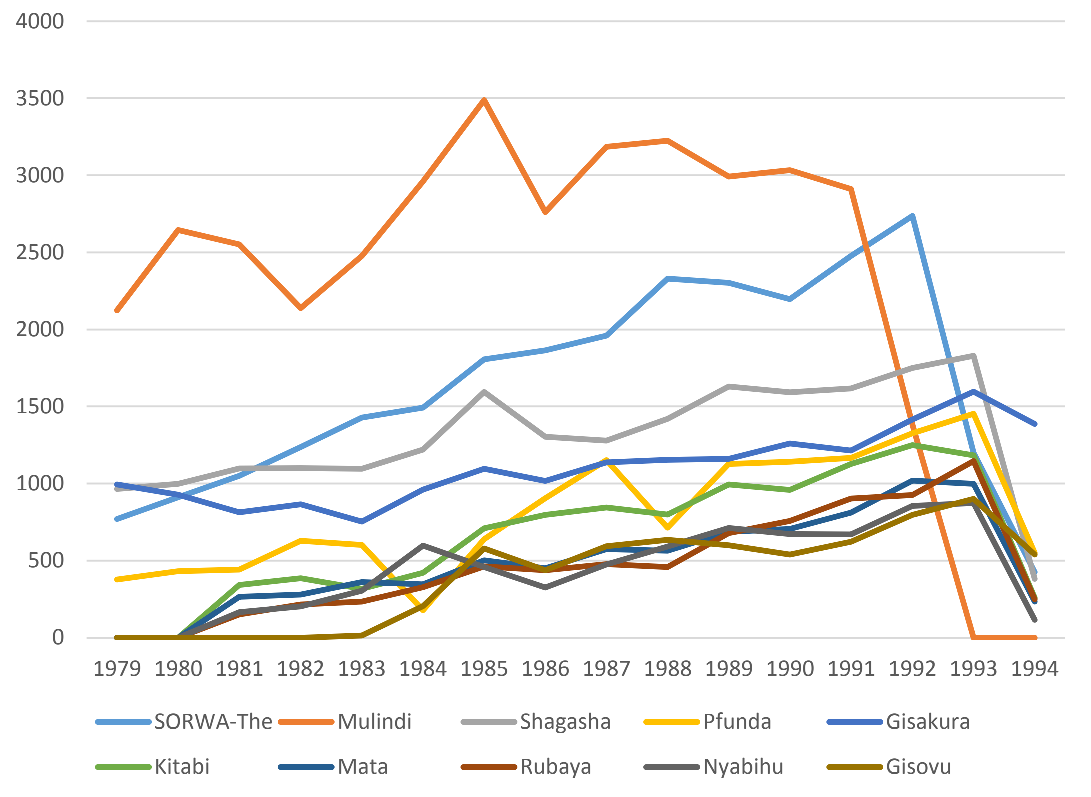
Even in 1994, Rwanda produced over 4000 metric tonnes of tea. Gisakura and Gisovu continued to produce tea in early 1994 (Figure 8.7-8.8). Musema, director of the Gisovu Tea Factory, also led early killings during the genocide – using Gisovu's cars and trucks to transport *Interahamwe* to massacre sites (Verwimp 2004, 242). Many factories and plantations were destroyed in 1994. Some infrastructure was stolen. The Shagasha factory was dismantled and the machinery was taken to Zaire (EIU 1994).

Figure 8.8: Production by Tea Factory (tonnes): 1979-1994



Source: OCIR-Thé

Figure 8.9: Comparative Production by Tea Factory (tonnes): 1979-1994



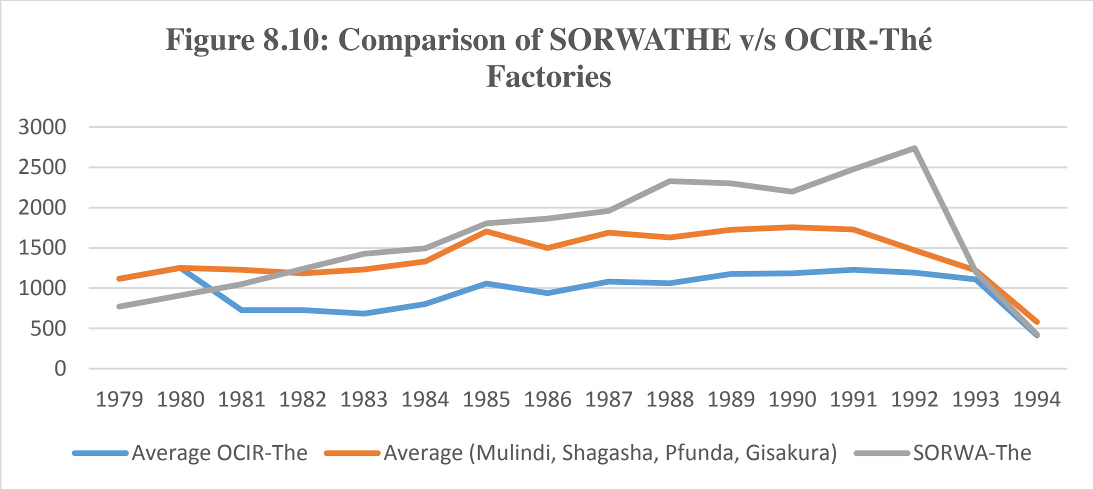
Source: OCIR-Thé

8.4 SORWATHE (Société Rwandaise du Thé)

In the 1970s, the Kayibanda government explored the possibility of building a factory in Cyohoha in Northern Province. An experimental plot in Cyohoha swamp was drained and tea bushes were planted in the area. The government ran out of money before a factory could be built. In 1975, a joint-venture was established between Joe Wertheim's US-based Tea Importers, Inc. (51 per cent) and the government (49 per cent), to build the factory.[802] The IMF and the Overseas Private Investment Corporation helped finance the factory.[803] SORWATHE began producing tea in 1978. By 1982, the SORWATHE factory was only second in production to Mulindi. Between 1979 and 1989, production at SORWATHE nearly tripled. After 1982, SORWATHE's annual production was consistently more than the average of

[802] The US Embassy was directly involved in these negotiations. "Habyarimana had instructed GoR officials to reach agreement (with Wertheim) since project was greatly needed and GoR must bear in mind its good relations with the US" (Wikileaks 2006).
[803] The FED and USAID also financed the project (Gathani and Stoelinga 2013).

OCIR-Thé factories and the average of OCIR-Thé's original four factories (Mulindi, Shagasha, Pfunda and Gisakura). Production reduced between 1992 and 1994 as fighting surfaced near the tea factory.[804]



SORWATHE employees maintained that Wertheim's contributions influenced the transformation of the domestic tea sector. Cally Alles joined as the company's technical director in 1978. He worked for SORWATHE in Rwanda from 1978 to 1984. After working in Kenya and Burundi, he returned to Rwanda in 1996. Alles then managed SORWATHE until he retired in 2012. He then moved back to Sri Lanka where he served as Honorary Consul of Rwanda. Alles compared the Habyarimana and Kagame governments and detailed SORWATHE's contribution:

> "Tea has come a long way. The former government was not professional at all. Those people were unqualified and did not know what to do. They weren't interested at all in the population. These new guys are very dynamic, visionary even. This government tries hard to cooperate with us. The others wanted to make money and were not interested in private ownership. The old government had to drain swamps to get land because of the population pressure. They needed an investor and Joe Wertheim came in. With his investments, the tea sector developed."[805]

Alles' observations regarding the corruption of the last government must be considered while highlighting his close relationship with the RPF government. Nevertheless, Wertheim's investments brought increasing revenues to the sector. The

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[804] During a visit to the USA, Kagame was warned by a State Department Desk Officer that the tea factory had American interests. The RPA "had come close to the tea plantation" in 1992 (Rudasingwa 2013, 117).

[805] Interview, Cally Alles, SORWATHE, February 2012. Similar observations were made by a respondent who worked at OCIR-Cafe in the 1980s. "Coffee was not so bad. The most important people were in tea and there was easy money in tea" (Interview, NAEB Official, February 2012).

Habyarimana government was reluctant to open up the sector to other investors despite SORWATHE's success. Donors did not force the government to privatise tea factories in the early 1990s despite the structural adjustment programme that was adopted in 1990.[806] They were lenient with Habyarimana's government, hoping that the economy would recover (Storey 2001). Donors continued to fund expansion within the tea sector, ignoring the consolidation of *akazu* interests in the tea sector. Elites concentrated rents from the sector among themselves. No long-term strategy was developed to counter the sector's vulnerability to global price fluctuations. Little emphasis was placed on increasing productivity, technological advances or attracting new investments (considering SORWATHE's success). Chapter 8B will demonstrate that the RPF government's policies have been strikingly different.

[806] The structural adjustment programme included the privatisation and restructuring of some state companies, including a state-run printing press and a paper mill (Storey 1999).

Chapter 8B: Economic Nationalism in the Rwandan Tea Sector

The RPF government has overseen an increase in both the volume and value of tea exports (Figure 8.11-8.12). NAEB has committed to distributing over 43,000 seedlings by 2017, which could result in tea earnings doubling to almost $147 million.[807] RPF narratives depict improvements to have benefited farmers. Government officials argue that prioritising the formation of cooperatives and a federation, FECOMIRWA, are signals that such improvements have occurred.

> "Think about this tea you are buying in Tesco. The Rwandan farmer gets almost nothing as a percentage of that. Our President wants us to make sure that the Rwandan farmer gets the most money possible. That is what value-addition will enable us to do… Forming cooperatives and empowering these farmers makes this possible."[808]

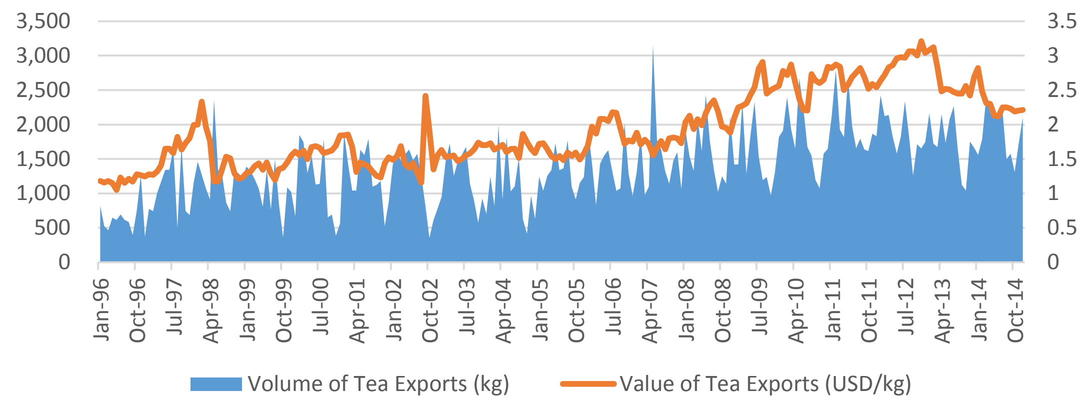
RPF narratives emphasise the importance of privatisation in the sector's revitalisation.

> "In tea, we were forced to do it first. But the government should not be in business. It is because of privatisation that technology has come and also efficiency. Without that, it would be difficult."[809]

> "After 1994, the government was still putting together the basics. After 2000, the President pushed for economic development. At the centre of this is developing the private sector, promoting investment and exports. Look at the tea sector. We have almost privatised every factory. You can see how exports have improved. For us, we just have to build the right environment for investors. But we don't stop there. We are always working for farmers. They are at the centre of the President's plans… For us, value-addition is important to build a long-term strategy."[810]

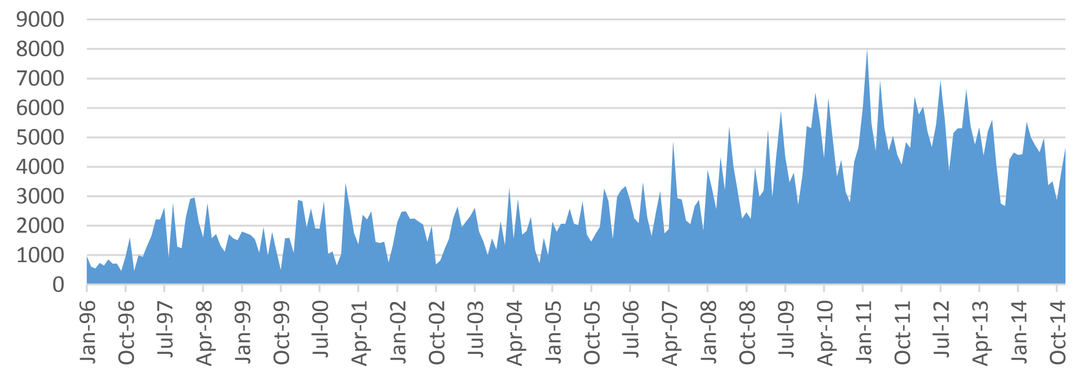
[807] In 2013, the government had only distributed 53 per cent of the seedlings that was targeted at that stage of the plan.
[808] Interview, Office of the Prime Minister, February 2012.
[809] Interview, NAEB, November 2011.
[810] Interview, Clare Akamanzi, COO – RDB, November 2011.

Figure 8.11: Volume and Unit Value of Tea Exports



Source: MINECOFIN

Figure 8.12: Total Value of Tea Exports (Million USD): 1996-2014



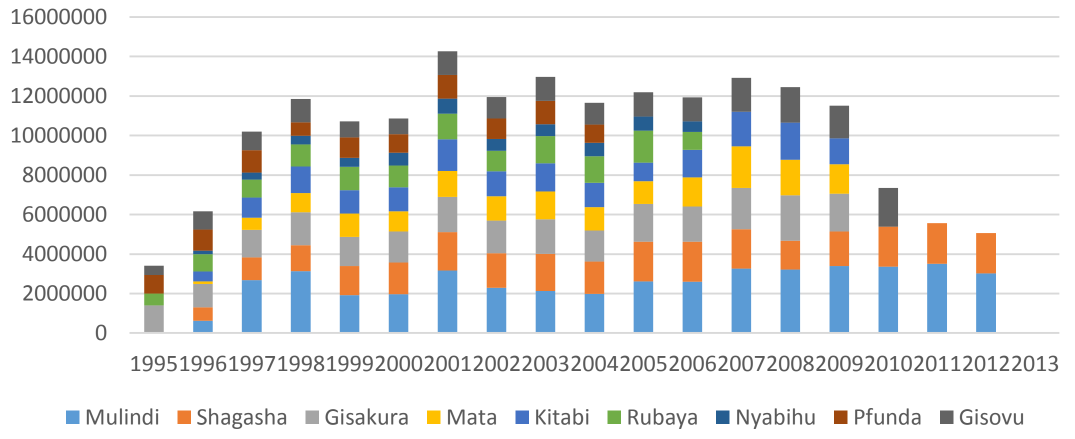
Source: MINECOFIN

These narratives do not portray an accurate picture of policies in the tea sector. Cooperatives work as an instrument to organise tea producers and to facilitate accumulation strategies. It is unlikely that profits obtained from tea exports are reaching vulnerable workers in the sector (of course, such conditions are not unique to Rwanda). The price of green leaves, though improving, was among the lowest in the region for most of the 2000s.[811] Given high transport costs and low yields, factories depended on maintaining low wages to retain profits.[812] Despite the unequal outcomes in the sector, tea expansion provided opportunities of wage employment at factories, plantations and farms.

[811] Internal OTF document. Studies by OTF claimed that farmers would have to increase their average farm size from 0.25 ha to 0.5 ha to achieve targeted gains. However, studies recognised such expansion was "unlikely."
[812] Internal OTF document.

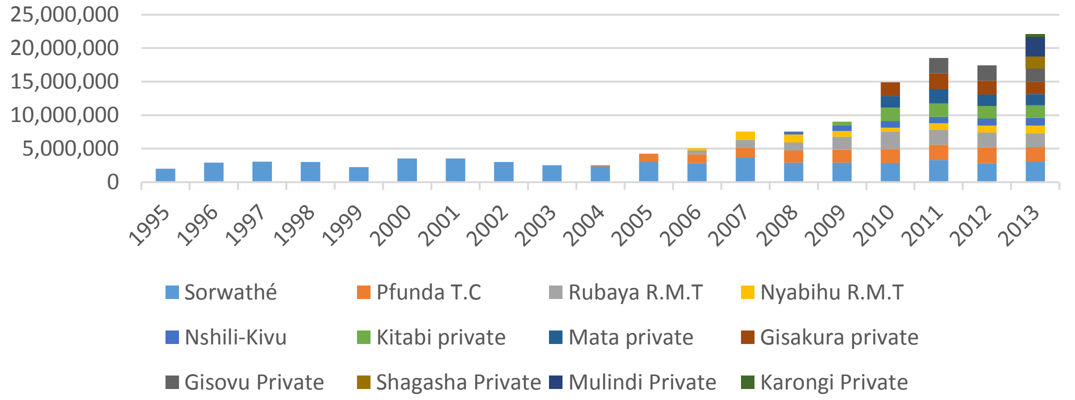
Privatisation has coincided with increases in production and quality at the tea sector (Figures 8.13-8.15). Privatisation has been strategic, along similar lines as Hibou’s (2006) ‘Privatisation of the State.’ The government preferred to sell these factories to loyal elites while recognising the importance of exposing the sector to international competition. However, this strategy has not worked as planned. Growth in the sector has been inhibited by the government’s difficulties in building effective reciprocal control mechanisms with factory owners.

Figure 8.13: Production by OCIR-Thé Factories (in kgs)



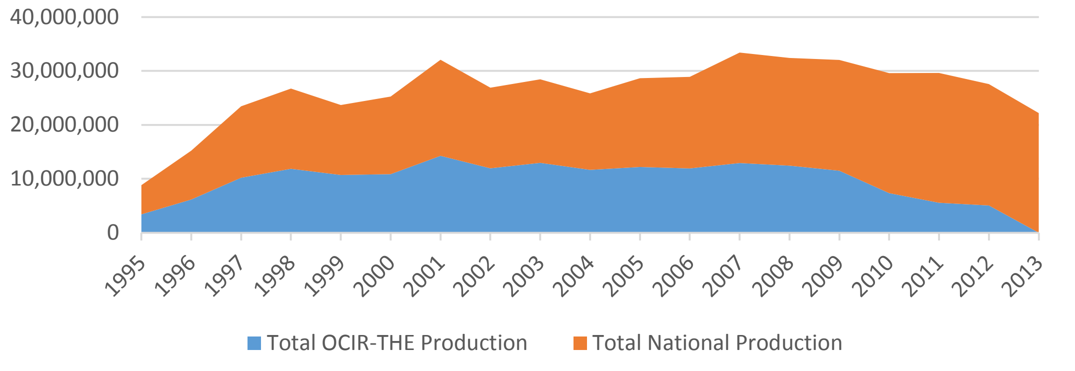
Source: OCIR-Thé

Figure 8.14: Production of Privately owned Tea Companies (in kgs)



Source: OCIR-Thé

Figure 8.15: OCIR-Thé production as share of National Made Tea Production



Source: OCIR-Thé

As of 2012, the government no longer had majority ownership in any tea factory. All factories were attracting better prices (USD/kg) for their tea exports in 2012 compared to 1998.[813] Only three factories were attracting better prices on their tea exports than the average annual price at the Mombasa auction (Figure 8.16).[814] All factories (with the exception of SORWATHE) were exporting more volumes of tea in 2012 than in 1998 (Figure 8.17).[815] All factories earned more revenue from tea exports in 2012 than they did in 1998 (Figure 8.18).[816]

The government has managed to achieve some progress in value-addition. However, progress did not occur at the pace that was initially targeted. The government relied on national champions through an investment group (RMT) to pursue such strategies. Inadequate market research and branding led to the project's failure. Domestic companies also struggled to match the success of foreign-owned companies in obtaining contracts through direct sales. The government failed to invest in marketing Rwanda tea, struggled to deal with infrastructural constraints and was only partially successful in facilitating those investors who expressed willingness to embrace value-addition strategies.

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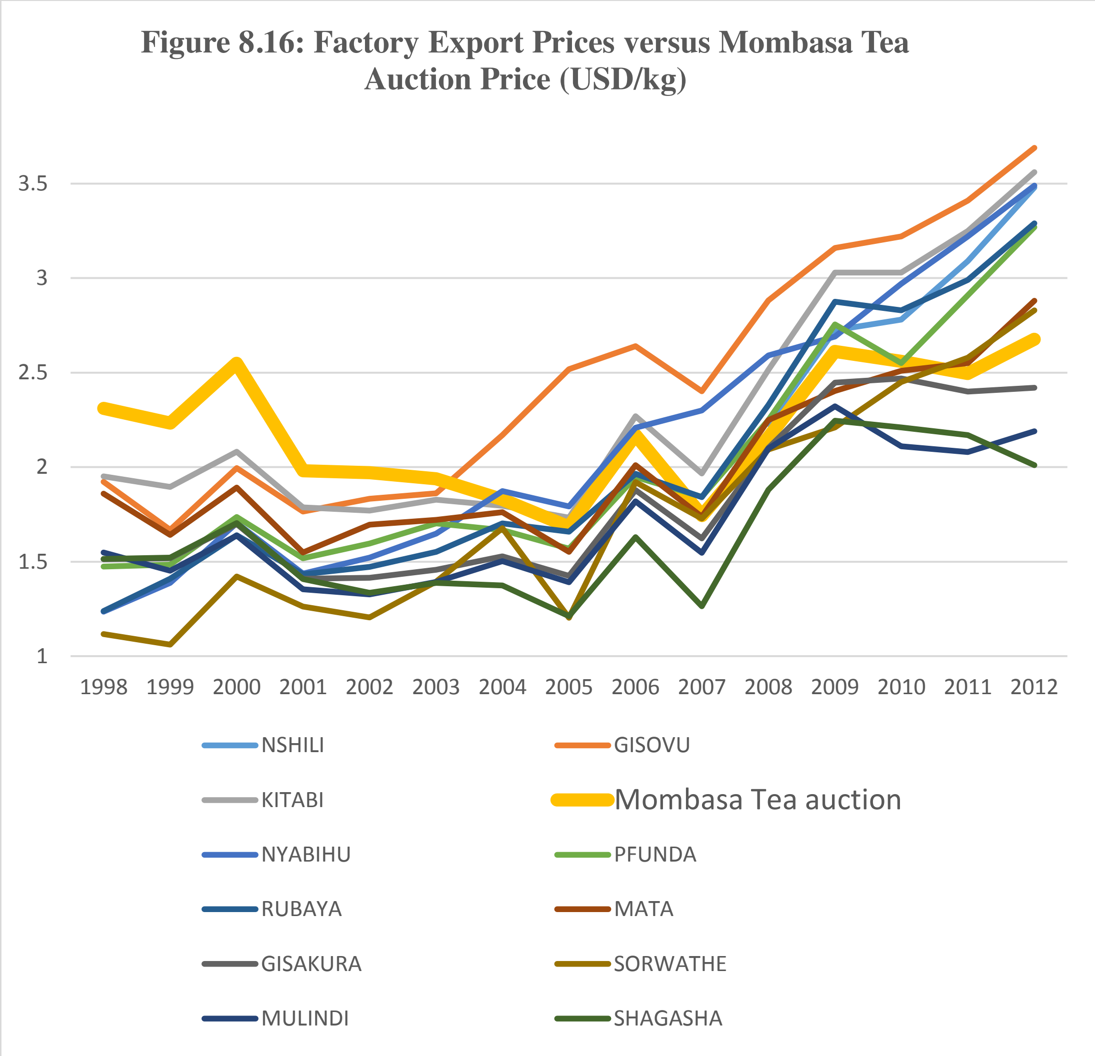
[813] Nyabihu (183 per cent), Rubaya (166 per cent) and SORWATHE (154 per cent) had the sharpest increases in value (USD/kg).

[814] The three factories (Mulindi, Shagasha and Gisakura) that attracted comparatively lower prices were the last three factories to be privatised.

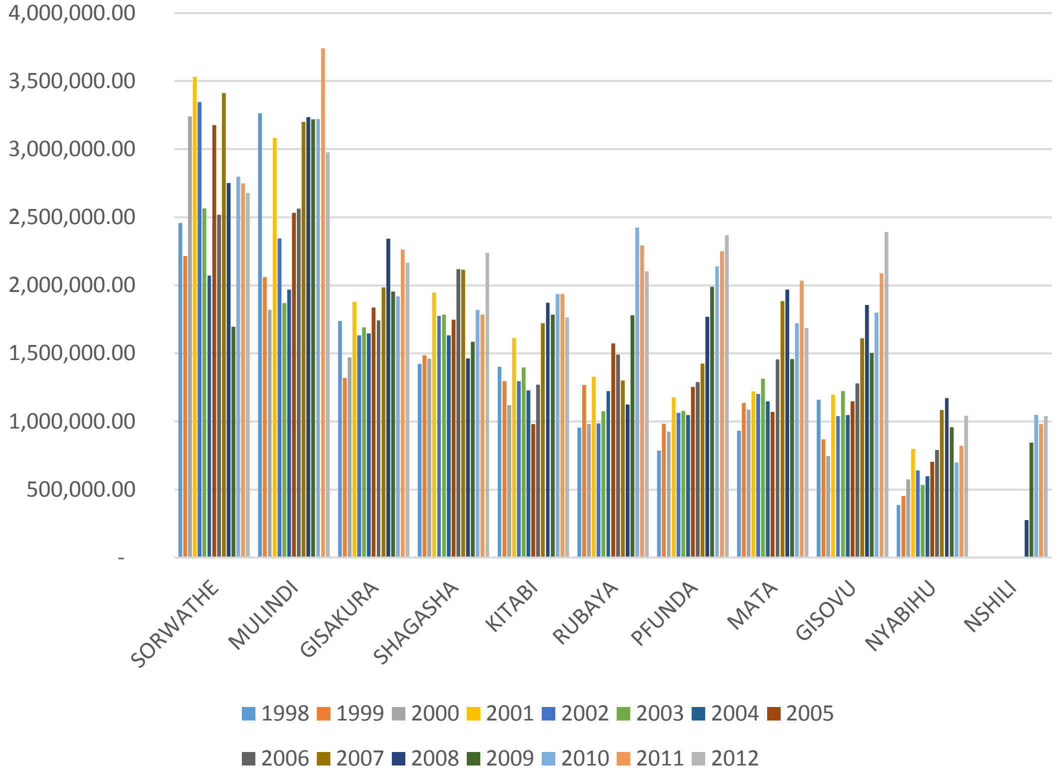
[815] SORWATHE produced less made tea in 2012 compared to 1998. It also packaged tea domestically, which affected the volume of tea exported.

[816] Nyabihu (87 per cent), Pfunda (85 per cent) and Rubaya (83 per cent) had the most significant increases in revenues between 1998 and 2012.



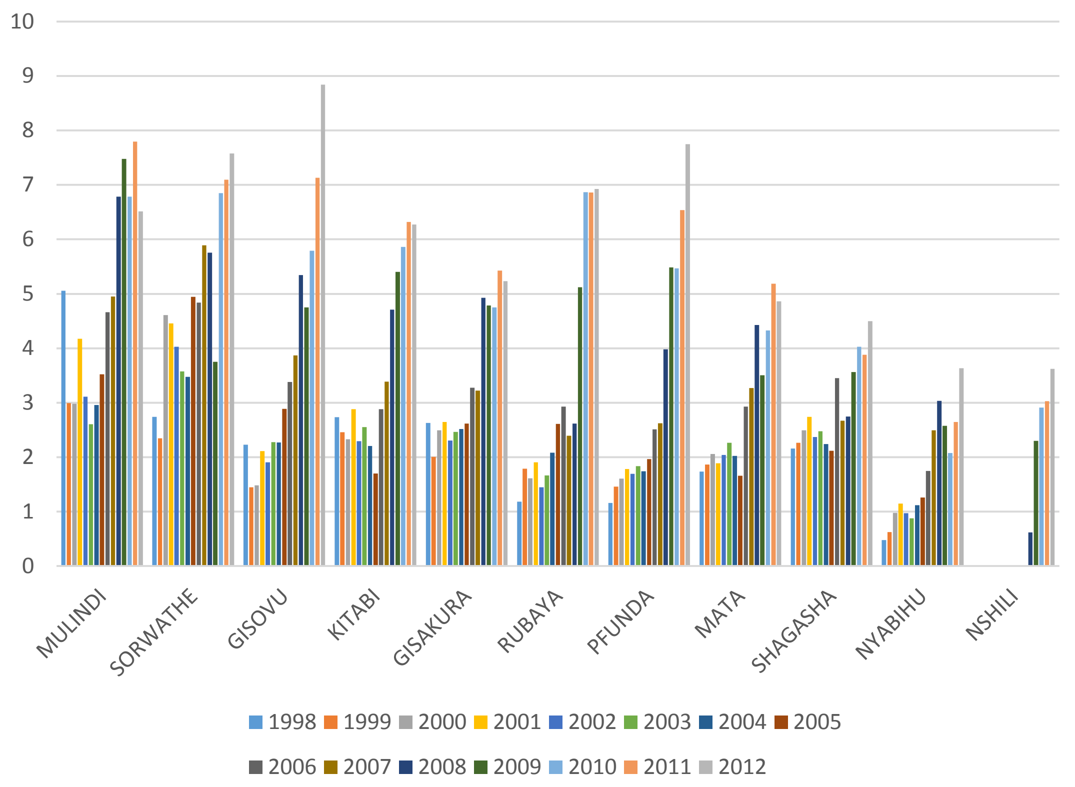
Source: OCIR-Thé

Figure 8.17: Volume of Tea Exported by Factory (in kgs): 1998-2012



Source: OCIR-Thé

Figure 8.18: Value of Tea Exported by Factory (Million USD): 1998-2012



Source: OCIR-Thé

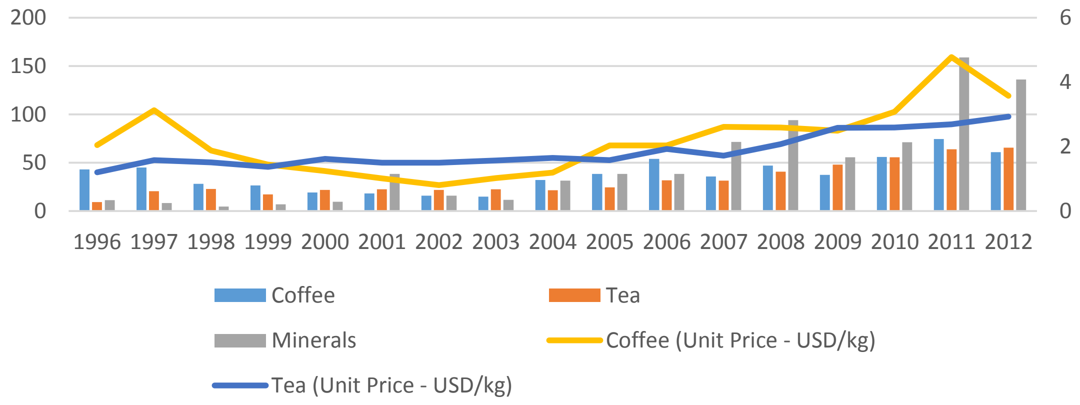
8.6 Post-war Rehabilitation

During the war, most tea factories, plantations and tea bushes were damaged. Gisakura was among the few factories that were left untouched by the genocide. In 1995, Pfunda, Rubaya, Gisovu and SORWATHE also produced and exported tea.[817] The European Commission invested in the rehabilitation of state-owned tea factories and plantations between 1994 and 1997. These investments contributed to the achievement of a historic high of nearly 15000 tonnes of tea exports in 1998. Government-owned factories suffered from low productivity, insufficient profits and low investment in processing capacity (despite favourable world prices) (IMF 2000). Meanwhile, privately owned SORWATHE generated significant profits in 1997-98 (ibid). Production and exports rose primarily because of donor support. In particular, STABEX provided much-needed funds to assist government initiatives.

[817] SORWATHE production was disrupted in 1995 after the company's Assistant General Manager fled Rwanda because of threats over his impending arrest. He fled to Uganda in a SORWATHE-owned car (Kantor et al. 2011).

In the late 1990s, the RPF government perceived tea as priority sector. Gradually, coffee prices recovered in 2004 and coffee regained its importance. Initially, tea was a source of diversification away from coffee. Between 2000 and 2004, tea exports brought in more revenues than coffee exports.[818] There were a number of reasons for this. Tea plantations were regenerated in the three years after the genocide.[819] However, most coffee trees were old and there was limited financial assistance for the coffee sector in the 1990s. The government found it easier to facilitate the supply of labour for tea production because tea plantations were located close to tea factories. Coffee trees were dispersed across the country and production in the Northwest was affected because of conflict. Also, global tea prices were relatively steady in the late 1990s and early 2000s whereas coffee prices had fallen and were more volatile.

Figure 8.19: Comparison of Tea, Coffee and Mineral Exports (Value - Million USD)



Source: MINECOFIN

By 2012, total acreage for tea cultivation had expanded to 22,025 hectares (up from 12,962 hectares in 2001). OCIR-Thé also invested in replanting damaged and old tea plantations. For example, 1200 hectares of tea were replanted in 2007 and 15000 hectares were replanted in 2008 (MINAGRI 2008b). The expansion represented a 69.9 per cent increase from the area under tea cultivation in 2001.[820] During this time, the tea production units (including BI, cooperative land and TV) for most factories expanded. Only two tea production units (Mulindi and Shagasha)

[818] Between 2000 and 2004, tea was also Rwanda's main export (except for 2001 when minerals were the top export). Tea also outperformed coffee in 2009.
[819] Tea bushes require three years to mature.
[820] Author's calculation.

reduced in size. These two units were the first two factories built, the last two factories to be privatised and the worst performing factories by unit value of tea exports. Three tea production units expanded by more than 30 per cent.[821]

Nshili-Kivu was the first new factory constructed by the RPF government (in 2008). Plantations for Nshili-Kivu were established in the early 1990s, with African Development Bank (AfDB) funding. Green leaf produced at the Nshili-Kivu plantations fed the Mata factory, accounting for nearly 30 per cent of Mata's green tea supply (until the Nshili-Kivu factory was built). In the late 1990s, donors agreed to fund the project, with the stipulation that the factory would be under private control.[822] Then-loyal local investor Rujugiro stepped in to invest in the construction of the factory.[823] IFAD-sponsored PDCRE supported this investment.[824] There were signs of reciprocity in this state-business partnership since the Nshili-Kivu plantations were situated on land that was best suited for tea production. However, Rujugiro later fell out with the government.

The government initiated plans to build five more factories. Karongi was constructed in 2013. Mushubi and Gatare were nearly finished. To avoid pressure from donors to privatise these factories through a monitored process, the government encouraged local investors to build these factories on patriotic grounds.[825] Two other factories, Muganza-Kivu and Rutsiro, were in the early planning stages. Rather than supporting the construction of factories, most donor projects such as PDCRE and PRICE focused most of its funds and efforts on strengthening cooperatives. Rwandan tea now attracts among the best prices at the Mombasa tea auction. Rwandan tea (on average) attracted the second-best prices in Africa at the Mombasa tea auction in 2010, 2011 and 2012.[826] Kitabi won the best tea in the black CTC tea category at the East Africa Tea Traders Association's Second Africa Tea Convention in 2013. Gisovu won the third prize. SORWATHE won the best specialty tea in the green tea producer category (Gasore and Ngoboka 2013).

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821 These factories were Nshili-Kivu (the youngest factory), Rubaya and Nyabihu (all under domestic private ownership).
822 Internal OCIR-Thé documents
823 Rujugiro's assets including the Nshili-Kivu factory were seized in 2013.
824 IFAD projects financed 40 per cent of the construction of new factories. Private sector owners contributed 60 per cent. (Interview, Alfred Mutebwa, April 2012).
825 The Multi-Sector Investment Group built the Mushubi factory.
826 NAEB data.

8.7 Organising Labour through Cooperatives: Retaining Loyalty and Minimising Resistance

In the 1990s, the 'new' agrarian elite was "composed mainly of town dwellers owning large swathes of land in the rural areas" (Musahara and Huggins 2005, 282). The government's land policies allowed individuals to acquire large pieces of land at relatively low prices.[827] After 1994, RPF elites were guilty of taking over large tracts of land in the Eastern Province (Musahara and Huggins 2005).[828] Kagame forced many of these senior RPF members to give up the land that they had acquired using "under-hand" methods (Kimenyi 2008).[829] Agrarian elites bought land assets (within limits) but they had to use the land they received.

> "There is nothing worse for us than when someone does not use their land or make use of the opportunities that are given."[830]

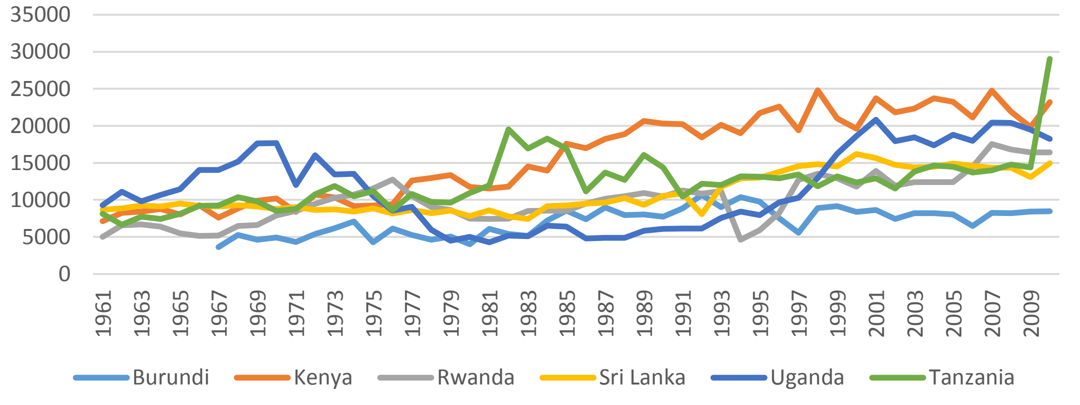
Agrarian elites comprised primarily those who owned tea factories (and by extension, plantations within the tea factory unit). However, Rwandan policy has been modelled on the KTDA experiment, which empowered 'smallholder' farmers. Empowering such farmers came at the cost of moving some people off their land because such policies edged out those who could no longer maintain subsistence levels on smaller lots.[831] Tea expansion also brought new opportunities for wage employment. Between 2001 and 2006, the proportion of Rwandans whose main job was agricultural wage labour increased from four per cent to eight per cent.[832] Wageworkers earned income by working on plantations and working on the land of smallholder farmers.[833] Child labour was also common on some tea plantations.[834] The government surpressed stories about children being employed on tea plantations.

[827] Detailed in Chapter 4.
[828] Des Forges (2006, 365) accused elites of coercing people to sell their land or paying people "pitiably small amounts of compensation." See Pottier (2006).
[829] Rusagara, one of these elites, was allowed to leave Rwanda soon after. Others including Sam Kaka and Theoneste Shyaka fell from grace.
[830] Interview, Nziza, February 2012.
[831] This is recognised in interviews. Consultants acknowledged that such displacement occurred though they argued that the government compensated these individuals (Interview, Consultants, May 2013). The government was aware of the 'landless' and believed that economic development would bring wage employment (Des Forges 2006).
[832] Internal PRICE document.
[833] Internal PRICE document.
[834] Children were also employed in casual wage work at CWS (Internal PRICE document). In three areas where surveys were conducted, children worked in tea growing activities: Nyaruguru (16 per cent); Nyamasheke (18 per cent) and Gicumbi (41 per cent) (Winrock International 2012).

Such stories undermined narratives that enabled the sale of single-origin Rwandan tea in niche markets.[835] OTF surveys indicated that wages were comparatively low in the region. These low wages offset high electricity and transportation costs and enabled the tea industry to remain competitive.[836]

Government policies were based on assumptions of a 'typical' tea farmer who held 0.25 hectares of land. The government estimated that such farmers received on average approximately $220 per year from a yield of 7,000 kg of green leaf per hectare at a price between 66 and 70 francs in 2007 (MINAGRI 2008b). A number of policies aimed at increasing the revenues of the 'typical' smallholder farmer. Between 2008 and 2020, yield was to be increased to 10,000 kg of green leaf per hectare through improving agricultural practices and fertilizer use. Rwanda did not meet its 2012 targets for yield. Yield had improved compared to the yield achieved by previous governments. However, yield is still behind Kenya, Tanzania and Uganda (Figure 8.20). The government planned to increase green leaf prices by 33 per cent. Farmers have also been forced to grow tea in certain areas although only a minority (20 per cent) of 267 farmers polled by OTF said they would uproot their trees if allowed.

Figure 8.20: Tea Yield by Country (Hg/Ha): 1961-2010



Source: FAOSTAT

[835] NAEB claimed efforts were made to eradicate the problem and that surveys exaggerated the numbers of children working in tea-growing areas because they were administered when children were on holiday (Tabaro 2012b).
[836] Transportation costs inhibited competition with Kenyan tea. "When you compete with Kenyan tea, you have already spent five times the transportation costs." (Interview, Ephraim Turahirwa, RMT, April 2012).

Developing strategies that assumed groups of uniform Rwandan 'smallholders' was problematic because it ignored differences among tea producers. The government expressed an interest in increasing average farm size in the tea sector to 0.5 ha.[837] In Karongi (one of the target areas), land distribution varied considerably among farmers. National surveys showed that households that owned more than two hectares of land represented 7.2 per cent of total households polled; 14.7 per cent of households owned between 1 and 1.9 hectares; 23.7 per cent of households which owned between 0.5 and 0.99 hectares; 30.7 per cent of households owned between 0.2 and 0.49 hectares of land and 23.1 per cent of households owned less than 0.19 hectares.[838] Cooperative rules required that members own a minimum amount of land for tea to meet certification purposes.[839] Given that many of these households could not join cooperatives as members, prioritising cooperatives actually worked as a way to promote rural class differentiation. COOPTHEs were larger units and already employed wage labour on their farms. Restricting the availability of services to farmers organised in TVs accentuated inequality between farmers with small plots of land. Cooperatives (especially COOPTHEs but also TVs) were often headed by those with the most land, those with the most expertise or those with powerful contacts.[840]

[837] Government estimates indicate that farmers should have a minimum of 0.5 ha of land under tea production to be profitable (the same as the KTDA's one-acre ideal).
[838] Confidential PRICE document.
[839] Interview, FERWACOTHE, May 2012.
[840] Comments made during interviews management at four private sector companies. Such claims were countered by Alfred Mutebwa of PRICE (Interview, April 2012). "People get elected on the basis of their goodwill in the community. Sometimes, you get a crook. But these people get elected because people think they are upright members."

Table 8.1: Structure and Distribution of Tea Production Units						
Tea Factory	Installed Capacity - 2001 (tonnes/yr)	BI (ha; 2001)	Cooperatives (ha; 2001)	TV (ha; 2001)	Total Acreage (2001)	Total Acreage (2012)
Mulindi	3200	0	867	1431	2298	1890
SORWATHE	3200	261	0	880	1141	1221
Rubaya	900	647	0	342	989	1316
Nyabihu	900	627	0	31	658	917
Pfunda	900	124	0	786	910	990
Gisovu	1200	340	0	732	1072	1269
Shagasha	1400	0	515	1063	1578	1561
Gisakura	1400	357	608	330	1295	1418
Kitabi	1200	350	0	650	1100	1398
Mata	1200	595	0	361	956	1097
Nshili-Kivu	N/A	965	0	0	965	1473
Total	15500	4268	1990	660	12962	14549

Source: NAEB

World Bank evaluations indicated that "for coffee and tea growers with limited land of less than 0.5 ha, there was a risk that expansion of coffee and tea production would be at the cost of food security."[841] The report also indicated that most tea growers had to rely on work at the farms of others to meet subsistence.[842] Despite the expansion of area under tea cultivation, there was still a shortage in green leaf production (Ishimwe 2013). To incentivise farmers to grow tea and to use better cultivation methods (to increase quality), the government established the National Tea Committee (NTC) to determine a new green leaf pricing system. It comprised private sector representatives, OCIR-Thé, FERWACOTHE and MINAGRI. Until recently, the farmers received a fixed, annually negotiated price. In 2004, farmers received 65.8 RwF/kg. Since then, prices increased to 96.6 RwF/kg in 2008 and 105 RwF/kg in 2010. Of this amount, producers still had to pay 22 RwF for fertilizer, some producers also had to pay for labour and for transportation of green leaves to

[841] Internal IFAD report.
[842] Ibid.

the factory, taxes and cooperative fee. In 2010, net income varied between 30 RwF/kg and 36 RwF/kg. The net income of tea growers was 5.8-11.4 per cent of the made tea sale price. The tea growers' share of made tea price was lower in Rwanda than in Tanzania (27 per cent) or Kenya (75 per cent).[843] In 2012, Nyabihu farmers publicly voiced their concerns over lower-than-promised returns from tea harvests.[844] They claimed that RMT was not paying them in line with national prices. One RMT official claimed that farmers used to earn less than 80 Rwf per tea earlier but that in 2013, after changes in the pricing system, farmers received over 150 Rwf.[845] By 2014, over 50,000 farmers earned between 123 Rwf/kg and 155 Rwf/kg on the tea they sold (Gasore 2014b). IFC (2014) claimed prices received by farmers (after changes in the pricing system) were at least 30 per cent of the international market price for tea and were linked to average prices at the Mombasa auction.[846] Farmers also received bonuses of up to 10 per cent for quality, and reduced prices for inferior quality.[847] Through such incentives, the government has tackled difficulties where "plucker wages were kept below the market rate leading to a shortage of pluckers, longer plucking rounds and lower leaf quality." Factories were often under-utilised, resulting in losses in export revenues.[848]

> "The main challenge for tea is the price of tea leaves is too low. The price for tea leaves is fixed by the government. Our job (at FERWACOTHE and the cooperatives) is to bargain with NAEB to get a better price. But farmers complain a lot about the price. Sometimes, they also have to pay for fertilizer and for transporting tea to the factory."[849]

> "It is our aim that eventually, farmers will receive at least 50 per cent of the international market price for tea."[850]

Tea cooperatives, like coffee cooperatives, were mismanaged. PRICE was charged with assisting FERWACOTHE management and in helping members increase productivity. Members were required to pay money to join cooperatives and to help fund cooperatives' operation costs. Most members did not have a plot size of

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[843] PRICE estimates.
[844] Local newspaper.
[845] Interview, RMT, May 2013.
[846] This is part of an IFC-sponsored programme around green leaf pricing reform. The programme claims to have improved the incomes of more than 60,000 tea farmers by between 20 and 50 per cent (IFC 2014).
[847] Interview, NAEB, January 2015.
[848] World Bank document.
[849] Interview, Venant Ngendahayo, FERWACOTHE, May 2012.
[850] Interview, Bill Kayonga, NAEB, January 2015.

0.25 hectares (that was perceived to represent the average farmer). Instead, sizes of farms among members were diverse.[851] PRICE studies indicated cooperatives had lower yields than the industrial blocs of factories. These cooperatives also used less fertilizer. Such findings indicate that cooperative management and the empowerment of 'small farmers' who led accumulation processes still faced difficulties.[852]

The RPF strategy aims to mimic the images portrayed by the KTDA where small farmers are empowered through the strengthening of farmer cooperatives. In doing so, the government masks the processes of rural differentiation that are central to the revitalisation of the sector. Such processes forced workers to face short-term costs of displacement and landless labourers to work for low wages. Though there has been progress, there is still resistance to organising labour to tea cultivation.

8.8 Cultivating Loyal Capital – Tea Sector Privatisation

RPF narratives credit privatisation with progress. "After the war, factories were destroyed and the World Bank pushed the government to privatise. After the first investments, the whole tea sector has improved."[853] The positives of international ownership are recognised – the possibilities of developing direct sales contacts with international buyers, connections with international experts and the introduction of new technology to modernise agricultural practices and processing equipment. While the government acknowledges the importance of bringing in foreign expertise, it is not convinced that foreign investors would embrace value-addition strategies (e.g. packaging single-origin tea, which would be competitive with their own teas abroad). Privatisation processes in tea factories show that the RPF government's policies have been shaped by the competing demands of achieving self-reliance and embracing market-led reforms.

Unlike in the coffee and mining sectors, the government has worked with a national champion (RMT, which owns five of the 12 factories) and also persuaded other local businessmen to buy factories. However, these local companies have struggled to build contacts to sell tea through direct sales. These companies have also

[851] Interviews, FERWACOTHE, May 2012. Farmers had a wide range of plot sizes. However, most farmers had a plot size of around 0.2 ha (Interviews, April 2012).
[852] Data in this paragraph is taken from internal OTF and PRICE documents.
[853] Interview, Corneille Ntakirutimana, NAEB, March 2012.

failed with value-addition for reasons including the lack of expertise and insufficient knowledge of the global tea market. Despite the government's lack of trust, some foreign companies (e.g. SORWATHE) have actually worked in line with national priorities, packaging tea for domestic consumption.[854] The government focuses on finding the 'right' investor (including a foreign-owned company that enters a joint-venture partnership with a local company or a charitable trust that agrees to sell assets to cooperatives at a later date).[855] However, the accumulation strategies of these investors have not been facilitated effectively.

For donors, privatisation was perceived as the solution to the problems facing the tea sector (particularly the lack of capital investments in processing facilities at factories).[856] Some government officials recognise that a combination of two approaches has been used.[857]

> "The privatisation policy is not just to sell these assets. It is not like Structural Adjustment Programmes. Here, when we privatise, we give certain conditions. The government also chooses lower bids when the prospects for growing the sector are well articulated. Part of it is working with cooperatives and vertical diversification. We also want companies that have expertise and a background in the sector. This is a government that says the private sector increases value. But that we also have to revisit offers where the private sector does not comply with the terms of reference."[858]

Beginning in 2003, the government publicly stated its intention to privatise all factories. Under initial plans, privatisation included the sale of a majority share of the BI to private investors. The government retained a minority share of the BI and distributed 10 per cent of shares to cooperatives. It was agreed that later, the government would sell its share to private investors or cooperatives.

> "The process was not transparent. There was a bidding process and then a technical process. The government had a lot of demands."[859]

Pfunda was the first factory to be sold and it went to a foreign investor. The government recognised the importance to learn from others before building national champions. Two factories – Mulindi and Pfunda – were put up for sale. Attempts to

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[854] SORWATHE's owners are not large players in the international market unlike Yorkshire Tea and Mcleod Russell (who also own tea factories in Rwanda).
[855] Both such sales have occurred.
[856] Donors often view privatisation as a developmental panacea (Bayliss and Cramer 2001).
[857] Interview, Kanyankole - NAEB; Interview, Rurangwa - MINAGRI
[858] Interview, Gatare, May 2012.
[859] Interview, Representative – Pfunda Tea, November 2011.

privatise Mulindi failed because investors were unwilling to cede to government demands of committing to investments required to upgrade the factory. UK-based LAB International bought shares in the Pfunda Tea Estate for $1.06 million.[860] Under the agreement, Pfunda held 55 per cent of the tea estate while the government retained 45 per cent (of which, 10 per cent was given to cooperatives). Later, Pfunda paid $668,906 to acquire a further 35 per cent of the state from the government. Cooperatives owned 10 per cent of the estate.

> "In 2004, the building was totally run-down. The administrative set up was the same. The fields had been butchered. Just by training farmers with better cultivation and agricultural practices, we've doubled production. We now have the capacity and are in a position to produce 3.5 million kg/day of Black Tea. The best we've done (till 2011) was 2.27 million kgs but in 2004, it was 1.09 million kgs."[861]

After the sale of Pfunda, further privatisation reforms were debated. Donors and OTF emphasised that private companies were performing better than government-owned factories, highlighting that SORWATHE and Pfunda had performed better than government-owned factories. The yield in privately owned tea estates was consistently better than the yield in government-owned tea estates. SORWATHE's yield had always outperformed the yield in government-owned tea estates since the 1980s. SORWATHE produced almost the same amount of made tea as Mulindi although the Mulindi tea unit was more than three times the size of SORWATHE. Private sector owners blamed "government inefficiency" for the poor performance of government units.[862]

The SPU argued that privatisation would be a major threat to value-addition and was doubtful that farmers would benefit by way of increases in their revenue from privatised tea factories. The SPU publicly blamed privatised factories for engaging in cost-cutting exercises. At the Pfunda factory, SPU officials argued that "farmers were being credited for less green leaf than arrives in the factory and hence were making lower revenues than they were entitled to and that the cooperative was

[860] Imporient is the parent company of LAB International.
[861] Interview, Amarpal Shaw, Pfunda Tea Company, November 2011.
[862] Claims made by nearly all representatives of privately owned tea factories.

being paid for. This discrepancy translated to differences of more than 9,000 RwF per annum."[863]

Rubaya and Nyabihu were the next tea estates to be privatised. In 2006, 90 per cent of the shares of these factories were sold to RMT.[864] The remaining 10 per cent was distributed to local tea cooperatives. In 2009, RMT acquired 60 per cent in the Kitabi Tea Estate. The government retained 30 per cent control of the tea estate and 10 per cent was owned by cooperatives. In 2011, RMT entered a 50/50 Joint Venture partnership with an Indian company, Jay Shree Tea and Industries (part of the Birla Group).[865] Jay Shree and RMT created Tea Group Investment Company Ltd. and acquired a 60 per cent share in the Mata and Gisakura Tea estates. As with Kitabi, the government retained 30 per cent of the tea estate while 10 per cent was owned by cooperatives. By 2011, RMT had invested in five tea estates– making the company the largest private operator in the tea sector. In 2011, RMT exports comprised over 40 per cent of total tea exports and over 42 per cent of the total value of tea exports. The company's owner, Egide Gatera, visited UK tea estates in the early 2000s to develop international contacts and learn from foreign firms.[866] Rujugiro's Nshili factory had the same shareholding structure (60-30-10) as Mata, Gisakura and Kitabi.[867] Jean Baptiste Mutangana invested in a new factory in Karongi, which began exporting tea in 2013.[868]

The sale of Rwandan tea factories attracted interest from foreign companies. One additional foreign investor was successful in acquiring a tea factory (but not through the government bidding process). In line with the standard shareholding

863 Internal OTF documents

864 Gatera is the majority shareholder of RMT and Petrocom Ltd. Petrocom's turnover in 2010/11 was $13 million (Gathani and Stoelinga 2013). Petrocom had three subsidiaries: a) Petrocom – an international transport company that transports fuel and other goods to and from ports in Tanzania and Kenya. Petrocom also invests in energy projects; b) Ufametal – a company that specialises in the production of metal construction materials. Ufametal's turnover was approximately $8 million in 2010/11 (Gathani and Stoelinga 2013); c) Kagugu Dairy Farm – a cattle farm comprising nearly 200 cows and producing over 1600 L of milk per day.

865 The former DG of RMT claimed Jay Shree's Joint Venture happened after he received an email. The President of the company then personally visited Rwanda and signed a Memorandum of Understanding with RMT (Interview, Nihal Bopearatchy, February 2012).

866 Interview, Sanjay Kumar, then-Yorkshire tea, (now) Wood Family Trust, May 2013.

867 Rujugiro had also invested in the Mushubi tea factory. However, both these assets have now been taken away since he fell out with the RPF in 2013.

868 Mutangana was a founding member of RIG. He also owned hotels and apartment complexes and had interests in Burundi's banking sector. MINALOC documents claimed that Mutangana was "slow" in constructing the factory. Mutangana also invested in the new Muganza-Kivu factory. The functioning of the factory was inhibited by the failure to construct roads and provide electricity.

agreement (60-30-10), the government sold the prized Gisovu tea estate for $2.4 million to Olyana Holdings (a US-based Rwandan-owned company) in 2008. George Rubagumya led Olyana Holdings.[869] A few months later, Rubagumya sold 75 per cent of Olyana Holdings to Borelli Tea Holdings (a subsidiary of McLeod Russell India) for $2.74 million.[870] Rubagumya retained 25 per cent of Olyana Holdings for himself (although these shares were later acquired by Borelli). The government tried to cancel the sale of Gisovu. The deal was eventually confirmed in 2011.[871]

> "The tea industry is primitive in Rwanda in terms of technology. Rwanda, with its climate, has the potential to produce the best African tea easily. We always wanted to get involved here and jumped at the opportunity. We are doing our part – we invested a lot and we produce one of the best quality teas in East Africa. It was difficult to win the government's trust but we are not interested in the kinds of value-addition the government wants."[872]

Borelli was perceived as a 'wrong' investor by the government. However, charitable investor – Rwanda Tea Investments (RTI)[873] – was an example of a 'right' investor. Many investors were surprised when RTI was granted control of the Mulindi and Shagasha factories in 2012.[874] The Shagasha Tea Estate was granted to RTI (60 per cent), cooperatives (30 per cent) and the government (10 per cent). The Mulindi Tea Estate was granted to RTI (55 per cent) and farmers (45 per cent). RTI hired KTDA officials to act as managers at both factories. RTI aimed to gradually transfer its shares of these estates to the cooperatives within seven years. These tea units were the oldest and their cooperatives were the strongest in the sector.[875] RTI worked along similar lines as the KTDA model, which gave smallholders full ownership of the tea factory unit. Under the terms of ownership, cooperatives would gradually be granted full control of the tea units.[876] RTI's involvement thus legitimised processes of accumulation and sped up processes of rural differentiation

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[869] Rubagumya previously served as the head of the Uganda Development Authority.
[870] Borelli representatives suggest Rubagumya sold the company "behind the government's back."
[871] The deal is likely to have gone through international arbitration. Borelli's representatives at the Gisovu Tea Factory did not confirm this.
[872] Interview, Gisovu Tea Factory Representative, March 2012.
[873] The Wood Family Trust (WFT) and The Gatsby Foundation established RTI as a charitable company, investing $12 million to upgrade the Mulindi and Shagasha factories and plantations.
[874] Eight bids went in for Shagasha and seven bids went in for Mulindi. Many expected RMT or other local investors to win the bidding on these factories.
[875] These cooperatives were formed in the 1960s. Observations made by two private sector employees and one government official.
[876] In 2013, the cooperatives 'elected' the then-DG of NAEB, Kanyankole, to be their representative on the Board of Directors of these factories (Interview, WFT, May 2013).

in these tea units. RTI also committed to value-addition (and the companies were set to profit from WFT's international contacts). Sanjay Kumar, WFT's representative in Rwanda, previously worked at Taylors of Harrogate, and had several years of experience in the tea sector.

> "We have to get the factories up and running, train the farmers, get them a culture of planting, pruning properly and using fertilizer at the right times. Our plan is to move into direct sales. Later, we'll move into packaging. We'll take the pick of the quality and sell single-origin tea. It is very difficult to break into the market. But we can sell a story. There's a lot of demand for niche tea (it's a small two per cent of the market but its growing)."[877]

The government was protective about selling assets in the sector. Businessmen such as Gatera, Mutangana and Rujugiro were trusted with the responsibility of investing in one of Rwanda's brightest sectors. When the government chose to entrust individuals with assets, it expected these individuals to remain loyal to the national cause. The government's trust was betrayed (once by Rubagumya and once by Rujugiro). All private sector respondents were satisfied with the government's response to some complaints.[878] However, they complained that the government did not give enough incentives to companies to make value-addition worthwhile.[879] Strengthening the partnership between the government and factory owners will be central to attain future targets.

8.9 Value-Addition in the Tea Sector

> "On average, Kenya produces over 350,000 metric tonnes of tea. Kenya earns between 250 million and 350 million USD out of tea. They are doing value-addition of say 1-2 per cent. Their strategy has been for the short-term and export earnings are still low. Sri Lanka produces roughly the same amount. They are doing value-addition for about 35 per cent of what they produce. They are getting 960 million USD, maybe a billion. Value-addition is difficult but it is the only way to go."[880]

While the government chose to mimic the way labour was organised in the Kenyan tea sector, officials were reluctant to stay dependent on international tea

[877] Interview, Kumar, May 2013.
[878] At one stage, the government placed representatives at each tea factory. Alles of SORWATHE mentioned this to President Kagame at a public meeting. This policy was retracted immediately.
[879] Interviews, private sector representatives.
[880] Interview, Kanyankole, NAEB, May 2013.

prices like their Kenyan counterparts. Value-addition strategies contributed to the government's goals around self-reliance. These strategies were a reaction to the oversupply, which was said to be occurring in the global tea industry and was predicted to lower international prices.[881] Value-addition takes three forms: improving tea quality, beginning migration into premium teas such as orthodox, green and white teas and developing blended and packaged tea.

High-quality, packaged tea and teas other than black CTC tea were unaffected by this 'oversupply'. The tea sector, at the blending and packaging level, is characterised by oligopolistic control. Unilever and Tata Tea are among the biggest companies at this node of the value-chain. Both companies are integrated down the value-chain. These companies protected their position through investing in branding and heavy advertising. Tata Tea is an example of successful vertical diversification. Tata Tea took over Tetley, rather than breaking into core markets under the Tata brand name. Talbot (2002) suggests that successful integration within the tea sector has been rare and is likely to take place after the establishment of successful local production, followed by taking over a brand name in an established network. It was impossible for the Rwandan government to follow the lead of Tata since its domestic market was nowhere near that of India.

The ultimate ambition of the RPF government was to mimic the example of Ceylon tea. Ceylon Tea defied the odds to compete with successful companies such as Yorkshire Tea, Tata and Unilever through branding a single-origin tea from Sri Lanka. In the 1980s, the Export Development Board of Sri Lanka initiated the Custom Duty Rebate Scheme and Export Expansion Grant Scheme to promote value-added tea exports. Under these schemes, part of the tea export tax was repaid and grants were provided for value-addition expansion programmes. In 1991, the Sri Lanka Tea Board (SLTB) initiated a support scheme for teabags and retail tea packet exporters. A tax-free incentive payment was provided based on the incremental gain from exporting tea bags and retail packets. The STLB's Tea Promotion Bureau took sole responsibility for promoting Sri Lankan tea in international markets. Matching grants up to 50 per cent of expenses were provided for the promotion of brands that were partially or fully owned by Sri Lankan exporters. A lion logo was imprinted on all single-origin Sri Lankan tea. This logo denoted the country of origin and signalled

[881] Global tea prices actually increased so initial forecasts were wrong.

the quality of Ceylon Tea. These schemes assisted in initiating value-addition strategies and the government later embraced broad-based liberalisation.[882]

By 2010, value-added tea (in various forms) comprised nearly 35 per cent of the total quantity of tea exported from Sri Lanka (Herath and De Silva 2011). OTF estimated that 31 per cent of total tea production was sold in blended and packaged form while three per cent was sold in high value-added form such as tea bags or ready-to-drink bottles. More than half of total revenues were received from value-added segments.

Merrill Fernando established Dilmah Tea in 1995. Dilmah was among the companies that spearheaded packaging operations of single-origin tea. By 2003, it was the seventh largest tea packer in the world and had an annual turnover of value-added tea worth $109 million. Partnering with successful firms such as these was crucial to achieving success on the value-added market. As Fernando suggests:

> "There are large differences between the bulk and the retail price… It was my wild dream – being the proprietor of my own brand of tea, which I wanted to make sure will be the best Ceylon tea in history."[883]

The government hoped Rwandan tea could achieve similar successes. Key to such goals was emphasising the uniqueness of the Rwanda story, as with 'coffee karma' (Zizek 2014).[884] To do this, the government fed assumptions of 'mutual benefits' associated with cooperatives and concealed that accumulation strategies depended on the exploitation of workers.

Direct Sales

After 1994, Rwandan tea gradually regained an image of producing high-quality tea. OTF surveys indicated increased interest from European (61 per cent) and Asian buyers (60 per cent) in buying Rwandan tea directly from factories in 2007 compared to 2003.[885] However, the government failed to achieve targets of selling 50 per cent of domestically produced tea through direct sales (although

[882] Some information in this paragraph is taken from Ganewatta et al. (2005)
[883] OTF Presentation, 2004
[884] One Swedish specialty importer said: "make it fair trade and organic because that's a big issue for the European market right now. To have good stories behind the tea makes it easier for us to sell the tea" (OTF Presentation).
[885] Internal OTF documents

establishing contracts through direct sales must still be perceived as an achievement). In 2011, only 23 per cent of all tea exported was through direct sales. Four factories (Mulindi, Shagasha, Pfunda and SORWATHE) successfully sold tea via direct sales. In 2012, the share of tea sold through direct sales increased to 24 per cent. Gisovu was the only other factory that sold tea via direct sales.[886]

SORWATHE's Joseph Wertheim offered to find buyers for all of Rwanda's tea.[887] However, the government was reluctant to cede control of the sector to a foreign investor. Local companies struggled to build contacts while foreign-owned companies only opted to sell a portion of their tea through direct sales.[888] The government has not leveraged the high-quality image of Rwandan tea and the international contacts that have been developed.

Diversifying to Specialty Teas

Government officials and OTF emphasise the importance of shifting a large share of the country's production to orthodox tea.

> "Producing organic teas – using organic fertilizers – would improve yields, reduce the cost of production and lift Rwanda into the specialty tea market where prices will continue to rise. The current prices for other diversified products prove this. Organic branded green teas receive US$63 per kilogram. White tea fetches as much as US$240 per kilogram. Orthodox tea (the result of a different processing technique) fetches a premium of approximately 75 per cent over CTC tea (almost all Rwandan teas) and organic orthodox approximately 600 per cent more. Organic tea is also good for the government and farmers. The price of chemical fertilizer has risen 300 per cent since 2008. Land-locked Rwanda's additional transport costs are twice those of Kenya."[889]

Diversifying into new teas involved altering the methods of production used by domestic factories. Producing new teas involved altering methods of cultivation. Despite the alterations that would accompany diversification into specialty teas, OTF studies projected that orthodox and green teas could provide premiums of up to 70

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[886] Of these, Pfunda exported all the tea they produced through direct sales. Mulindi (5 per cent), Shagasha (4 per cent), Gisovu (33 per cent) and SORWATHE (75 per cent) also sold tea through direct sales.

[887] Interview, Cally Alles, February 2012.

[888] Foreign investors disagreed with OTF's findings that a market exists for single-origin specialty tea. For them, the investment required to brand such tea is not worth the risk (Interviews, Pfunda and Gisovu representatives).

[889] Alles (2010). Ashani Alles worked at OTF and later at SPU.

per cent above Black CTC teas. Managers of tea companies were not as enthusiastic about the prospects of orthodox tea. A foreign manager at RMT said:

> "As businessmen, we should be thinking about today. Switching to orthodox would have short-term costs. This would need more machinery and more space. Rwanda Mountain Tea produces mostly CTC but now we have had to make provisions for orthodox tea. This comes with a lot of other things – we need to double the crop, increase the field (but we are not sure if there is actually land for this or if there is a market)."[890]

Another manager said:

> "The pet words here are 'value-addition' and 'diversification'. They do put pressure to diversify into orthodox tea and green tea. Not one buyer for orthodox tea comes to the Mombasa auction. Rwanda's total tea is a drop in the ocean. Why should we waste our small production on something that won't sell?"[891]

SORWATHE (despite being a foreign-owned company) led the way in diversification into specialty teas. In the early 2000s, SORWATHE began producing small quantities of orthodox, white and green teas. SORWATHE also built a tea factory exclusively for the production of orthodox and green tea. $2.2 million was invested in this factory. SORWATHE was the first company to get Fairtrade and International Organisation for Standardisation (ISO) certification for its factories. The company also introduced organic growing practices (no use of pesticides or fertilizer) and was organic-certified in January 2012. SORWATHE also converted 116 hectares of company-owned land for organic tea production. SORWATHE was different from other international companies. Wertheim's interests in tea were not at the scale of Borelli or Imporient. Though SORWATHE was 'foreign-owned', it had a historical interest in the sector. Management of SORWATHE worked to rebuild the sector, alongside the government. Since then, several companies have followed SORWATHE's lead, including RMT.

The shift away from Black CTC tea was a risk for private investors. Such choices entailed short-term costs for companies who would have to jeopardise assured returns from exporting high-quality Black CTC tea. Additionally, Rwandan tea had not developed an 'organic' or 'green' tea brand. Managers at both domestic and foreign-owned firms doubted the success of this strategy. While only small

[890] Royston Ebert, RMT, October 2011.
[891] Nihal Bopearatchy, formerly RMT, current Manager – Karongi Tea Company, November 2011.

quantities of tea were devoted to the production of 'green' and 'orthodox' tea, the government continued to pressure domestic companies (at least) to diversify into specialty teas. However, the government has failed to provide reciprocity to those firms who embraced value-addition strategies. The RPF expects companies to show loyalty. However, it has not done enough to socialise risks taken by these investors.

Blending and Packaging Tea

> "In Rwanda, we get about two dollars for our tea. In some shops in Dubai, teas fetch about \$20. What we want to do is capture as much of the difference as possible."[892]

Manufacturing blended and packaged tea was the ultimate goal for the RPF government. Most forms of tea are blended and packed into two different forms of consumer products: tea bags and retail packets. Tea bags account for more than 90 per cent of the total consumption in developed countries and the demand for retail packets is high in the Middle East (Ganewatta et al. 2005). The government's strategy operated on the assumption that prices ranged from \$7.50-\$22/kg compared to roughly \$2/kg paid at the Mombasa auction (MINAGRI 2008b). OTF surveys indicated that retailers, blenders and packers collected the bulk of profits in the tea value-chain. Only 10 per cent of revenues stayed in Rwanda and barely two per cent of the total revenues of tea bags were retained by farmers.[893]

OTF identified several examples that could be emulated by the Rwandan government. Melvin Marsh was a Kenyan company that packaged flavoured, spicy and herbal teas. It exported 24 tonnes of packaged tea to the UK in 2003 and sold its tea at retail shops in the UK at \$5.5/kg. Tanzania Tea Packers (owned by Tanzanian and British private investors) (TATEPA) was established in 1994 with a starting capital of \$200,000 and made \$700,000 profits by the end of 1995. TATEPA became a fully integrated company, which sold none of its tea in bulk.[894] It developed 70 per cent market share in the domestic market in Tanzania, creating 13,000 jobs in the process. The company profited from a "wide distribution network", a "protected market in Tanzania" with no foreign companies and successfully leveraged local expertise to target new opportunities in East and Southern Africa, the Middle East

[892] Interview, Gihana-Mulenga, September 2011.
[893] OTF surveys
[894] In 2010, TATEPA was one of Tanzania's leading tea firms. In 2010, sales exceeded \$19 million and coffee worth \$12 million was exported (Sutton and Olomi 2012).

and Eastern Europe.[895] Another example was single-origin Castleton Tea from India, which fetched high prices in the retail market.[896] OTF reports suggested that one Kenyan company (Equitea) failed because the company didn't deliver products on time and it did not have "a clear market assessment of target clients, target countries and target distribution channels." Unexpectedly high import barriers also hit Equitea.

In 2009, RMT (60 per cent) and OCIR-Thé (40 per cent) entered a joint-venture partnership to create Rwanda Tea Packers (RTP).[897] RTP promised to export 10 per cent of total national production in value-added form. RTP decided to blend tea in Rwanda and outsource packaging to Dubai-based DTC teas. RTP was responsible for marketing the tea in Dubai. However, RTP failed to consider the high import duties on value-added teas. There were also difficulties in obtaining shelf space in supermarkets. A large share of tea that was produced and transported to Dubai was never sold.[898] By April 2011, RTP operations in Dubai closed. Instead of emulating Sri Lanka, RTP fell into the same trap as Kenya's Equitea. A large risk was undertaken without an understanding of the market that was being targeted. Branding and marketing of Rwandan tea was also not successful. Since then, RTP has shifted its focus to selling value-added products in African markets. RMT Chairman Anthony Butera (who was formerly DG of OCIR-Thé) said that RTP has learned from its mistakes in Dubai. After the failed experience in Dubai, RTP intended to concentrate on unexplored markets where the oligopolistic control of large firms was less obstructive.[899] The failure of RTP is similar to the failure (to a lesser extent) of Bourbon Coffee. Both failed because of a lack of planning and market analysis. Competing with others within the same node of the value-chain required investments in branding and marketing.

> "RTP didn't have knowledge of the market. It didn't work because Dubai was just not the right market. There is an acknowledgement that we may need a strategic partner or that we may have to find

[895] Information in this paragraph is taken from an OT presentation made in 2004.
[896] OTF highlighted Castleton as a success. However, Castleton rarely made profits. Castleton produced a very exotic tea in small amounts. While the tea attracted high prices, production was more a matter of pride than a matter of profits (Interview, Indian investor, February 2012).
[897] Originally, RMT held 40 per cent, Olyana Holdings held 40 per cent and OCIR-Thé held 20 per cent (Ngarambe 2009). However, after Olyana sold its stake in the Gisovu Tea Factory to Borelli Holdings, the ownership structure of RTP changed. RMT was an OTF idea and grew out of contacts with Dubai World (Interview, Ashani Alles, former OTF Consultant, May 2013).
[898] Interview, Butera, NAEB, November 2011.
[899] Interview, Butera, RMT, May 2012.

> new markets. It will take time. I visited Dilmah in Sri Lanka and learned about the company's story. When Dilmah started, it was a company with one tea bagging machine. Developed countries tried to sabotage them. What was helpful was the benefits given by the Sri Lankan government e.g. tax holidays, incentives. The government did intensive branding campaigns (nationally and internationally). Our attempts need to be deliberate and considered. Patience is also required. When we meet challenges, it doesn't mean that we've failed. We shouldn't lose heart, we just have to keep going."[900]

> "Trial and Error is important. If it doesn't yield results, we, as the government, always adjust. But the experience is important."[901]

The government was warned that these ambitious attempts at value-addition would fail.[902] In a country, which had few resources to waste, such investments could have been utilised to tackle other difficulties facing the tea sector. In 2001, 58 per cent of locally consumed tea was imported from neighbouring countries (Tanzania, Kenya, Burundi and Uganda). SORWATHE, Highland Tea and OCIR-Thé (in the form of loose tea or tea bags) produced tea for local consumption. By 2012, four domestic firms had begun packaging tea for domestic consumption (and some of this tea was exported). These companies included RTP, SORWATHE, Pfunda Tea Company and Highland Tea. RTP and SORWATHE also packaged green tea and specialty tea. Four domestic firms began packaging tea for domestic consumption and export. In 2012, local sales represented barely one per cent of total made tea production. Two foreign-owned companies (Pfunda and SORWATHE) captured most of the domestic market. A manager of one company said:

> "The Government has got value-addition in its head. When we did our study, value-addition came up as zero. You'll never make money; you can try as much as you can. When I pack tea in Rwanda, the weight and volume is low. Transportation costs are extremely high. However, we add value for the domestic market because there is a small opportunity here. But it would be cheaper for me to send the tea in bulk from Rwanda and package it in London. The paper and packaging material in Rwanda is ten times the cost of what it is in Mombasa. If the government wants us to add value, they must give us more incentives."[903]

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[900] Interview, Kanyankole, then-DG NAEB, May 2013.
[901] Interview, Majoro, May 2013.
[902] CVL was warned against expanding Bourbon's operations abroad. OTF had used the example of Equitea in strategy meetings.
[903] Interview, Pfunda Tea Representative, November 2011.

Dealing with such complaints and providing the right incentives required decisiveness among government officials and funds (both of which were lacking in the current government structure).[904] Funds were also needed to build roads around tea factories and ensure firewood was provided to run these factories. Funds were also required for extension services to convince farmers to adopt appropriate production techniques: apply fertilizers, prune bushes when necessary and remain attentive to their crop throughout the year. Transport costs and the costs of packaging material were high compared to other countries in the region.[905] The government also emphasised the need to improve training of tea tasters, which was an important ingredient of the Sri Lankan success story. A reliable supply of electricity was another source of concern for private sector companies. To reduce infrastructural constraints, local companies were often urged to invest their own money. Only the investment group – RMT – did this (with a loan from BRD). RMT invested $12 million in partnership with Horizon in a 4 MW mini hydroelectric station. This power plant aimed to supply electricity to RMT-owned factories and the remainder would be channelled into the national grid.

The government recognised that Ceylon Tea story would be difficult to emulate until they increased production and invested in the branding of Rwandan tea. Companies continued to be encouraged to package tea.[906] Embassies in the UK, the USA and Asia marketed single-origin Rwandan tea.[907] The government has learned that it was important to study target markets before choices were made to enter those markets. It was also wary of the oligopolistic control larger companies had in international markets.

> "It is very difficult to break into this kind of a market. How can you invest so much in marketing when your tea isn't even worth

[904] Bureaucrats in managerial positions at NAEB have been victims of reshuffles. Shifting around personnel impacts the capacity of bureaucrats to develop long-term priorities for the sector, rather than be primarily concerned with meeting annual targets. Butera was removed from his position as head of the Tea Division at NAEB in 2012. Kanyankole, who had previously served as head of OCIR-The, OCIR-Café and later as DG of NAEB, was made CEO of BRD in 2013.

[905] Interview, Gisovu Tea Factory representative, March 2012.

[906] Kagame publicly encouraged investors again in 2013 (Mugisha 2013). Investors received tax exemptions when importing machinery for value-addition but investors claimed that the incentives provided by the government were not sufficient to make such initiatives profitable.

[907] Interviews, Butera, Patrick Gihana-Mulenga, Ndabarasa. Butera was dissatisfied with the government support for marketing Rwandan tea thus far. "They are doing it a bit but there should be more support and investments in marketing. In embassies in Europe, there should be shops and boutiques. Today, they only have gifts at embassies. The trade attachés are not doing enough."

> that much? They need to tell the consumers why they should buy Rwandan tea, what's different. If you want to sell anything that makes sense, you have to get an international buyer interested. Rwanda can't do the same subsidies as Sri Lanka. Sri Lanka took a long time to succeed and they had a lot more tea."[908]

8.10 Conclusion – The Vulnerability of the Developmental Political Settlement

Though value-addition efforts have been less successful in the tea sector as compared to the coffee sector, there have been increases in the production and quality of tea produced in Rwanda. The government has also shown its commitment to react against vulnerability posed by fluctuations in global tea prices. It has prioritised reducing its reliance on selling tea at the Mombasa Tea auction (with some success). Unlike during previous governments, the entire sector is currently in 'private' hands and rents accrued from the sector are not being used for individual short-term interests. The RPF government has mobilised resources to tea production, using donor investments to regenerate the sector and expand area under tea cultivation, as well as distribute inputs to farmers. Privatisation processes have been managed, albeit with mixed results. Exposure to international markets has allowed the sector to make technological advancements. Though there is still some way to go until value-addition targets are achieved, the government's behaviour in the sector meets Wade's (1990) basic characterisation of East Asian developmental states.

Tea policies have been a product of the demands of three constituencies. Donors funded the regeneration of the sector immediately after the genocide and later pushed the government to privatise tea factories. However, reciprocal control mechanisms have still not been established effectively to promote priorities in the sector. One informal investment group – RMT – is a lead actor in the sector. RMT Factories exported 40.4 per cent of the total tea exports and received 42.8 per cent of total export receipts in 2012. Some of the individual investors used (Rujugiro and Mutangana) contributed to the liberation effort. Since then, many previously loyal economic elites have fallen out with the government or died (Chapter 4). There are very few local investors with whom the government has been able to effectively

[908] Interview, Sanjay Kumar, WFT, May 2013.

develop partnerships. Though the government has provided some support to private companies, respondents from companies complained that not enough incentives were extended to make value-addition feasible.

To organise labour and manage the “third constituency”, the government chose to model the sector on the example of the KTDA, which was perceived to successfully empower ‘small farmers’. Such claims fit into ideologically driven assumptions that efficient and egalitarian family-operated small farms provided an escape from poverty for the poorest rural Africans (Sender and Johnston 2004). The government has used such assumptions to mask processes of class formation in the sector, empowering farmers and plantation owners and ensuring a supply of wageworkers. Maintaining narratives that mystify exploitation are essential for Rwandan tea to tap into niche markets. Processes that occurred in Kenya are underway in Rwanda (although empowering FECOMIRWA has been slow). Cooperatives are also important in distributing inputs, assisting in training, advancing loans and assisting with transport of tea leaves to tea factories. There is evidence of substantial wage employment in the sector, with temporary workers comprising 80 per cent of those who harvested tea (with their contributions equivalent to that of nearly 4,476 permanent workers) (Nyamwasa 2008).

The vulnerability faced by ruling elites has inhibited the government from building reciprocal control mechanisms with capitalists and advancing ambitious value-addition strategies. The need to embrace market-led reforms has also made attempts at managing privatisation processes difficult to control. Though the government has used cooperatives as ways to organise labour, changes in the green leaf price system reflect difficulties in incentivising farmers to continue producing tea (without coercion). As tea cultivation expands and the demands on NAEB to become self-sufficient increase, it will be increasingly difficult to discipline investors and enforce legislation while also effectively maintaining dialogue with the private sector to ensure policies are geared in line with national priorities. Maintaining a Developmental Political Settlement depends on appeasing and countering threats from three constituencies while continuing to prioritise ideological goals of self-reliance (and value-addition in the tea sector).

CHAPTER 9: CONCLUSION

9.1 Vulnerability and the Developmental State in Rwanda

In the introductory chapter, three dominant narratives were outlined about Rwanda – two of which portrayed Rwanda in a positive light. The flourishing of these narratives is a product of shared meanings of 'development' among different groups. Those who applaud the RPF government for its achievements over the last two decades perceive development as a product of economic growth and political stability. One group understands economic growth to be a result of market-led reforms. The other group stresses how the RPF has developed creative ways to intervene in the market and mimic the policies of East Asian development states (e.g. by using investment groups or in prioritising smallholder farming). Those who are critical of the RPF government stress the repressive environment in which it has achieved such stability. All these narratives hold moral appeals. However, rather than perceiving development as a 'moral' process, economic development must be understood to require the facilitation of accumulation processes necessary for structural transformation while organising labour to adopt appropriate production techniques. Ruling elites manage capital and use coercion to facilitate capitalist accumulation, while retaining legitimacy through developing narratives (as one way) to appease "three constituencies." The existence of unequal outcomes and violence alongside successful economic development is consistent with the nature of capitalist accumulation.

The RPF government shares many characteristics with East Asian developmental states. Studies of the coffee, mining, tea and pyrethrum sectors have demonstrated that the government has made very high levels of productive investment, which contributed to adopting new production techniques. State intervention (or legislation and incentives) in these sectors has also contributed to value-addition. All sectors (except pyrethrum) have been exposed to international competition.[909] Thus, it could be said that Rwanda shares basic characteristics of a developmental state, as identified by Wade (1990).

[909] It could be said that the pyrethrum sector was also exposed to international competition because SC Johnson was closely involved in USAID programmes.

Though the RPF government shares these characteristics with East Asian developmental states, its strategy is relatively unique among late developers. There has been limited growth in the manufacturing sector and the domestic banking sector has been liberalised. Instead, the RPF's strategy relied on growth in the services sector and inducing productivity (and value-addition) gains in the agriculture sector. Chapters 1 and 2 show that such strategies have been embraced in an environment of severe inequality. However, there has been an emphasis on providing social services to the population and increasing financial inclusion. Such strategies are at odds with the policies of many developmental states, which prioritised the creation of job opportunities ahead of health and education alone.

However, it must be maintained that the strategy is constantly evolving and the government reacts to shifting demands and threats. For example, there has been a renewed focus on creating employment after national surveys highlighted high underemployment. Though processes evolve, the utopian goal of ideology (self-reliance) has remained the same. Elites remain committed to delivering economic self-reliance. This thesis does not question whether such a target can be achieved. Instead, it argues that the RPF government has made progress in increasing productivity and embracing value-addition, which contribute to achieving its ideological goal (self-reliance) and confront the vulnerability it has experienced.

Chapter 1 shows that the RPF government is also subject to conditions of 'systemic vulnerability' (Doner et al. 2005). 'Systemic vulnerability' is a necessary but insufficient condition for developmental impulses to be sustained. This thesis illustrates that while 'systemic vulnerability' has motivated ruling elites to commit to economic development, vulnerability resulting from needing to navigate the demands of three constituencies inhibits the capacity of ruling elites to achieve their goals. Appeasing donors by embracing market-led reforms has resulted in difficulties in retaining the capacity to discipline and monitor capitalist firms. Scarcity of government funds has further inhibited these goals. Frictions among elites are a source of threat to the dominant coalition and have also inhibited the government's capacity to build effective reciprocal control mechanisms with loyal domestic capitalists (other than investment groups). Narratives of 'pro-poor development' and breaking into niche value-addition markets depend on the government mystifying the exploitation of workers and concealing evidence of control grabs in the sectors studied. After 2012, the government has also refocused its efforts on creating employment opportunities for the population to tackle existing inequality. Difficulties in developing and protecting such narratives further highlight how vulnerability inhibits economic development. Chapters 2 and 4 show that the stability of the political settlement will depend on countering any possibility that rival elites may capitalise on grievances among the population (if they exist) to mount an effective challenge against Kagame's rule. For Kagame to retain his position, the moral representation of his actions and of RPF rule (and his leading position within those narratives) must be protected against rivals who contest such narratives.

After the Congo Wars, Kagame focused on consolidating his monopoly of violence and empowering elites on the basis of loyalty and a commitment to Economic Nationalism. Senior RPF cadres, who were potential rivals, were gradually sidelined. During this process, a rival coalition was established outside Rwanda. This rival coalition (the RNC) presents a dangerous threat to Kagame's leadership. The RNC is led by estranged Tutsi elites, with some legitimacy (through being prominent leaders of the liberation effort). Any threat is unlikely to take the form of ethnic or class-based popular mobilisation. Any challenge from rivals must be justified through contesting the legitimacy of Kagame's government. Kagame's legitimacy is contested both within the country and internationally, as donors provide moral and economic support to the RPF government. The dominant coalition strengthens its narrative to ensure the 'public' loyalty of elites but uses violence to remind senior RPF cadres of its holding power.

The Developmental Political Settlement is maintained because Kagame has convinced elites against contesting his authority because of the continued relevance of collective memories, which are sharpened by the salience of internal and external threats. Since many senior RPF cadres suffered from violent episodes previously and have shared refugee experiences, these memories are extremely relevant. To maintain political stability and to delegitimise the acts of rivals, Kagame has leaned on values central to RPF ideology that show a commitment to achieving self-reliance (e.g. discipline, anti-corruption and self-sacrifice). The RPF is a carrier of these values and because of Kagame's leadership during the genocide and the years that followed, power within the hierarchy is distributed on the basis of perceived loyalty to these values and to Kagame himself.

Ruling elites in Rwanda use narratives, violence and rents to sustain systems of accumulation while countering threats by those who resist such systems. The three sector chapters have shown how capital has been managed, while coercion and incentives have been used in organising labour. Though vulnerability forces elites to commit to economic development, it has also inhibited their capacity to deliver economic development.

9.2 The Contributions of this Thesis

There has been very little previous academic research on the political settlement and its implications on Rwanda's economic development. The major contribution of this research is to emphasise that the RPF government has pursued policies, which are similar to those pursued by East Asian developmental states. However, it has also embraced governance reforms, which have ensured its strategy is relatively unique among late developers. This thesis has also illustrated the vulnerability through which the Developmental Political Settlement is legitimised but also threatened. It demonstrates how ruling elites in Rwanda have tackled the challenges of late development while also illustrating the difficulties that have accompanied this process. Legitimacy is drawn from three constituencies – all of which threaten political stability and inhibit economic development.

This thesis has shown how RPF narratives of economic development have concealed the exploitation on which accumulation depends. Such conditions are not unique to Rwanda and were also common among East Asian developmental states. Recognising that such conditions exist is important because it helps show how ideological goals of self-reliance may be blocked.

The RPF government has made progress. It is no small feat to have rebuilt the country so substantially after large scale violence. However, economic development is prioritised because of the collective experiences of vulnerability experienced by senior RPF cadres. The prioritisation of self-reliance is not 'benevolent'. Instead, it masks the processes through which winners and losers contest for power behind ideology. Despite depicting itself to have 'liberalised' and empowered cooperatives, the RPF government has managed capital and organised labour (through a mixture of coercion and incentives).

This thesis has developed a new way of looking at the political settlement. Albert Hirschman's (1970) Exit-Voice-Loyalty framework is used to illustrate the dynamism of the political settlement and the difficulties associated with ensuring loyal capital and labour are organised to appropriate systems of accumulation. Loyalty itself is transient. To sustain systems of accumulation, the government reacts to changes in its environment. Managing capital has been difficult given that the RPF government has had to embrace market-led reforms. Organising labour (loyalty) and minimising resistance (voice and exit) to appropriate production methods is essential to promote appropriate systems of accumulation. During this process, several elites have chosen to exit the dominant coalition and set up rival organisations (RNC). Developing and protecting narratives (backed up by coercion) is essential if systems of accumulation are to be promoted in line with achieving ideological goals of self-reliance.

9.3 Areas for Future Research

More research on the coffee, tea and mining sectors from a 'bottom-up' perspective would add to the findings in this thesis. Other studies on different sectors in Rwanda will show how the RPF government has managed capital and organised labour to appropriate systems of accumulation in those sectors. This thesis argues that each sector must be analysed on its own to develop a better understanding of the sources of vulnerability facing Rwanda's Developmental Political Settlement. Such studies will help broaden our understanding of the instruments that have been used by ruling elites in Rwanda to manage three constituencies.

It is hoped that future research in Rwanda will also be undertaken on agriculture and mining wageworkers. The government has also begun to collect information on industrial wages. In 2011, the construction sector employed the most wageworkers in Rwanda and provided the maximum average annual wages (GoR 2011). Such research has rarely been undertaken in Rwanda (one exception is Erlebach 2006). If research on rural livelihoods was undertaken, comparing wage employment at commercial farms (or industrial mines) versus that of smallholder farms, would help inform policymaking in Rwanda.

Future research on other African 'developmental' states will provide useful comparators for the findings in this thesis. An obvious example is Ethiopia. Meles' economic policies have been an example for Rwanda. Meles' exit from political power was accompanied by a peaceful transition (although he died). Like Rwanda (since 1994), Meles' Ethiopia has also reduced its dependence on coffee exports (from 62 per cent of total exports in 1991 to 38 per cent in 2012).[910] However, Ethiopia has prioritised the manufacturing sector and it has not liberalised its financial sector to the same extent as Rwanda (Oqubay 2015). Other interesting examples would be Angola and Uganda (with similar roots in coffee dependence and shared experiences of vulnerability among ruling elites). One attempt (Jones et al. 2013) at studying some of these countries (Ethiopia, Rwanda, Angola and Sudan) has not developed detailed findings. Their focus is on politics and ideology and only limited work has been undertaken on the political settlement or specific sectors in these countries.

This thesis has also explored positive stories of value-addition – which are rarely detailed in the commodity studies literature. Comparative studies of successful value-addition attempts in coffee sectors (Uganda, Ethiopia), tea sectors (Sri Lanka and Tanzania) and mining sectors will contribute to our understanding of how some governments have successfully intervened to promote value-addition.

9.4 Considerations for Policymakers

This research challenges the notion that war and violence (or the threat of violence) is directly opposed to development. Instead, "war shapes the social relations in which it is embedded" and "war is present beyond the war front and beyond wartime" (Barkawi 2011, 7). Beyond war, vulnerability is essential in motivating ruling elites to commit to economic development. The threat of violence plays an important role in determining if ruling elites will prioritise economic development, as it is important in political settlements based on a 'politics of survival' (Whitfield and Buur 2014). However, vulnerability is not sufficient to motivate ruling elites to commit to economic development. Instead, specific histories and ideologies of the parties who lead development must also be understood, as should the sources of friction among elites. The threat of violence has both positive and negative outcomes. While it can help bind a group of elites in a common economic or political purpose, it can also make the dominant coalition reluctant to empower elites who may later become a threat to their own power. On a related note, this thesis challenges the neoclassical tendency to view human behaviour in purely

[910] Author's calculations from EIU reports.

economic terms. Instead, it shows how economic motivations interact with emotional and ideological ones.

This thesis has attempted to compare the RPF's economic development strategy with East Asian developmental states. While it has argued that ruling elites are committed to economic development, the RPF has charted its own specific path and has been confronted by very specific challenges. Understanding how such states navigate the competing demands of three constituencies and develop policies while considering these demands is essential. States should not simply be named as 'developmental'. Instead, it would be more informative to illustrate how states have differed from other 'developmental states' and identify the difficulties associated with chosen strategies. The terrain in which late development is negotiated today is very different from the environment that faced East Asian late developers. Understanding how different governments have negotiated space to enact development on their own terms will broaden our understanding of contemporary challenges facing late developers.

This thesis argues for the importance of developing a historical political economy approach to understanding what motivates political and economic policies. It is argued that such an approach shows us that there is no single development trajectory. Instead, each society is a product of its own history and the conflicts (and individual decisions) that accompany economic development. Ruling elites use prevailing understandings of social norms and morality to justify their public behaviour while contesting with rival elites for power. Explaining how class relations, ideology and intra-elite conflicts interact in determining economic policies contributes to better understandings of the challenges of late development.

This thesis urges donors to avoid easy 'moral' assumptions, as evident in the competing narratives about Rwanda. Discussions about empowering vulnerable workers in society cannot begin unless the unequal outcomes associated with accumulation processes are acknowledged. Policymakers would be best served to focus on how the government can be facilitated to deliver on the redistributive demands required by the population and how the accumulation strategies of loyal investors can be facilitated so that wage employment can be provided for the population. Policymakers must be advised against assuming 'mutual gains' are associated with empowering cooperatives or assuming the fairness of privatisation and liberalisation processes. Also, proximate state-business relationships should not be immediately tarred with corruption charges. Such relationships have been part of all successful examples of late development.

Policy decisions should not come down to empowering one group at the cost of another. The threat of violence has a disciplinary effect on the dominant coalition but also weakens its capacity to deliver development. Donors must also understand the credibility and power they give to groups, elites and leaders who they support. The removal of this support is also a political act and forces a reconfiguration of domestic power relations. Imposing conditionalities and pressuring governments to behave in certain ways constrains government behaviour. Only through detailed understandings of how history, political economy and individual agency interact in specific contexts can donors make informed decisions about how governments can be pressured to make economic development a more socially agreeable process.

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