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Developmental patrimonialism?

The case of Rwanda

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David Booth and Frederick Golooba-Mutebi*

In the modal pattern of governance for development in sub-Saharan Africa, political competition fuels unbridled corruption which undermines the interest and ability of the state to provide the public goods necessary for transformative, poverty-reducing development. APPP research has identified a type of deviation from the modal pattern which is more realistic than the standard 'good governance' alternative, which we are calling developmental (neo)patrimonialism. This paper considers whether Rwanda since 2000 is a current example of this type of regime, and argues that in several but not all respects it is. A defining feature of developmental patrimonialism is the interest and ability of the ruling elite to impose a centralised management of the rents which are an unavoidable feature of early capitalism, and to deploy these with a view to the long term. The relevance of this to the Rwanda case hinges on an interpretation of the role of the private holding company owned by the ruling party, known successively as Tri-Star Investments and Crystal Ventures. We maintain that these arrangements, which are controversial with donors, have provided Rwanda with the 'early-stage venture capitalism' it needed to achieve economic recovery post-1994 and to maintain respectable rates of investment and socio-economic progress under otherwise unfavourable conditions during the last decade.

1 Introduction

Despite the frequently reported death of the Washington Consensus, international policy prescriptions for low-income Africa remain ideological, unimaginative and out of touch with reality. The intellectual capital and financial leverage Western donors and concessional lenders still exercise are dissipated on the promotion of a standard package of institutional 'best practices' which includes sound macroeconomic management, transparent public finances, free and fair elections, the rule of law, well-defined property rights and an arm's-length relationship between private enterprise and the state. There are increasing grounds for regarding this approach as bankrupt.

The standard package makes excellent sense in terms of the last half-century or so of experience in the most developed parts of the world. It captures well the synergies between mature capitalism and democracy, and between economic and political liberalism, achieved in the limited set of countries that have achieved what North et al. (2009) call 'open-access orders'. This is not sufficient to make it a good basis for policy-making in Africa.

With the exception of sound macroeconomic management, the standard list of best practices owes very little to the actual experience of those poor developing countries which have reduced mass poverty and enabled the attainment of basic human rights in any part of the world, in recent decades (Khan, 2006). It does not correspond closely even to the earlier

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history of the countries that now take the lead in advocating free markets, multi-party politics and the rule of law around the world (Chang, 2002; Future State, 2010).

Not surprisingly, therefore, its application in Africa has not been a great success. The modal pattern generated by the encounter between the neopatrimonial politics of post-colonial Africa and the 'best practice' advocacy led by the West has been a story of frustration, waste, double-dealing and collective self-deception (van de Walle, 2001; Kelsall et al., 2010).

In the modal pattern, generalised clientelism and corruption are intensified by the advent of competitive elections and the associated needs for campaigning resources. The formally adopted anti-corruption efforts fluctuate between tokenism and weapons in a political game, their ability to make a real difference blunted by the commitment to due process. And, outside of macro-management and other islands of excellence, the state loses both the capacity and the corporate interest to provide the core public goods and other preconditions for a successful market-based economy. There is economic growth but little transformation and the very poor remain very poor (Booth, 2011). Everyone is aware of this but there is little open debate about it, partly because no one has solutions other than doing more of the same.

Research for the Africa Power & Politics Programme (Cammack and Kelsall, 2010; Kelsall et al., 2010; Kelsall, 2011) has been seeking a way out of this state of affairs, one which draws in a more serious way on actual experiences of successful transformation from comparable starting points. It has been working with literature on Southeast Asia, including the theoretical tools developed by Khan (Khan and Sundaram, 2000) and Gray and Khan (2010) centring on the constructive role of rents in early capitalist development. It has also undertaken a systematic look at a range of post-colonial African experience. Underlying this work is a refusal to accept that the African modal pattern is the only possible outcome, or that neopatrimonialism as such is a barrier to the establishment of transformative regimes in Africa. This paper is a contribution to that analysis.

The APPP research suggests the need to recognise a distinct type of 'developmental patrimonialism'. The paper asks the question whether the regime established in Rwanda by the Rwandese Patriotic Front (RPF), particularly in the period since 2000, falls into this category. The argument is developed over five sections. Section 2 explains in more detail our overall theory-building approach and how we have chosen to tackle the Rwanda experience. Section 3 presents evidence supporting the proposition that post-2000 Rwanda is a case of developmental patrimonialism, but with one important proviso. Section 4 deals with the observation that there are aspects of the business-politics relationship in Rwanda which fit the model less well. Section 5 concludes.

2 'Developmental patrimonialism' and the Rwanda case

We think policy ideas about governance for development in Africa need to be more firmly grounded than they have been in the best insights from classical political economy and modern institutional economics. A key theme of recent contributions in these intellectual traditions has been the importance of recognising the role of economic 'rents' in the early stages of economic development when capitalist enterprise and competitive markets are only weakly established.

Until competitive markets are well established, rents of various kinds play a major part in economic life, and often violent competition for control of rents is the stuff of politics. The first part of this statement is true by definition, as rents are defined as returns to a factor of production in excess of its opportunity cost under competitive conditions. The second part is confirmed by much historical evidence and forms one of the central claims of North et al. (2009) about all those social orders which have not, or not yet, institutionalised ‘open access’.

In the context of what North et al. call generically ‘natural states’, a possible and indeed likely scenario is one in which ‘rent seeking’ by elites results in policies which are market-constraining and anti-developmental. This particular pattern and what to do about it has become central to Western ideas about development policy. However, as Khan pointed out over a decade ago (Khan and Sundaram, 2000), there are other possible scenarios. These are not scenarios in which rents are unimportant, which is unrealistic and to some extent excluded by definition if a country is very poor and in which there is limited competition. They are ones in which the generation and utilisation of rents are managed in a constructive way, with positive implications for long-run development. It is now widely accepted that such scenarios have been quite common in East and Southeast Asia. We think there are examples in the actual experience of sub-Saharan Africa too.

For Africa, we think it is possible to distinguish a ‘developmental patrimonialism’ in which ruling elites acquire an interest in and a capability for managing rents in a centralised way with a view to enhancing their incomes in the long run, rather than maximising them in the short run. We hypothesise that developmental patrimonialism represents a more likely transformative scenario – and incidentally one that corresponds more closely to the donor mantra of ‘country owned development effort’ (Booth, 2010) – than any which assumes that elites can be completely disinterested or that abolition of rents is feasible or desirable in the early stages of capitalist development. Considerable interest therefore attaches to the question of the conditions under which long-horizon rent centralisation becomes both attractive and feasible, feasibility involving the ability to impose the necessary disciplines, first within the political elite itself and then within the key elements of the techno-bureaucracy.

Most of the clear examples of developmental patrimonialism which emerge from our survey of evidence for a set of seven resource-poor tropical African countries are located in the past, belonging to the immediate post-dependence era of countries like Côte d’Ivoire (1960-75), Kenya (1965-75) and Malawi (1961-78). Other instances studied intensively by others include both past and present-day regimes in countries like Botswana and Ethiopia.

The mechanisms used by these regimes to centralise rent management have varied. Most commonly, there was a concentration of power by the president or equivalent ´big man’, along with systematic clientelism and informal use of state resources. Dominant post-colonial leaders often accumulated considerable private wealth in this scenario. However, in some cases the mechanism for generating and allocating rents was or is an elite cabal or a dominant organisation (e.g. a political party). To the extent that under these arrangements there remains a blurring of the distinction between public wealth and the private wealth of the rulers, these types of regime all fall under the standard definition of neopatrimonialism (Bratton and van de Walle, 1997: 61-96).[1]

One of the African regimes identified in our study as a possible case of developmental patrimonialism was that of Rwanda under the RPF, especially since 2000. This paper makes the argument which supports this interpretation with some important provisos. It is based on research carried out in Rwanda between late 2007 and late 2010, including 74 semi-

1 The prefix ‘neo’ indicates a system which combines patrimonial and legal-rational or modern bureaucratic features. In discussing the more developmental sub-type, we drop the prefix solely for economy of expression.

structured confidential interviews, participant observation of key events and continuous triangulation of information from different formal and informal sources.[2]

Our approach is to tackle three main questions:

- What features of the Rwandan regime correspond clearly to the model of developmental patrimonialism, and what additional theoretical insight can be derived from a study of this country case?
- What does the Rwanda experience tell us about the conditions under which these features can arise and then survive, and thus about the general relevance of the model?
- What aspects of the current approach to politics-business or state/private-sector relationships in Rwanda correspond less well to the concept of developmental patrimonialism, and what implications might this have for the characterisation of the regime, for the theory or for the theory's wider relevance?

We are aware that any attempt to categorise the regime in Kigali is going to be controversial. Interpretations of almost every aspect of Rwanda and its history are exceptionally polarised, with even scholarly and analytical writings tending to be pigeonholed by their critics as either apologias for or attacks upon Paul Kagame and the RPF.[3] Compounding the problem, Rwandan public policy continues to be characterised by an unnecessary secrecy and its inevitable counterpart, unrestrained rumour-spreading. One of the effects of this is a remarkably low level of knowledge and understanding about some of the topics that concern us, even at quite senior levels in government and in the resident international community. We are in the territory of urban mythology.

We do not expect to avoid being caught up in controversy. However, we should stress that the theory of developmental patrimonialism is not primarily an evaluative exercise but an effort to disentangle the elements of objective logic under different types of African regimes, past and present. All of the regimes that appear to us to exemplify the more developmental form of neopatrimonialism pose ethically difficult questions about tradeoffs between liberal freedoms and human rights on the one hand and development outcomes (and thus other human rights) on the other. These issues merit discussion but we firmly believe that such discussions are only fruitful when they are grounded in a good understanding not just of all the relevant facts but also of systems and linkages. Particularly in relation to Rwanda, where judgements precede understanding so often and so blatantly, we are committed to reversing the sequence and beginning with a sustained effort to explain.

3 Long-horizon rent centralisation in the Rwanda context

Does Rwanda differ from the African modal pattern in the ways suggested by the concept of developmental patrimonialism? We think so, at least in broad terms and from 2000 when Kagame consolidated his leadership of the RPF-led regime. We also think that this experience is relevant to the development of a middle-range theory about regime types and development outcomes in sub-Saharan Africa. In other words, despite the particularities of the country's history, all the way from the 19th century kingdom to the 1994 genocide and subsequent Congo wars, this is not a completely *sui generis* case. In this section, we begin by setting out some of the senses in which Rwanda sits squarely within its African context while

2 Interview material is referenced with a letter, which indicates the time-period in which the interview took place, and a file number. The numbers are for the authors' convenience and have no other significance.
3 See for example, Pottier (2002), Prunier (2009), Clark and Kaufman (2008) and Reytjens (2010).

experiencing some particular developmental disadvantages that are relevant to assessment of outcomes. We then assemble the evidence supporting the hypothesis of long-horizon, centralised rent management as a distinguishing feature of the regime, finally exploring some of the enabling conditions.

3.1 Country context

As a developing country, Rwanda suffers from a number of quite severe disadvantages. Landlocked, under-endowed with natural resources other than land and climate, and with an exceptionally unfavourable person-land ratio, it continues to be extremely poor in per capita income and human-development terms. Its domestic market for goods and services other than food is tiny. At the end of the war in 1994, decades of previous advance were wiped out. As a destination for private investment, Rwanda remains geographically ill-placed and lacking in compelling attractions. The fact that the country's economic growth performance in recent years has matched but not consistently exceeded that of its best-performing East African neighbours (AfDB et al., 2010: 33) needs to be seen in this context.

That having been said, Rwanda suffers to a particular degree features which are common to many countries of low-income Africa. With an extremely small formal sector and limited urban informal economy, the economy has overwhelmingly pre-capitalist production relations. This was already true before the economic collapse of the late 1980s and the genocide and refugee exodus of 1994. It was true to an extreme degree at the moment when the RPF took over. Both before and after 1994, Rwanda was also highly aid-dependent. The interactions between aid and the domestic political economy were influential in exactly the ways they are in other countries. Arguments about what may be necessary to get capitalist development started and the potential of aid to help or hinder this are therefore highly pertinent, and not in a ways that are entirely country- or situation-specific.

Compared with its East African neighbours other than Burundi, Rwanda has a history as a state which, on balance, must be counted as a rather special kind of advantage. Despite the ethnic divisions and potential for murderous conflict bequeathed by the country's pre-independence history, it remains the case that Rwanda has a continuous history as a state. In line with Pierre Englebert's general thesis (2002), this has given the post-colonial state a legitimacy that many modern African states lack. Not only do Rwandans share a common language and national identity cutting across their differences but they share a political culture with relatively deep historical roots (Uvin, 1998; Mamdani, 2001). Englebert's analysis confirms the hypothesis that the development performance of African states varies systematically with their legitimacy, legitimacy being a function of the extent of continuity in political authority structures.

At this point, therefore, we might be tempted to argue that any distinctive features of the current regime in Kigali should be attributed to what Rwanda shares with Botswana, Ethiopia and Burundi, namely a state with relatively extended history. There would no doubt be something in this. However, too great a stress on this aspect would reduce the general relevance of the analysis. In the APPP argument, examples of developmental patrimonialism are by no means restricted to 'legitimate' states. Moreover, as the example of Burundi (Uvin, 2009) illustrates well, state legitimacy is a relative and not an absolute advantage. Other factors affect radically the ability to reap the benefits of natural statehood.

So we would maintain that despite its specificities Rwanda has all of the elements which, other things being equal, would be expected to generate the African modal pattern. If today it displays features of another pattern, this needs to be explained. Two sorts of evidence underpin this proposition.

First, the pre-1994 regimes in Rwanda were characterised by all or most of the features of the African modal pattern. The introduction of multi-partyism came only at the end of the Habyarimana regime, helping to destabilise it. Before that, there was formally a single ruling party, but that did not prevent the prevailing clientelistic rent-seeking being generalised, competitive and disorganised. Businesses needed 'godfathers' within the administration or the military, and through this mechanism the small business sector financed politics.[4] The *Akazu*, the apex of the clientelist system, was a powerful network close to but not controlled by the president (Uvin, 1998; Prunier, 1999; Golooba-Mutebi, 2008a).

Second, there have been repeated indications since 1994 that many actors in the RPF-led political system, not to speak of the external opposition, would have found it natural for the new government to have resumed the practices established under former regimes. The reasons why former allies of Kagame eventually fell out with him and went into opposition is a particularly controversial topic. In most cases, the reasons were no doubt multi-stranded and complex. The murkiness surrounding what was the eventual fate of some of these people, Hutu 'moderates' and RPF originals alike, does not help in reaching a clear position on the matter. No doubt, each case is specific. Nonetheless, the testimony collected by Stephen Kinzer (2008: Ch 13) about former president Bizimungu and other prominent early defectors is that they were discontented with, among other things, Kagame's strait-laced anti-corruption line. They were eager for a more 'flexible' approach, permitting greater scope for using public funds to buy the political support of key players, 'the working methods of the old regime' (2008: 222).

This is not just ancient history. According to people in a position to know, similar sentiments are harboured even today in parts of the politico-military establishment in Kigali. The arrangements described below, in which politically generated opportunities for profit are rigorously institutionalised and centralised, are seen as restricting access by members of the new elite to legitimate spoils of their victory – in Rwanda and then in Congo (interview A2). This is no doubt part of the background to some of the more recent high-level defections.[5]

3.2 The relevance of rents

Rents are defined as revenues accruing to a factor of production (land, labour or capital) in excess of normal trading profits in a competitive market. In a mature capitalism, rents are associated with factors whose availability is fixed by nature (land and associated mineral wealth, or rare human talents), with rewards to innovation and with social transfers. They are also generated by legal or administrative barriers to entry to particular activities, creating monopolies which may and may not be justified in terms of learning costs or innovation. In pre-capitalist settings, barriers to entry are more the norm than the exception and rent-based incomes are extremely large in relation to other incomes (Khan and Sundaram, 2000: Ch. 1-2).

The political sustenance of existing monopolies and creation of new ones has a generally harmful effect on the ability of economies to grow because incentives to improve productivity are weak. However, in the more progressive cases politically created rent-generating opportunities have served to finance major leaps in investment volumes and, no less

4 Interviews B13 and E3.

5 E.g. that of General Kayumba Nyamwasa (Nshuti, 2010; Onyango-Obbo, 2010).

important, the learning processes involved in establishing firms with the ability to compete in large-scale production with all-comers. Along with funds arising from completely outside the incipient capitalist sphere (classically, from plunder, slavery or the selective protection of property rights) such rents have in some cases financed what Marx called primary or 'primitive' accumulation.

Three sources of primary accumulation were of considerable importance in the years after 1994 in Rwanda:

- the wartime contributions of RPF supporters which remained unspent at the end of the war and became available to support economic reconstruction;
- the excess profits from unregulated and untaxed mineral trading out of DRC during the two Congo wars; and
- the monopoly profits earned in industries awarded protection in the form of selectively allocated licenses or subsidies.

Our contention is that each of these sources of accumulation could have been allowed to finance a generalised personal enrichment of the leadership which took control of the state in 1994. This could have happened even in 2000 when Kagame took over the presidency from Bizimungu. In fact, however, under Kagame's regime control of these flows has been rigorously centralised, mostly by means of the instrument created out of the RPF's 'production department', Tri-star Investments S.A.R.L.

Tri-Star used its funds initially to undertake or set in motion activities meeting elementary socio-economic needs which were considered crucial to political stabilisation. Subsequently, it made investments which were more clearly informed by a long-term vision for the development of the economy. Where these investments depended on an element of protection or subsidy, and thus were in a position to generate additional rents, there was generally a rationale in terms of funding the learning costs associated with new activities, or a new scale of activity. Tri-Star Investments has been rebranded recently under the name of Crystal Ventures Ltd. (CVL), making explicit that, although fully owned by the dominant party, the company is essentially a venture-capital concern, operating with social objectives but under private-sector rules.[6]

In recent years, a holding company originating in the production department of the army, Horizon Group, has been following in the footsteps of Tri-Star. However, the Tri-Star/Horizon model is not the only instrument that the RPF-led regime has used to kick-start modern economic growth in Rwanda. We discuss some of the other elements later, with particular reference to the Private Sector Federation, the Rwanda Development Board (RDB) which leads the government's investment climate efforts, and the evolution of the mining and horticulture sectors of the economy. First, however, we need to establish the truth of our propositions above, that rent management was rigorously centralised and that, by and large, rent-financed investments have stemmed from a genuine effort to grow the economy of the country.

3.3 Evidence on centralisation

In the African modal pattern, rent-seeking is generalised, meaning the following:

6 Compare www.tri-starinvestments.com with www.crystalventuresltd.com.

- Rent extraction is a major source of enrichment for the political class as a whole as well as for private business.
- The political leadership is either unwilling or unable to deny access to rent opportunities by its major supporters, because it is by distributing such opportunities that it remains in power.
- Policy-making is in part driven by the exigency of creating rents for allocation to supporters and to the campaign funds of the party in power.
- Corruption reaches down to the lowest levels of the public service partly because clientelism is systematic and partly because the political class lacks the moral authority to clean up the administration.

Since at least the consolidation of Kagame's leadership of the RPF and the government, the system in Rwanda has differed on each of these points. Although in some of the sillier opposition writings it is asserted that Kagame has greatly enriched himself personally, what follows is accepted by the generality of both defenders and critics of the regime and is not particularly controversial.

In the Rwanda system since 2000:

- Rent extraction has been centralised within the operations of a holding company fully owned by the ruling RPF. The initial funding for this enterprise, Tri-Star Investments, came from political contributions by supporters, especially in the diaspora, during the war of 1990-94. There is no flow of benefits to members of the political class except indirectly and corporately by this mechanism. This includes the most controversial form of rent extraction in which the new Rwandan elite was once involved, wartime minerals trading out of Congo, which was in the hands of a Tri-Star subsidiary, Rwanda Metals. Allocation of protected economic opportunities to large private businesses which are not fully owned by Tri-Star/Crystal Ventures Ltd. is a feature of the model (see discussion of the Rwanda Investment Group below). However, if there are political pay-offs associated with these privileges (we cannot be certain that there are not),[7] they are likely to take the form of contributions to the party corporately.

- The political leadership does not maintain itself in power by distributing privileges to its major supporters. Despite the fact that in the terms used by Bueno de Mesquita et al. (2003), the political system of the country has a large selectorate but quite a small winning coalition, the leadership has denied itself the 'cheap' option of providing private goods selectively to members of the coalition. It is wagering on the 'expensive' option of building support by demonstrating an ability to provide more and better public goods. There are probably partial exceptions to this, in so far as the armed forces, a key element in the power base, are well provided for corporately. However, in sharp contrast to the case of Uganda, even at the height of the interventions in Congo, individual military officers were under strong pressure not to be seen to be enriching themselves or to be otherwise rewarded personally (Golooba-Mutebi, 2010).

- Policy-making is not driven by any exigency of creating rents for allocation to supporters, or even to finance the campaigns of the RPF. Since 2000, policy has been driven rather exclusively by the view that economic and social development is the best and only feasible route to overcoming the ethnic divisions of the past. This is formally articulated in a document called Rwanda Vision 2020. Contrary to what

7 Although some spokesmen explain the Tri-Star/CVL arrangement as a way to avoid the harmful effects of private corporate political contributions as exemplified by the US and UK systems.

happens with equivalent documents in most countries of the region, this is a real point of reference for ministers and civil servants. The assumption underlying the vision is that if economic and social progress occurs fast enough a new generation will emerge who are capable of assuming fully their national identity as Rwandans and forgetting what divided them in the past.

Critics of the regime see this as naive and argue that reconciliation needs to be attended to in a more direct fashion. But in so doing they confirm that this is indeed the vision that drives policy. The RPF's campaigns are financed by individual-member contributions supplemented by distributed profits (dividends) from Tri-Star/CVL, which has the effect of removing the pressure to raise political funds by illegitimate means. At the same time, as we explain below, the rents which Tri-Star/CVL has earned have been at least in some phases and sectors the by-product of what may be seen as an active industrial policy – comparable in this respect with the subsidies which kick-started industrialisation in some of the more successful Asian countries. They are not the product of rent *seeking* in the sense in which this phrase applies within the African modal pattern.

- Corruption is quite uncommon in the public service at any level.[8] This is because alleged corruption at high levels has been vigorously sanctioned at regular intervals and this has shaped expectations. The opportunities and incentives for administrative corruption that exist in other low-income African countries are also present in Rwanda, and the 'moral economy' governing these matters is only somewhat modified as a consequence of the unusual legitimacy of the state (see discussion of Englebert above). On the other hand, the complete absence of high-level political corruption permitted by the RPF/Tri-Star connection gives the leadership considerable moral authority to enforce a zero tolerance policy.

In the APPP research, we have taken care to consider what evidence would be sufficient to disprove claims about centralisation of rent management. The answer we have been giving is that the claim would be disproved by one or more instance of personal rent capture by a leading or middle-ranking politician which was not effectively sanctioned. For example, if a minister or other prominent public figure were to go unpunished after undertaking a large-scale scam at the expense of the state and to his personal benefit, we could not maintain the hypothesis that rent management was centralised.

For Uganda or Tanzania, it would be possible to cite many such instances. We argue that there are no such cases in Rwanda. In contrast, cases where the mere suspicion of wrong-doing of this type has been sufficient to prompt immediate and effective sanctions, legal and otherwise, are quite numerous.[9] They have included prominent supporters of the regime who were not in any other respects in dispute with the leadership or in any sense candidates for victimisation.[10]

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8 'The least corrupt country I have worked in' according to one experienced Africa hand now in business in Kigali (interview B21).

9 In Kigali, new appointees to Permanent Secretary or parastatal management positions are teased with the question 'Have you got your pink [i.e. convict's] uniform ready?' (interview A6).

10 Prominent personalities who have been in and out of jail (or are still in) following accusations of financial wrongdoing or those who have been removed from their posts administratively, include people from inside and outside of the government, as well as the army, police, and other security organs. Some who have fled into exile are wanted on charges of this type. Important friends of the RPF in the business community who have fallen foul of the regime's stringency on financial legalities include Rwanda's top tycoon, Tribert Rujugiro, who was removed from the National Executive of the RPF when the UK and South African

3.4 Evidence on long-horizon deployment of rents

We have established that control of rents has been effectively centralised. We now need to distinguish the post-2000 Rwanda pattern from the relatively centralised but short-termist kleptocracy that has characterised a number of post-colonial African regimes, most relevantly perhaps the governments of Daniel arap Moi in Kenya (1980-2002).[11] In our concept of developmental patrimonialism, we are not required to demonstrate that a qualifying regime has the 'right' policies for developing a country or is entirely benevolent and disinterested, but only that it is motivated by a concern to 'grow the pie'. This determines our approach here even though in important respects we think the policies being pursued do as a matter of fact make good sense, compared with those pursued by other regimes that we include in the same category.[12]

At the beginning, Tri-Star companies were concerned exclusively with responding to the acute material shortages which characterised the immediate post-war situation, using RPF reserves to import goods and even pay civil servants' salaries. Soon, they moved into addressing politically crucial needs, including providing housing for returnees and private security services. Investments in basic import substitution followed (e.g. bottled water and basic dairy products). While in several of these activities Tri-Star may have benefited from an absence of competitors, there is no indication that they were massively profitable, and many suggestions that they were fairly badly run.

During the Congo wars, however, Rwanda Metals ran a highly profitable operation, buying minerals from Congo-based traders and selling them on international markets. It was probably in this period that the dominant role of Tri-Star moved from shoring up the government with the help of the RPF´s war chest to doing business on behalf of the party. Because of the international outcry about exploitation of Congolese natural resources, Rwanda Metals was eventually sold off soon after the effective end of the war in 2002 to a Botswana-based firm (interviews D5, E1).

In its more interesting later phases, Tri-Star-financed companies combined the meeting of urgent socio-political needs with specific economic objectives, including demonstration effects aimed at other private operators. In due course, the activities of several of these firms stimulated other investment by private or public bodies in new or defunct sectors of the economy. As detailed in a companion Working Paper on the Tri-Star story, the investments included road construction, housing estates, building materials, fruit processing, mobile telephony and printing as well as furniture imports and security services. In all cases, the Tri-Star subsidiary was at first a pioneer in activities in which there was little interest from the domestic or (more relevantly perhaps, the diaspora) private sector. While no doubt some of these firms enjoyed some unhindered access to government and other large contracts – as well as preferred client treatment within the group – in most cases, this is the privilege that would have been enjoyed by any first-comer.

It would seem that most of the firms were not highly or even moderately profitable. Although they operated like private companies, they were run by party cadres with little or no business experience, and were probably not very efficient. The introduction of the accounting and

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authorities questioned his tax status; and Alfred Kalisa, Tri-Star's main man in the banking sector until he was jailed over the issuing of unsecured loans (interview C6).

11 Other regimes considered in this category in our general analysis are Côte d'Ivoire, 1981-93; Ghana, 1972-79; Malawi, 1980-94 and Rwanda, 1973-94.

12 Notably, Malawi, 1961-78; Kenya, 1965-75, and Ghana, 1957-66.

reporting systems that would allow us to judge the matter only came later. What is clear is that the operations were to a greater or lesser extent risky and involved heavy initial learning costs. The major contribution of Tri-Star and its biggest advantage over would-be competitors was its financial power (a combination of its own resources and its credibility as a borrower) and its willingness to use this to fund investments with high expected social benefits or economic externalities or high initial learning costs. In other words, the experience conforms closely to the argument of Mustaq Khan about the critical role that can be played by centrally controlled rents and other 'primitive accumulation' in financing the learning costs that otherwise block the development of capitalism.

These generalisations apply quite clearly to the most important early Tri-Star investment, the one which brought the South African cellphone network MTN to Rwanda. Tri-Star largely funded the initial establishment of the MTN network in Rwanda at a time when neither MTN nor any of the other global operators found the size of the country's subscriber base potentially interesting. The results of this venture were spectacularly successful, following which the MTN parent company expanded its equity share and went on to establish a network in Uganda.[13] In other words, Tri-Star contributed to a demonstration effect and learning experience in which one of the beneficiaries was an international firm. It thereby ensured not only that Rwanda entered the world of mobile telephony earlier than it would otherwise have done, but also that the network that was established was at least partly owned by domestic capital.

In other sectors, the emphasis has been more on using financial clout to enable local players to undertake the risks and learning associated with getting established in competition with international suppliers (interview E3). This is particularly applicable to building and road construction, where some international firms, including increasingly Chinese companies, have not only experience but a financial capacity which allows them to be free of risk-averse Africa-based banks. As our own studies in Uganda confirm (Booth and Golooba-Mutebi, 2009), operational competitiveness with international and particularly Chinese firms in these sectors is close to impossible to achieve for local firms in the sub-region in the absence of a mechanism for financing start-up costs and learning-by-doing.

In all of these operations, there is awareness that competitiveness does not only depend on having a supportive and patient financial backer. Tri-Star firms have had extremely open recruitment policies for managers, engineers and other technical specialists. In a number of cases, diaspora professionals have been head-hunted but increasingly the firms recruit by means of open advertising within the East African region and beyond. They can and do hire globally to meet needs in some technical areas. A willingness to hire internationally for the sake of creating competitive national firms has been noted as a distinguishing feature of other 'developmental patrimonialisms'. It would appear to be one of the features that distinguish the policies of such regimes from those of the African modal pattern, in which 'jobs for the boys' and jobs for locals take precedence over firm efficiency and competitiveness.

13 Initially (1998), Tri-Star held approximately 65% of the equity and MTN South Africa 26%, with the government of Rwanda through the then parastatal Rwandatel contributing the balance. In the following years, Tri-Star progressively transferred holdings to the parent company, resulting in shares of 50% and 40% by 2007. That year, anticipating the entry into the market of two new providers – Tigo and the now privatised Rwandatel – MTN international assumed majority control (55%) when Tri-Star sold it a 15% stake. Tri-Star got back 5-10 times its original investments from these sales (interviews B16, B19, E1; www.engineeringnews.co.za, accessed 26/2/11; www.newtimes.co.rw, accessed 26/2/11). In 2011, Rwanda's Finance Minister announced the impending sale of the remaining 10% Government stake and the remaining 35% Tri-Star holding in MTN Rwanda on the newly inaugurated Rwanda Stock Exchange (www.telegeography.com, accessed 26/2/11).

In this respect and others, the operational management of the Tri-Star/CVL group has gone through at least three fairly distinct phases. The details are reserved for the companion paper. However, the broad picture is that in the earliest phases management styles within the group resembled those of the parastatal sector, but that progressively the companies have come to be managed according to the norms of the private sector. Increasingly, the model is that of 'early-stage venture capitalism' (interviews D5, E1). The orientation is towards creating firms that are attractive partners for international direct investors, not just large players in domestic terms.

3.5 Variations on a theme: Horizon and the Rwanda Investment Group

Under Kagame, the government of Rwanda has been quite strongly committed to the private sector as the engine of development, and it has adopted much of the international 'best practice' thinking in this regard. Nearly all of the parastatals inherited from the Habyarimana era were privatised between the late 1990s and mid-2000s in what seems to have been, hostile Internet postings notwithstanding, an unusually clean process. In line with international best practice as currently understood, the government has defined its role as facilitating and enabling private investment, with official bodies concentrating on the provision of pure public goods, including policy guidelines, information, standards and regulation. Responsiveness to the international orthodoxy in these matters has been one of the factors making the government and the RPF leadership sensitive to accusations that the place of Tri-Star/CVL in the economy is anti-competitive and a possible inhibitor of private investment.

It will be clear that we do not share this view. In the next section we shall also explore the possibility that current policy in Rwanda is somewhat contradictory. There are at least some grounds for suspecting that Rwanda's growth rate would have been more impressive and its ability to attract international business partners greater if fewer concessions had been made to the philosophy of 'arm's length' investment promotion. However, before moving on to those matters we need to round off the Tri-Star story. The recognition that the private sector needs to be led from the front and not just facilitated with the provision of a business-friendly environment is entrenched in several parts of the Rwandan system, not just the Tri-Star/CVL set-up.

The privatisation process itself was actively supervised. To begin with (1997-2004) the policy was what one interviewee called 'all-out privatisation', following Washington Consensus principles quite closely. But subsequently a number of recently privatised firms, including Rwandatel, were intervened in and then privatised for a second time when the first buyers proved incapable of providing the promised injections of capital and know-how. Policy today is more tough-minded about the likely benefits of privatisation and there is stronger interest in the option of bringing private-sector disciplines into the remaining state-owned companies (interview A9).

The government adopted a relatively activist stance in at least two other areas too. First, it encouraged the army to create an investment arm with which to undertake socio-economic projects and create productive enterprises. The result was another holding company run on private corporate lines, Horizon Group. Second, it brokered the creation of a large private investment consortium bringing together a group of the richest domestic and diaspora entrepreneurs. The consortium is known as the Rwanda Investment Group (RIG).

Horizon Group's first venture was a construction company established with an initial gift of equipment from the government and a team of military engineers seconded from the army. It undertook a series of projects for the government, including building irrigation dykes and constructing coffee-washing stations, 'to avoid the Chinese doing everything' (interview E13). At an early stage, it established a cassava-growing operation and a dairy (Laiterie Nyabisindu; C5, E19). Subsequently, it moved into comprehensive urban site development, first on land bought from the Housing Bank in Kigali and later in collaboration with CSS-Zigama, the military's micro-finance initiative. Horizon is now also in pyrethrum processing, as the owner of the Sopyrwa plant in Musanze, the former Ruhengeri Province, which is linked to 24 large producer cooperatives in the area.[14] Horizon Logistics is moving into logistical support to Rwandan peacekeeping forces in a number of locations, taking over from international firms. Galaxy Management Systems has recently been established to assist the Kigali City Council with street naming and house numbering, considered a precondition for efficient taxation (interview E13).

Horizon Group is run as a private firm. Even its Board does not include serving military officers, although its CEO is seconded from the army, following a previous posting with the military bank. However, as with Tri-Star, its social and political purposes are important, and profitability strictly secondary. The interest in rural construction arose from the perceived imperative to restore export agriculture to something approaching its previous condition. Urban housing was signalled as a vital matter when competition between returnees and displaced people for access to the limited housing stock became acute in the later 1990s. The intervention in pyrethrum was necessary to avert the collapse of a privatised parastatal which would have had harmful employment and smallholder income effects in the still politically fragile mountain region of the North-West. Like Tri-Star, Horizon has a robustly internationalist approach to filling skill gaps in its firms, with business efficiency and the meeting of strategic social objectives taking precedence over commitments to local hiring and capacity development (interview E13).

The Rwanda Investment Group S.A. (RIG) is also a holding company but of a different character. It was created in May 2006, at the instigation of the president and in response to the difficulty of raising funds for large projects in the absence of a local capital market. Currently, it has 41 shareholders, including 31 individuals, four medium-sized companies and six institutional investors including the Rwanda Development Bank and major insurers. The initial start-up capital totalled USD 25m (interviews C4, D4; www.rig.co.rw, accessed 26/2/11). In effect, it brings together 'nearly all' of the richest and best-known individual business-people of Rwanda and the diaspora along with the major public financial institutions (interview A4). At present it operates with a fairly restrictive minimum subscription (RwF 6m) but the intention is to seek international partners and in due course float shares publicly.

RIG's mandate is to raise capital for investments of particular national interest without relying on international capital markets or the local branches of foreign banks. Social objectives are less prominent than in the cases of CVL and Horizon, but 'economic patriotism' is part of the group mission. Such an approach appeared necessary at the time when the country's largest cement factory CIMERWA, a Chinese-Rwanda government joint venture under the Habyarimana regime, was being privatised and needed a substantial capital injection. RIG has a 90% stake in CIMERWA, with the government of Rwanda holding the balance. RIG subsequently invested heavily in peat mining and methane gas extraction from Lake Kivu (both potential solutions to Rwanda's acute electric power shortage). It is in a public-private partnership with the government for the establishment of the Kigali Industrial Park and several other schemes (see www.rig.co.rw). These are all initiatives which funding sources with no

14 A recently privatised parastatal created in the early 1970s, the firm was rescued from near bankruptcy by the Horizon takeover during the global credit crunch. Horizon was approached by the former owners, a group of private entrepreneurs, in view of the army firm's track record in agri-business undertakings (interviews E13, E19).

‘patriotic’ mandate, or willingness to underwrite risks, might well have considered unsuitable (interview D4).

3.6 A proviso

These observations should be sufficient to establish that a major feature of the business-politics relationship in Rwanda since 2000 is a centralised management of rents and their utilisation in a long-horizon perspective. In other words, the Rwanda case does seem to comply with what we have given as the main features of the developmental patrimonialism model. Also, more specifically, the case agrees with Khan’s thesis about the constructive role that utilisation of rents can play in incipiently capitalist economies. As we shall see in Section 4, the government of Rwanda is not quite as consistent in its approach to promoting investment and the private sector as the account so far might imply. It also needs to be recognised that the proposition that Kagame presides over a regime which is neopatrimonial as well as developmental is a little problematic.

To begin with, the distinctive features of the regime do not include a systematic blurring of the distinction between the resources of the state and the private income or wealth of the ruler or ruling group. This is not to say that there has been no self-enrichment by individuals holding public positions, but only that the *systematic* tendency is to block the accumulation of spoils of office by individuals. Generally, too, the distinction between government operations and the private-sector operations of the RPF is clear and quite formalised. At the beginning, the party subsidised the government, and later government licensing policies helped to create the conditions in which Tri-Star and RIG’s shareholders have earned rents. But this is not what is normally implied by the phrase ‘informal use of state resources’ (Bratton and van de Walle, 1997: 66). Therefore, it is arguable that we would be stretching the category of developmental patrimonialism too far to include the Rwanda case within it.

The implication would seem to be that Rwanda since 2000 has shared an important central set of characteristics with the regimes we have characterised as developmental patrimonialisms, but that in some significant respects it is a borderline case. The features which make it borderline, however, are features that increase its relevance to thinking about economic governance pathways for African countries in the future. It is hard to visualise many more cases of ‘classic’ developmental patrimonialism appearing on the African landscape over coming years. In contrast, the kind of politically inspired economic activism which Tri-Star/CVL represents seems entirely consistent with the challenges and opportunities that are going to be faced increasingly by other poor, resource-poor, landlocked African states.

3.7 Enabling conditions and mechanisms

Be that as it may, the Rwandan regime represents an exception to the norm in very many respects. That raises the obvious question of the basis of this exceptionalism.

The genocide and the warfare which preceded and followed it are obviously relevant here. They constitute the kind of major shock or challenge to national survival that has played a part historically, notably in Asia, in installing leaderships willing and able to pursue long-term nation-building projects with the necessary determination and ruthlessness (Moore, 1966; Skocpol, 1979; Weiss and Hobson, 1995). In this sense, it is not accidental that Kagame looks east for his models of economic governance. Like some of the Asian forerunners, also, Rwanda is poor in natural resources, which closes off some of the avenues to national regeneration which could have been followed without confronting the challenge of making the available human and land resources more productive. The extreme weakness of the country’s private sector at the end of the 1990s can also be seen as closing off some of the easier options, making the decision to engage in an active kick-starting of economic activities by any means available less a choice than an inevitability.[15]

The personal leadership style that Kagame has stamped on the RPF and the government is to some extent an independent and additional factor in the situation. Promoters and critics of the regime seem to agree on one thing while disagreeing on much else: that Kagame has personally transformed much of what happens in Rwanda, and that he is both visionary and determined to the point of ruthlessness. Rather exceptionally in the region, he is a leader 'who does what he says he will do' (interview D1). A question for this paper is how far to emphasise these to some extent idiosyncratic factors among the enabling conditions, and how much to focus on other matters.

Leaving aside the aspects of the Rwanda background that are strictly *sui generis*, what seems most important to focus on is the political organisation which has provided the institutional framework for the elaboration and implementation of the 'Tri-Star model', the RPF. The ability to work within a relatively well disciplined, member-funded organisation, endowed with its own resources and considerable reserves of both financial and human resources in the diaspora, seems to have been crucial to setting Kagame on the path he pursued and allowing him to remain on it. The character of the RPF as a political organisation was what enabled the option of using the party to build the state, and enabled rejection of the 'natural' option of pillaging the state to enrich the ruling elite.[16]

Aspects of this story are no doubt somewhat Rwanda-specific and/or linked to the particular conditions which enabled the RPF to mount a successful armed challenge to the former regime. For example, the RPF received support from places like Ethiopia and Uganda but learned early on in the struggle the value of self-reliance, and of having its own economic activities, setting it apart from political organisations with a different kind of origin (interviews A9, C6). However, the concept of a political organisation funded by member subscriptions and contributions is itself hardly unique. The RPF took some of its early inspiration from Mozambique, where its first chair had been in FRELIMO (A9). And Rwanda is by no means the only African country endowed with a well established international diaspora, including high-earning and professionally qualified elements.

The need to focus on the character of the ruling political organisation is consistent with some of the arguments of Khan about the conditions for centralisation and developmental utilisation of rents, notably as reflected in his work on dominant parties in Malaysia and Tanzania (Khan and Sundaram, 2000; Khan, 2010). It also agrees with one of the concluding themes of the Crisis States Research Centre regarding the sources of state resilience and fragility. In a draft

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15 On the other hand, the feasibility of building a new private-sector-led economy on this basis was greatly assisted by the human and financial resources available in the diaspora. Returnees since 1994 have displayed the superior entrepreneurship associated with immigrants everywhere and for some of the same reasons. The sons and daughters of people who made good in business in Burundi, DRC or Uganda, many of the new business elite are well endowed with relevant experience and networks as well as financial resources. Their families having been excluded from public service (other than the military) in their places of exile, they are less inclined than the permanent residents to regard business as a low-status occupation (interview D4).

16 'Ex-Ugandan' party members, in particular, provide a bedrock of support for Kagame's belief that by building the state and public services it may be possible to reconstruct a sense of common Rwandese identity and thereby guarantee the country's future. Those schooled in Uganda 'were not taught to hate Hutus'; had their Rwandese identity reinforced by the Ugandan host population; and were witness to numerous lessons in the misgovernment of a country (interviews A11, B11, C2).

synthesis paper, Putzel et al. (2010) argue that ‘state resilience is most likely to be achieved when the political organisation(s) that control the state:

> ‘1) mobilise their social base in ways that accommodate the demands of the most powerful elites and do not involve violent repression of non-elites; (2) establish executive authority within the state with the power and resources to discipline defectors and reward those who play by state rules; and (3) establish the executive authority independent of the particular individual(s) who occupy high office and subject it to checks against the abuse of its power’.

This analysis draws on Crisis States studies of Afghanistan, Colombia, Uganda and Zambia, the most directly relevant in the present context being the account by Golooba-Mutebi (Golooba-Mutebi, 2008b) of the failure of Uganda’s National Resistance Movement to become consolidated as a party and retain any of the required features above.

Such convergence between research programmes primarily concerned with state resilience and others concerned primarily with developmental forms of (neo)patrimonialism seems significant, suggesting some need for joint elaboration of policy implications. With respect to Rwanda, the Crisis States synthesis is useful in indicating which of the enabling conditions of developmental patrimonialism may be considered both settled and of general relevance, and which must be considered not yet settled and important to watch. Most of our argument has been about how condition 2 has been satisfied, and the features of party discipline and member funding are probably best seen as factors enabling this condition. Conditions 1 and 3 probably need to be regarded as not yet settled because whether the RPF has done enough to accommodate rival elites remains open to question and the mechanisms through which a leadership succession may yet be successfully managed are as yet undefined.

It is an important distinguishing feature of our account of developmental patrimonialism that it focuses on the ability to achieve centralised, long-horizon rent utilisation, and not just the desire or ‘will’ to do so. This is partly a question of having the organisational machinery for imposing the necessary disciplines. The character and trajectory of the dominant political organisation seems the most important aspect of this. Another, however, is the institutional set-up in the civil service. In our previous thinking on developmental patrimonialism, we have given a central place to the ability of regimes to deliver on their long-term goals by turning the state bureaucracy, or at least key elements of the economic technocracy (ministries of finance and planning, and perhaps agriculture) into effective instruments for implementing the policy vision. We have argued that this involves two dimensions, which we have termed respectively *vertical coordination* and *technocratic integrity* (Cammack and Kelsall, 2010: 4-6). While the most important conditions for these features to occur seem to be the political ones already discussed, it may also be relevant to enquire into the extent to which conditions are such that elements of the civil service are at least able to meet the political leadership half way.

In our leading examples of developmental patrimonialism in the immediate post-independence era (Houphouët-Boigny, Kenyatta, Kamuzu Banda, Seretse Khama), an enabling feature seems to have been the ability of presidents to lay their hands on administrations that were still functioning much as they had done in the colonial period. Some of these rulers, indeed, made extensive use of European expatriates. It may be relevant, therefore, that it was necessary and possible after 1994 to reconstruct the Rwandan civil administration from scratch. To a significant extent, the RPF were drawing on a blank canvas.

Former civil servants were rehired, but ministries received a good deal of fresh staffing, much of it drawn from returnees from the diaspora and, increasingly, recent products of the National

University and universities in Uganda and other countries abroad. The resulting civil service is exceptionally youthful, and there has been much learning on the job. Responsiveness to political directives and to the particular Rwandan form of performance-based contracting – the neotraditional *imihigo* – has been exceptionally great. In terms of our first criterion of disciplined technocracy, the extent to which there is vertical coordination, the Rwandan civil service clearly scores highly.

There are undoubted downsides to all of this, which are potentially relevant to the assessment of our second criterion, technocratic integrity. Commenting on the investment climate in Rwanda (discussed further below), business people gave us the impression that lower ranking public officials can be inflexible and unduly authoritarian in dealing with the private sector. As well as reflecting Rwanda's statist political tradition, this may have something to do with excessive caution born of inexperience and nervousness about displeasing superiors. A legitimate concern is that this may have created a techno-bureaucracy that is strong on vertical discipline but weak on what we call technocratic integrity, the ability and willingness to say 'no' when political leaders wish to embark on impractical or otherwise ill-advised schemes.

There may be some of that, but as regards the key elements of the economic bureaucracy, it is clear that sufficiently qualified and internationally experienced people were able to be hired, beginning with Ministers of Finance of high international reputation such as the now head of the AfDB, Kaberuka. In sum, there do seem to have been several features which have permitted the Rwandan bureaucracy to meet the political leadership half way, forming the necessary strong partnership for the implementation of rent centralisation and a developmental vision.

4 Discordant features and emerging issues

We have made the case for the concept of developmental patrimonialism and its application to the post-2000 Rwandan experience by focusing on the features of business-politics relations in the country which correspond best to that model. In so doing, we have noted that the government of Rwanda has been strongly influenced by mainstream international ideas about how to create an environment conducive to private sector investment. In this context, it has been sensitive to the accusation that the role played by party-owned enterprises in the economy is anti-competitive and discourages international investors. It has recently been highly rewarded, in propaganda terms at least, for its strenuous efforts to meet the criteria of the World Bank´s Ease of Doing Business survey. Rwanda is reported as the second top global improver (after Kazakhstan) and the best in East Africa in the Bank's report for 2011 (*The Independent*, Nov 12-18 2010). All of this raises the question of whether the more orthodox elements in policy are as insignificant in the overall picture as our discussion so far may have implied.

In this section, we answer that question and consider some of the implications. Our contention is that there are important features of the approach to business-politics relations which are more orthodox (more based on arm's length facilitation and a strictly non-interventionist stance). However, close examination of those features does not suggest that there would be gains from doing more of the same. On the contrary, there seem to be reasons for thinking that their potential to enhance actual investment rates is close to being exhausted. We draw here on research into the investment climate and business-government interactions with particular reference to two sectors, mining (now the leading foreign currency earner) and horticulture (the fastest-growing export sector).

4.1 One model or two?

Created in 2008 from a merger of the Rwanda Investment and Export-Promotion Agency (RIEPA) and related government agencies, the Rwanda Development Board (RDB) leads an investment facilitation set-up based on international best-practice (www.rdb.rw). Although it remains inexperienced and understaffed in several technical areas, its performance compares very favourably with the equivalent arrangements in Uganda or Tanzania, set up under the influence of similar ideas but backed by less forceful political impetus. Together with Rwanda's impressively low crime levels and its low levels of corruption, the near-absence of official red tape in the process of establishing a business makes the country a seemingly ideal investment destination, for domestic, regional and international investors.

According to our interviews carried out at intervals over a two-year period, 'investor aftercare' remains a weak side of RDB's own operations. Inflexibility and inexperience among the tax assessors of the Rwanda Revenue Authority, and late payment of invoices by some government departments, are other causes for concern in the wider environment for private enterprise (interviews B5, B9, B10, B12, B15, B20, B24, E3, E4, E12). However, serious as these problems may be in the short term, they could be considered transitional problems which are already on their way to being tackled.

Recognising all of that, many observers of the Rwandan investment scene, including government (interview E5), are puzzled by the extent to which international investments fall short of government expectations and of the levels achieved by Uganda and even Tanzania, with much less favourable facilitation (Drummond and Ramirez, 2009). One possible explanation is that Rwanda has not yet done enough to market its definite advantages. This was probably true a few years ago, before the big push on improving the Doing Business indicators, but will be difficult to sustain in future years. It is possible that some prospective foreign investors have been put off by the knowledge that their potential competitors in the national market are part of a conglomerate owned by the ruling party. There is a good deal of poorly informed conversation about Tri-Star/CVL among ordinary Rwandans, members of the business community, diplomats and donors in Kigali, some of which could easily put off a hesitant international investor. However, this is more of an image problem than a real one. As detailed in the companion working paper on the Tri-Star story, none of the Crystal Ventures subsidiaries have either the overweening market power – after foreign competitors are factored in – or the ability to mobilise political leverage that the urban myths attribute to them. In fact, most of the firms are already facing quite intense competition from regionally or internationally owned firms.

We conclude that the barriers to private investment that need to be taken more seriously now are economic, not institutional. They include some fixed features: the implications of small domestic market size for any investments in import substitution; the barriers to export production created by the country's landlocked status; and the comparatively limited opportunities for quick wins in natural-resource extraction, particularly in comparison with Uganda and Tanzania. Crucially, they also involve the risks associated with investing in an immature business environment, especially in sectors characterised by major backward and forward linkages and externalities. These are the kinds of barriers which we have argued are addressed by the politically backed venture capitalism pioneered by Tri-Star. They are not the kind of barriers that are or could be addressed by even the full panoply of best-practice investment facilitation. This suggests that there are going to be limits to the RDB approach, even after its remaining inadequacies are ironed out.

For similar reasons, we have some doubts about the potential of another dimension of current policy. This concerns the Private Sector Federation (PSF), another government initiative designed to kick-start the domestic private sector, in this case addressing a deficit in terms of interest representation. Faced with another blank canvas, the government took the unusual step of initiating the formation and subsidising the costs of an association to represent the interests of the private sector as a whole (interview A6).

The PSF has been built in a top-down fashion, with sectoral and sub-sectoral base organisations emerging over a number of years. A plan to span the country with local PSF offices has been under way for some time, at some considerable cost. The organisation has assumed a mission which includes both representing private business interests to the government, the tax authorities and parliament, and building the management, planning and accounting capacities of member firms. 'Sensitisation' in basic business practices for small and medium firms outside the capital is one of its major tasks (interview D1). There has been some debate about whether being subsidised and encouraged by the government is on balance an advantage or a disadvantage when it comes to getting official bodies to pay attention to complaints, with the RRA as a particular case in point. However, a possibly more important question is whether the 'capacity development' approach to stimulating small and medium enterprises – very similar in most respects to the donor-supported programmes located within the business associations of Uganda and Tanzania – is an effective way of getting capitalism started in a poor African country.

The point here is not to disparage the efforts being made within the PSF framework. There may well be social reasons, even if there are not good economic ones, for paying special attention to supporting medium-sized firms outside of Kigali, given the rather heavy presence of Tutsi returnees among the new captains of industry in the capital. However, the question is whether these are the efforts that will do most to break up the log-jams that are the most important barriers to large-scale investment, which in turn may be the most important barriers to dynamic middle-rage enterprise. It may be significant in this context that the two growing sectors we have investigated have their own industry associations which are largely disconnected from the PSF set-up. Individual entrepreneurs also tell us that if they face a particular difficulty, they lobby the ministry or indeed the Minister directly. Interest-representation as such does not seem to present any difficulties for middling to large firms (interviews B14, B24).

In summary, the Rwanda system does indeed have features of two distinct types of politics-business relationship. There are all the elements of a developmental patrimonialism and major elements of a conventional 'best practice' regime. They coexist peacefully but do not on that account necessarily form a coherent package, optimal from the point of view of costs and benefits. We see, moreover, some signs that questions of this sort are being raised in practice. This is apparent in our focus sectors, mining and more particularly horticulture.

4.2 Investment promotion in mining and horticulture

Mining has been a significant activity in Rwanda since the 1930s, when a number of Belgian firms were awarded production concessions, especially for Wolfram (tungsten) and Casiterite (tin). In the 1960s, mining accounted for between 25% and 47% of export earnings, second only to coffee, declining in relation to tea thereafter. Privatisation of state-owned concessions became a government priority in the early 2000s, but made difficult headway because information on the production potential was frequently lacking. Overcoming this obstacle was the main objective of a new mining law passed in 2009, which retains the distinction between research and production concessions but improves the incentive to engage in prospecting.

Other aspects of the investment promotion regime are heavily focused on information-supply, regulation and certification (interviews D3, D7, E16).

There may well be good technical reasons for this, given the technology- and knowledge-intensity of the business. Anyway, with the controversy around trading in Congo minerals in the background, this is probably the field in which the government of Rwanda will be most unwilling for some time ahead to permit itself a more interventionist role. Arguably, also, this is a field in which backward and forward linkages are typically handled on a within-firm basis, making externalities less of a concern than they are in other sectors, especially agriculture in general and export horticulture in particular. The results of the approach being taken have yet to be seen. However, the outlook is at least promising, with several large international prospectors now at work, with interest in gold and Coltan (tantalite) as well as Wolfram and Casiterite. Avenues for value-addition are also being pursued (interviews D7, E16).

In the case of horticulture, too, the policy approach has been until very recently of a 'best practice' hands-off type. The government established a specialised agency within the Ministry of Agriculture, RHODA,[17] and has taken a number of bold steps to create a suitable legal and regulatory framework. One of the Crystal Ventures companies, Inyange Industries, has moved from processing of water, milk and imported fruit concentrate into processing of locally procured fresh fruit and promoting contract farming. However, the aim and the need is for investment on a broad front, with domestic private operators like the celebrated Gérard Sina and regional firms like East African Growers taking increasing shares of the regional and to a limited extent, the global markets for horticultural crops and processed products (interviews D1, D10, D13, E8).

RHODA is proactive in promoting the opportunities that Rwanda offers and in brokering partnerships at various points in the value chain. There are good links with related aspects of policy for agriculture, including the development of an appropriate model of rural cooperation and a vision for cooperative-based contract farming. Under a Project supported by Belgian Technical Cooperation, credit is available for investments in post-harvest technologies at village level. Research into varieties of planting material and disease control is being done. A Flower Park and other demonstration projects are nearing completion. However, the uptake of opportunities is beginning to be viewed as disappointing. Limitations of the current approach are being recognised. There are increasing references to unresolved 'chicken-and-egg problems'; that is to say problems of market coordination (interviews E6, E7, E8).

The most important bottleneck of this kind seems to be the volume and continuity of production that is necessary to sustain any processing operation using modern technology and aiming to be competitive on a regional or international market. Land availability in Rwanda is not considered sufficient for the establishment of centrally managed plantations. The model being promoted is therefore contract farming by small-holders organised in member-controlled cooperatives around a centrally managed home enterprise. But the organisation of contract farmers on a sufficient scale and at sufficient production standards is challenging even for firms that are well embedded in the local environment, like Sina's Urwibutso enterprise and Inyange. Those firms are themselves in the phase of learning and having to cover their learning costs.

Another much cited cluster of chicken-and-egg problems concerns post-harvest aggregation, storage and marketing for the domestic market, and cold-storage and international air freight for international destinations. At present, a government cold-storage facility at the national

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airport is underutilised and freight rates are high on account of low volumes. A modern market facility to serve the national market is under construction, but there are some doubts about the ability of even this infrastructure to be able to attract a sufficient volume of produce out of the informal local and cross-border channels though which most of it flows at the moment.

Against this background, there are signs that the government will adopt the technical advice being offered from various quarters that it is time for it to undertake joint ventures with a few international investors in which the authorities will underwrite and if necessary subsidise the learning costs and risk-taking. The model, in other words, would be comparable with the initial Tri-Star involvement with MTN. Alternatively, it would compare with the venture which financed the construction of the Intercontinental (now Serena) Hotel against World Bank advice, which eventually proved a sound business operation.

This is an incomplete story. At this point, it is not clear that the idea will pass the various levels of scrutiny that it is likely to attract. The modalities of the investment and the institutional form of the government's involvement (or that of CVL or perhaps Horizon) would need to be defined. Horizon's previous involvement in the construction of coffee-washing stations is not regarded as a particularly strong precedent, and its current involvement in contract farming of pyrethrum remains to be tested. Nonetheless, there is an important lesson to be drawn from the evolution of policy thinking about investment promotion in horticulture in Rwanda.

The argument we have developed, following Khan, about the impossibility of getting capitalism started in a poor pre-capitalist setting without the use of rents to finance the learning costs of pioneer firms is not just of use in explaining the initial post-war recovery model in Rwanda. It is likely to remain applicable in Rwanda for some time to come, and its relevance extends quite broadly to countries of sub-Saharan Africa which share Rwanda's basic features.

5 Conclusion

We have argued that business-politics relations in Rwanda since 2000 have deviated from the modal pattern of sub-Saharan Africa in ways that conform, with one significant proviso, to the concept of developmental (neo)patrimonialism. Rents are effectively centralised and deployed in ways that correspond to a long-horizon vision, including ways that are objectively developmental. A feature of this arrangement is a remarkably low level of the kinds of rent-seeking associated with 'corruption'. An important factor enabling a robust anti-corruption stance to be taken is the way the dominant party, the RPF, funds itself by a combination of member contributions and the dividends paid by a private company which it fully owns. Investments by that firm, formerly known as Tri-Star Investments S.A.R.L. and now registered as Crystal Ventures Ltd., have generated and utilised significant rents, as have the operations of another holding company owned by the by the army (Horizon Group). They have played the role associated elsewhere with what is today called an active industrial policy. That is, they have absorbed the learning costs of pioneer firms, thereby creating opportunities for unsubsidised private investors in a second stage.

The RPF's decision to subsidise or underwrite the creation of a private capitalist economy in Rwanda was taken in a post-war situation with a number of extreme characteristics. The consistency with which this project has been carried out owes much to the personal motivation and determination of the man who led the process, Paul Kagame. However, the character of the RPF itself, as a political organisation, may need more attention than it has been given in the literature. The RPF has yet to prove that it can meet all of the criteria found to be associated with political organisations that create resilient states – which include, according to Crisis States research, the incorporation of all significant elite groups and separation of the institutional roles from the founding personalities in its leadership. This, however, provides an additional set of reasons for paying more attention to its structure and trajectory.

We have recognised that the developmental patrimonial model is not the only one relevant to the case of Rwanda. The government has not been fully consistent in its approach to politics-business relations, and international 'best practice' in investment promotion has strongly influenced its thinking. However, the organisational arrangements and policies stemming from this other approach seem to have significant limits. Those limits are apparently being reached in the horticulture sector. In that sector, at least, there are signs that an approach more closely patterned on the Tri-Star/Horizon approach is needed and will be considered for adoption in the near future.

Altogether, our argument and the supporting evidence add weight to the emerging conclusion of the APPP stream of work on business and politics. Sustained and inclusive development is not going to be achieved in low-income Africa by just trying harder with the orthodox prescriptions which the international community has promoted in recent years. It will be the fruit of innovative policy making which takes full account of the particular challenges and opportunities posed by the characteristics of each country and its sub-region. A possible route for some countries will be a developmental-patrimonial one. Others may find their way more easily into a pathway that resembles in some respects at least the one trodden by Rwanda since 2000.

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