



"Ubumwe, Umurimo, Gukunda Igihugu"
"Unity, Work, Patriotism"



The case of Rwanda

From Ashes to inspirational: “How FDI untapped a landlocked country?”

Master Thesis - M.Sc. in International Business and Politics

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Dedication

I dedicate this thesis to my (late) lovingly parents as an accomplishment of their work throughout my life. Their hard work, support, encouragement and love will always be the center pillar of my sustainable life. Further dedication of this thesis goes to my wife and daughter for their amazing support, encouragement and love. For me, there is no better success without a united family. Togetherness always matters in every success.

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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
APPP	Africa Power and Politics Programs
BNR	Rwandan National Bank
BSC	Broadband Systems Corporation
CAADP	Comprehensive Africa Agriculture Development Programme
CAGR	Compound Annual Growth Rate
CGD	Center for Global Development
CSR	Corporate Social Responsibility
EAC	East African Community
EDB	Economic Development Board
EDPRS	Economic Development and Poverty Reduction Strategy
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
GCI	Gini Coefficient Index
GDP	Gross Domestic Product
GoR	Government of Rwanda
HIV	Human Immunodeficiency Virus infection
ICGLR	International Conference on the Great Lakes Region
ICT	Information, Communication, and Technology
IMF	International Monetary Fund

IP	I ntellectual P roperty
KMN	K igali M etropolitan N etwork
LDCs	L east D eveloped C ountries
MDGs	M illennium D evelopment G oals
MNEs	M ulti N ational E nterprises
NCBS	N ational C apacity B uilding S ecretariat
NSPS	N ational S ocial P rotection S trategy
OLI	O wnership L ocation and I nternalization advantages
PSF	P rivate S ector F ederation
PSTA	S trategic P lan for T ransformation of A griculture
R&D	R esearch and D evelopment
RIG	R wanda I nternational G roup
RRA	R wanda R evenue A uthority
RURA	R wanda U tilities R egulatory A uthority
RWF	R wandan F rancs
SME	S mall and M edium E nterprise
SPAT	S trategic P lan for the T ransformation of A griculture
SSA	S ub- S aharan A frica
TMT	T echnology, M edia, and T elecommunication
UNCTAD	U nited N ations C onference on T rade and D evelopment

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Abstract

This paper has investigated on possible triggers of Foreign Direct Investment (FDI) inflows in Rwanda after 1994 genocide, despite being a landlocked country, with the intention of discovering reasons why foreign investors would inject their capital into landlocked countries with almost no factors attractions. Through literature review and interviews with government and foreign investors' institutions in various sectors, the paper compared and contrasted the data and information collected with the use of the developmental states theory and Dunning's Eclectic paradigm OLI model to find out possible strategies used by a landlocked country like Rwanda to attract private foreign investors. For better results, an empirical qualitative research based on interviews (Skype and/or telephone) and analysis took place within months of August and October 2015. The results intended to show various strategies such as government's policies and institutions that Rwanda used to attract private FDI, as a landlocked country. Furthermore, results intended to serve of example to other African countries and elsewhere in a similar situation. The paper has suggested, for further research, whether Rwanda represents a new form of African developmental state (Niamh Gaynor, 2014) considering its particularities and controversial findings from previous researchers.

Keywords: Rwanda, Foreign Direct Investment (FDI), Developmental States (DS), and Economic Development

Chapter one: Introduction

1.1. Background of the study

“Yet, as a landlocked country, Rwanda suffered from a number of quite severe disadvantages in addition to its violent socio-political history. As a destination for private investment, Rwanda is miss-placed geographically and lacks compelling attractions” by author. This study has investigated on possible determinants that led to foreign investors in Rwanda despite the above constraints. It also explored State’s (Government) contribution to the above phenomenon that backed in the country’s development.

Many researchers have addressed the question of what determined foreign direct investment (FDI) flows in general (Appendix 1). Among the main reasons were cost savings for production, transportation or administrative activities (Alan S. Gutterman and Robert L. Brown, 2011). Other researchers pinpointed factors such as market-driven, efficiency, strategic-advantage, and/or resource seeking (Blonigen and Piger, 2011 and Hornberger et al. 2011). Although it was a challenge to mobilize investment for sustainable development in developing countries, especially Least Developed Countries (LDCs), more governments in developing countries had come to realize the crucial role of private investment, including FDI.

Despite socio-political challenges that Rwanda went through and led to genocide of over a million of Rwandans, the country had evidently manifested a critical turning point in its modern historical and development path. Although it remained highly dependent on foreign aid, it had a goal of transforming its economy from agriculture-based to service-oriented by 2020 (The Heritage Foundation in partnership with the Wall Street Journal, 2015 index). However, private sector productivity in Rwanda was constrained by relatively limited investments in technology, lack of foreign linkages through foreign technology licensing or foreign ownership, limited worker training programs, and slow uptake of ICT in the manufacturing sector (World Bank, 2009).

Yet, Rwanda's private sector remained small and nascent, dominated by micro and small enterprises, which provided low returns to investment and struggle to grow. Private sector growth and competitiveness were also constrained by low skills and labor productivity in all sectors of the economy (Economic Development and Poverty Reduction Strategy II). On the other hand, Rwanda's strong economic performance hassled some to argue that it represented a new form of African developmental state (Niamh Gaynor, 2014). In consideration to the determinants of FDI flows and Rwanda's position in investors' attractiveness above, there were more constraints than gains in investing in Rwanda. Hence, the above constraints have inspired the choice of Rwanda in this case as a landlocked country that has made and still making an amazing development in Africa through FDI.

It was in this light that the formulation of the research questions is as follow:

1. How could landlocked Rwanda stimulate foreign direct investment (FDI) with minimum resources?

1.1. How can the State (Government) streamline foreign investment in the country?

From literatures' point of view, FDI can be a powerful tool that could help an economy to grow with national leaders' support. Nevertheless, FDI flew to countries with better quality institutions while poor governance could impede it (Daude and Stein, 2007). Even though, reaping the benefits that accrued from FDI, if any, might be more difficult than attracting it (Carkovic and Levine, 2002). Although some saw State as an engine of development, Neo-liberal approaches saw the state as part of the problem, rather than as the agent, which could act to produce growth.

Some thoughts on the developmental state (Appendix 2) focused rather on "people and their skills instead of machines and their owners" (Evans 2010, p.6). They went on further saying that democracy and public deliberation were the "only" way state could comprehend fully the services or infrastructure necessary in enhancing capabilities (Evans 2011, p.43). Others

included political risks as an important factor in the case of host government changes in “the rules of the game” under which businesses operated (Butler and Joaquin, 1998).

With a combination of qualitative method led by interviews, later analyzed and findings from other researchers, as well as theories related to FDI and developmental state, the paper has intended to extract possible determinants that Rwanda has used to attract FDI. At the end of this study, the hope was on the outcomes of the findings to tell whether and how the government has played a key role in foreign investment through policies, good governance and other factors. The paper has suggested further research whether Rwanda represents a new form of African developmental state (Niamh Gaynor, 2014) considering its particularities and controversial findings from previous researchers.

1.2. Framework

The structure of this article is as follows:

The first chapter drew on the purpose of this research and research questions. It briefly highlighted the choice of the country and researchers’ viewpoints. In addition, it pointed out on possible factors that could hinder Rwandan economic growth and concluded with methods used to tackle this study and further research topic.

The second chapter, instead, talked about the literature review on foreign direct investment (FDI) in general (Appendix 1) and on Rwanda in particular. It outlined main reasons of extensive FDI particularly in developing countries and emphasized on the role of the Rwandan government in the investment promotion, as well as institutions involved. In addition, it outlined in details the choice of the developmental state model as a theory used in this case. It introduced characteristics of developmental states (Appendix 2), Dunning’s Eclectic paradigm OLI model and others to explain clearly the case of Rwanda.

The third chapter delineated the methods’ choices and procedures undertaken in the research including sample population, data analysis and collection, as well as ethical issues involved.

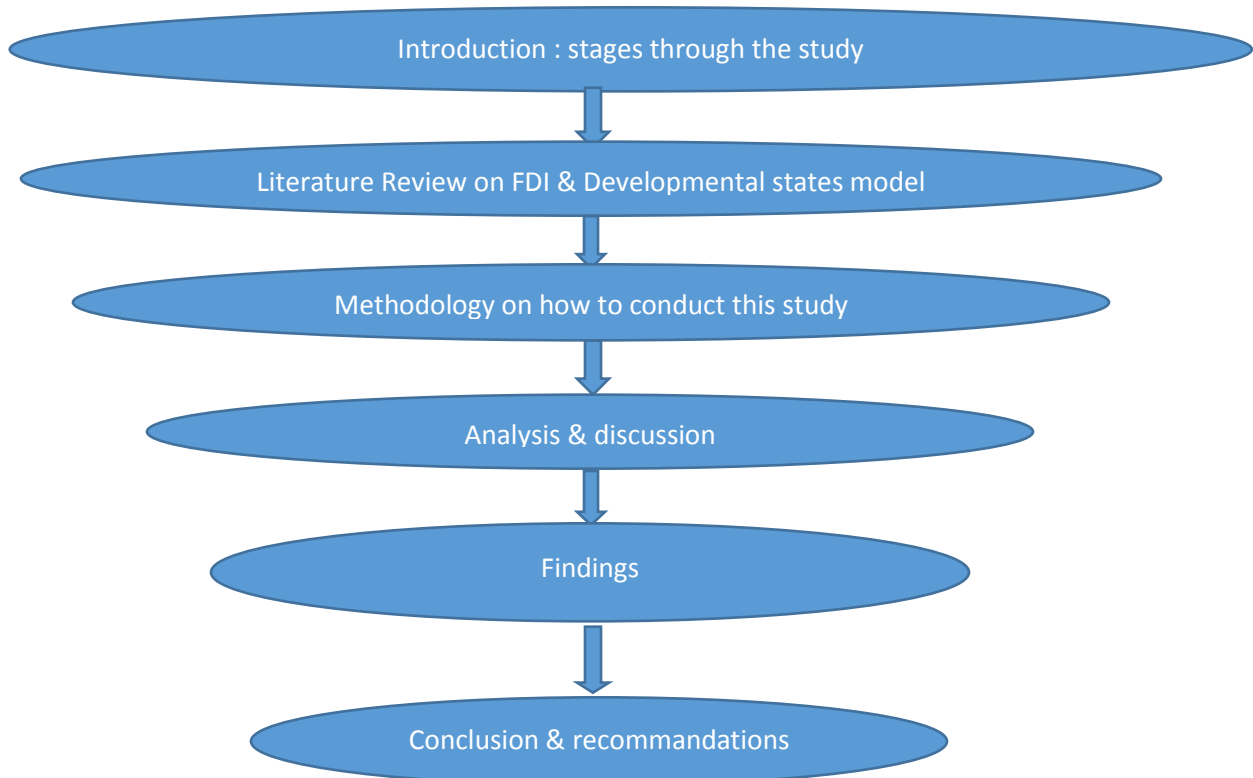
The fourth chapter, on the other hand, analyzed the data collected during interviews in order to compare and contrast with chapter two (literature and theories).

The fifth chapter then brought to light the findings of the previous chapter in relation to the outcomes (findings) of the study.

In conclusion, chapter six summarized the purpose, methods, and findings of the study and drew on recommendations based on the findings. It determined whether the findings concluded with predicted or new assumptions on factors that tied foreign investors in Rwanda as well as whether the State (government) has had an impact on FDI attractiveness and to what extent.

Below is the quick view of the thesis' break down:

1.3. Visual outline of the study



Chapter two: Literature review

2.1. Introduction

The purpose of this chapter was to select related literature that could answer the research questions on the determinants of FDI in landlocked Rwanda and its government's contribution in this phenomenon. This chapter has looked at the literature on FDI in general, in Africa as a whole and East Africa region in particular. It also explored the literature on developmental state theory because these states usually possessed developmental structures that produced developmental outcomes needed in FDI attractiveness.

2.2. Background on FDI

One could ask what FDI is, what does it do, where and how it affects countries in order to understand its effects on this study. The International Monetary Fund (IMF) defined FDI as an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor. Zorska (in Sergiel, 2012), divided investment in horizontal FDI that enabled Mother Company to expand its range of controls, as well as the exploratory aspects while vertical FDI enabled the search for new sources of supplies of such resources like human capital or raw materials. The World Bank, on the other hand, invoked FDI and small business growth as the two critical elements in developing the private sector in lower-income economies and reducing poverty.

FDI is a major source of external finance for countries with limited amounts of capital, which they could receive finance beyond national borders from wealthier countries. It could also serve as an important factor for job creation, economic growth and poverty reduction in the host country (www.Worldbank.org). After a period of hostility in the 1970s and early 1980s, most governments were then acclaiming FDI as good news (Dunning 1994). Wealth's proper channel from FDI could build up a capacity and allowed nations to improve their productivity. Consequently, it could make host countries more competitive in the global marketplace and even more attractive to FDI (<http://isoko-institute.org> 2015). Broadly speaking, FDI flew to countries with better quality institutions while poor governance could impede it. Overall, FDI

was a desirable form of capital inflow to emerging and developing countries because such investment was less susceptible to crises and sudden stops (Daude and Stein, 2007). What drive FDI then?

2.3. Drivers of Foreign Direct Investment (FDI)

A large body of researchers of what determined FDI flows has addressed the question. Findings have suggested many different determinants, depending on both investing and host countries, as well as other factors.

Several investor surveys have indicated that factors that attract FDI to Africa were different from factors that drive FDI in other regions. In fact, there was a widespread perception that African region was structurally different from the rest of the world. Although many African policymakers' believed on East Asia or Latin America lessons, these lessons did not apply to them because their situation was different. Instead, the suggestion was on African leaders to learn from each other (Brunetti et al. 1997) and Batra et al. 2003). Blonigen and Piger (2011) and Hornberger et al. (2011) empirical studies have established the importance of FDI's framework as being market-driven (by economy size or location), efficiency seeking (driven by human capital or infrastructure quality and costs), strategic-advantage seeking (acquisition of distribution channels or technology) or resource seeking (driven by natural resources or other strategic assets).

While traditional factors such as market size and growth potential would continue to be the main drivers of global FDI flows, previous waves of economic reforms did succeed in attracting large inflows of FDI in areas such as trade liberalization, infrastructure deepening, and human capital strengthening. These waves of economic reforms would help to overcome existing weaknesses in the economies and enabled them to attract more and better benefit from foreign capital inflows (<http://iab.worldbank.org>. 2013). Improving a country's competitiveness in the global marketplace could also create many more sustainable advantages. Foreign investors and business owners could indeed help accomplish this goal by bringing in and

developing management talent, industry expertise, training, technology, competitive standards of performance and access to global markets and networks (<http://isoko-institute.org> 2015).

Based on regression techniques, further analyses revealed that the presence of greater trade openness, more limited rule of law, and lower receipts of aid, as well as lower income level of the host country strengthened FDI-to-growth causality by Greater political rights (Bruno Ocaya, Charles Ruranga, and William Kaberuka, 2013). The openness of sectors to foreign equity ownership was one of the relevant conditions to attracting FDI. In addition, economies with greater degrees of liberalization showed higher levels of foreign investment (World Bank Group, 2010). Both openness and economies could increase foreign presence, access to international markets, transfer of technology and expertise, access to finance and increased competition between foreign and domestic providers alike [Duggan, et al. (2013), Javorcik and Mattoo (2011) and Paunov (2012)].

Nevertheless, abolishing foreign ownership restrictions and having a completely open economy did not guarantee success in attracting more FDI neither. Instead, States could always retain their regulatory powers to pursue key public policy objectives, such as protecting the environment, health and safety, preventing fraudulent practices or protecting the stability of the financial system without discrimination between domestic and foreign investors (<http://iab.worldbank.org>. 2013). In spite of FDI's important impact on companies' investment decisions, navigating the various requirements for starting a foreign investment presented some difficulties. Hence, the government needed to implement positive changes in easing business start-up. Over the years, research has shown that companies seek to avoid administrative hurdles when setting up business in foreign economies (Golub and Ling, 2006).

In addition, stricter regulation of entry was associated with higher levels of corruption, and a greater relative size of the unofficial economy. Investors needed reassurance as to whether the sector of activity was open to foreign equity ownership in the host economy before they could assess the process for establishing a foreign investment in this sector (Djankov et al. 2002).

Past ten to fifteen years ago, for instance, investments in extractive industries increased due to the raise in commodity prices and change in economic policies in many African countries. Consequently, the mobilization of these investments for development objectives helped a donor interest to grow, by supporting industrial policies and other measures to strengthen linkages in and around extractive industries.

Asiedu (2002) instead pinpointed that large local markets, natural resource endowments, good infrastructure, low inflation, an efficient legal system and a good investment framework did promote FDI. In contrast, corruption and political instability have had the opposite effect. Most likely, countries that gifted with natural resources or had large markets would easily attract more FDI. Contrary, countries that had small markets or lacked natural resources could attract FDI by streamlining their investment framework and improving their institutions and policy environment. However, an educated labor force, macroeconomic stability, openness to FDI, less corruption and political stability also could promote FDI (Asiedu, 2006).

Linkage development was also an important component to achieve optimal and best-fit alignment between the commodity producers and their current and potential suppliers and the processors of their output. By putting visions, policies, strategies and implementation plans into place could allow to bring about the systemic competitiveness of any particular commodity value chain. In addition, it could allow extending the scope of such alignment by growing the scale, range and depth of domestic capabilities (Morris, Kaplinsky and Kaplan, 2011c: 9). However, the promotion of such linkages required a range of measures between governments and donors. These measures included local content requirements, local ownership requirements, local processing standards, local hiring of staff, compulsory corporate social responsibility (CSR) programs, mandatory local content reporting requirements and supplier development programs; as well as signing up to international agreements such as the Extractive Industries Transparency Initiative (EITI), etc. (UNCTAD 2010).

Poor investment climates notably ones imposing entry restrictions put their economies in a sub-optimum position not only to attract, but, as importantly, to reap fully the benefits of FDI, such as transfer of technology and know-how through spillovers and linkages as well as access to international markets. In the absence of such reforms and improvements in the investment climate, economies did find it difficult to attract their share of FDI and more generally, to reach their economic potential (<http://iab.worldbank.org>. 2013). Technology policy was another area that has potentially important impacts upon FDI spillover benefits. For example, government policies encouraging the performance of research and development (R&D) in the host economy should enhance the technical capability of local firms. All other things constant, this should enhance the capability of host country firms to exploit appropriable foreign technology.

Another potentially important aspect of government technology policy was the intellectual property (IP) protection. Industry representatives from a number of technology industries, most notably the pharmaceutical industry, have argued that secure intellectual property rights in host countries were an important precondition for inflows of valuable technologies to host countries, including those associated with the performance of domestic R&D by foreign affiliates. As mentioned earlier above, FDI has had a big impact on African countries' development. Most importantly, the understanding of FDI in Africa has allowed better tackling of the Rwandan case that constituted the purpose of this study. After all, what host countries thought they could take away from the above factors that could fit their environment?

Host country determinants of foreign direct investment (FDI)

Host country determinants	Type of FDI classified by motives of firms	Principal economic determinants in host countries
<p>Policy framework for FDI Economic, political, and social stability Rules regarding entry and operations Standards of treatment of foreign affiliates Policies on functioning and structure of markets (especially competition and policies governing mergers and acquisitions) International agreements on FDI Privatization policy Trade policy (tariffs and nontariff barriers) and coherence of FDI and trade policies Tax policy</p> <p>Economic determinants</p> <p>Business facilitation Investment promotion (including image-building and investment-generating activities and investment-facilitation services) Investment incentives Hassle costs (related to corruption and administrative efficiency) Social amenities (for example, bilingual schools, quality of life) After-investment services</p>	<p>Market-seeking</p> <p>Resource/asset-seeking</p> <p>Efficiency seeking</p>	<p>Market size and per capita income Market growth Access to regional and global markets Country-specific consumer preferences Structure of markets</p> <p>Raw materials Low-cost unskilled labor Skilled labor Technological, innovative, and other created assets (for example, brand names), including as embodied in individuals, firms, and clusters Physical infrastructure (ports, roads, power, telecommunications)</p> <p>Cost of resources and assets listed above, adjusted for labor productivity Other input costs, such as transport and communication costs to/from and within host economy and other intermediate products Membership of a regional integration agreement conducive to the establishment of regional corporate networks</p>

2.4. FDI drivers in Africa

“Africa is a gold mine with challenges; or, better put, a beautiful rose with thorns. There are massive rewards for operating in Africa, but a number of structural hurdles to cross” (venturesafrica.com, 2014).

Over the past few years, Africa’s interest in foreign investment grew dramatically relative to other regions. Furthermore, Africa’s share of global FDI flows had been improving year on year. According to United Nations Conference on Trade and Development (UNCTAD), companies already established in the region were bolstering their presence and reinvesting their profits for growth (EY’s attractiveness survey, 2014). Even its economic growth was among the strongest in the world. Nonetheless, the number of FDI projects in the continent has declined over the last few years due overwhelmingly to political instability in North Africa (EY’s attractiveness survey, 2014). Despite North African decline, projects in Sub-Saharan Africa (SSA) increased, reversing the decline of 2012. While project numbers were down in 2013, the estimated value of total investments in Africa rose because of several large deals.

Besides, there were several reasons that caught investors' attention in Africa. Among those reasons emanated the SSA growth story with an increasing number of FDI projects currently directed to the region, the growing share of intra-regional investment in Africa (2007-2013) and a change in sector focus, from extractive to consumer-facing industries were the major ones (EY's attractiveness survey, 2014). Africa's cities emerged as the hotspots of economic and investment activity on the continent. The credit went into the development of transport corridors and trade routes to connect these cities, transforming them into sizable urban clusters, large enough for consumer facing companies to target.

Consumer facing industries (the likes of banking, retail, and telecommunications) continued to do well in most African cities where they operated because of the great population and economic potential. These businesses have always acted local even when they thought global. Realizing that infrastructure and formal retail were an issue with Africa, they thought up creative alternatives. They made up their sells via formal retail channels and engaged informal retail channels to distribute their products. These informal retail channels included street vendors, and smaller family-run stores. With these kinds of channels, global companies were able to penetrate rural areas despite infrastructure gaps in transportation (venturesafrica.com, 2014).

However, investors did not leave behind constructive critics. In order to attract greater investments, cities needed to focus on infrastructure, consumer base, local labor cost, productivity, and a skilled workforce. Despite an increasing number of companies, both global and African-headquartered multinationals were successfully growing in Africa. The UNCTAD numbers indicated that there was growing confidence about the continent's prospects among companies already established in Africa. Greenfield investment largely dominated reinvestment areas, particularly in the consumer goods sector. (EY's attractiveness survey, 2014).

Recent discoveries of natural resources and ongoing market integration through East African Community (EAC) made up its large market opportunities. The EAC comprised of Kenya,

Uganda, Tanzania, Rwanda and Burundi. Since 2007, FDI projects in East Africa have grown at a Compound Annual Growth Rate (CAGR) of 23.4%, the second-highest rate in Africa. The region's attractiveness for consumer-facing industries was growing. Opportunities also existed in the Technology, Media and Telecommunication (TMT) sector, with more than 50 million East Africans having mobile phone subscriptions. Contrary to other regional hubs (mainly dominated by Western Europe investors), EAC countries have taken the lead in investing in the eastern hub. The largest investor in the region was, in fact, Kenya (EY's attractiveness survey, 2014).

Additionally, inter-country links in the region had been deepening through the auspices of the EAC. Typical example would be the harmonization of the legislation relating to the EAC Customs Union and common market protocols. In November 2013, the five EAC member countries also led the groundwork for a common currency by 2023. In addition, numerous construction and infrastructure upgrades were also in progress such as Kenya's US\$4b Mombasa Nairobi railway line and the upgrade of the main northern corridor that linked Mombasa to Uganda (EY's attractiveness survey, 2014).

Within the EAC, Rwanda did not stay behind. It has seen robust economic growth in the last decade. Goal-oriented, this trend expected to continue. The country has made concerted efforts to improve its business environment. In 2010, the country led a fiber-optic cable covering the entire country. This enabled the development of the country's financial services sector. Rwanda has also embarked on a drive to upgrade its infrastructure to develop industries such as tourism, transport, logistics, Information and communication technology (ICT) and education (EY's attractiveness survey, 2014). Foreign investors might have wondered why they should invest in the EAC. The table below gives some hints:

A hub for investors to access the rapidly integrating East African market



A large market	
Country	Population in Millions
Kenya	35.3
Tanzania	39.7
Uganda	32.0
Rwanda	9.6
Burundi	7.9

EAC comprised of 125 million people with a combined GDP of over USD 70 billion

EAC: Taking real strides towards integration

- ▶ Established a Customs Union (2005)
- ▶ Working towards a Common Market in 2010, a Monetary Union by 2012 and, ultimately, a Political Federation
- ▶ Functioning political and legal organs
- ▶ Regional infrastructure projects are being financed and implemented and regional trade has increased

Rwanda: A gateway to Africa and the world

- ▶ Efforts to combine the East African Community, the Common Market for Eastern and Southern Africa, and the Southern Africa Development Community underway, putting **600M people into a single market**.
- ▶ Existing bilateral trade agreements with the US and initiatives with the European Union (EU) and others in advanced stages

Source: Data from IMF World Economic Outlook

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In my understanding, the prime focus of foreign investors was always the profit maximization. Hence, this could reduce the attention of the host country's benefits, including civil society and local investment. Although investors saw themselves in the driver's seat for policy-makers to accommodate accordingly, some authors regarded government's policies as the key for foreign investor's presence. Hence, it was crucial, for the country, to pay high attention to the right policies that would benefit the country's development in general, including civil society and local investment.

For Weber, for instance, the state represented "a human community that (successfully) claims the monopoly of the use of physical force within a given territory". However, he did not give clear guidance on issues such as where society stops and the state starts (Weber 1991, p.78). Timothy Mitchell, instead, highlighted that the significance of state-society and state-market distinctions was that their production was about the creation and maintenance of a particular order (Mitchell 2006, p.175). Despite the self-regulation framework of private and public institutions in the market, the state (government) remained the gatekeeper of the particular order stated by Mitchell above. The question is how efficient can it be to create a developmental state capable of attracting FDI?

2.5. Developmental State

Developmental state was a term originally describing countries that have experienced rapid economic growth through state-led policies or interventions such as Japan, South Korea, Taiwan, Singapore and Vietnam. According to BT Costantinos (2014), developmental state was “a state that puts development as the top priority and is able to design effective instruments to promote such a goal”.

Among these instruments lied forging of new formal institutions, the merging of formal and informal networks of collaboration amongst citizens and officials and the utilization of new opportunities for trade and profitable production”. In other words, it was an interventionist state, which can identify priorities, set targets, develop strategies, coordination among various sectors and stakeholders and establish systems for achieving short & long-term goals, as well as establishing clear economic and social objectives and influence the direction and pace of development.

Yet, Neo-liberal approaches saw the state as part of the problem, rather than as the agent, which could act to produce growth. Consequently, these neo-liberal approaches pushed the state to reduce its size and influence in order for development to take off. As stated in Evans book on embedded autonomy, the question was not how much state intervention, but “what kind” (Evans 1995, p.10). Significant increases in the standard of living for a large number of the population constituted a pillar to the legitimacy of developmental states, in addition of being a significant element of developmental states (Wade 1990, p.7; Fritz and Menocal 2007, p.534; Lin and Monga 2011, p.278). Based on Amartya Sen’s capability approach, the focus was on the development of capabilities of individuals rather than economic gains (Evans 2010, 2011) whereas the work of Richard Sandbrook et al identified states as a key player in development.

A so-called developmental state needed to possess developmental structures (state capacity) and used these to perform developmental roles (Vu 2007, p.28). For instance, at certain points, the Indonesian state was in this position of attempting to pursue developmental roles without

having developmental structures. In this particular case, Indonesia would be a developmental state but a failing one (Vu 2007, p.28). These two elements, structures and developmental commitment were required together. Another element utilized to identify developmental states was their ability to “upgrade” from lower value to higher value economic activities”. For instance, this ability was the key element that marked out South Korea, Singapore and Taiwan as developmental states, as opposed to the four high-growth countries of the Association of South Asian Nations namely Malaysia, Thailand, the Philippines and Indonesia (Doner, Ritchie and Slater, 2005, p.328).

Developmental states’ objectives were to occupy better niches higher up in the global division of labor hierarchy (Evans, 1995, pp.7-8). Despite their growth, countries such as Botswana, for instance, would not fit in this category, as they have struggled to diversify the economy let alone “upgrade” (Taylor 2005, p.54). However, there has been an interest in the usefulness of the developmental state approach for other regions, perhaps Africa in particular (Meyns and Musamba 2010, p.7). Therefore, despite Botswana’s frequent identification as a developmental state, Mkandawire (2001) disproved the assumption that African states were not capable of being developmental. Instead, there was a considerable ongoing debate about the usefulness of the ‘East Asian model’ being utilized in other contexts.

In Pempel’s criticism (1999, pp.146-7), the 21st century developmental state, which varied in key ways from the 20th century developmental state, offered a different set of prescriptions for states wishing to follow a developmental route (Evans, 2010; Evans, 2011). For example, manufacturing jobs were decreasing at the end of the 20th century in both the global south and the global north, even in China often has seen as the current hub of manufacturing production then (Evans 2011, p. 41). In the industrial developmental states of East Asia, agricultural and land reform stood as precursors to the emergence, which represented the archetype of a developmental state. The work of the “Tracking Development” program, for example, highlighted the importance of agricultural development as well as land reform before undertaking industrialization (Kees van Donge, Henley, and Lewis 2009, p.7).

In Kees van Donge, Henley, and Lewis' argument in South East Asia, "Agricultural and rural policies raised rural incomes and levels of well-being, leading directly to mass poverty reduction, and indirectly to the creation of a conducive climate for industrial development" (Kees van Donge, Henley, and Lewis 2009, p.7). However, this model regarded as a failure in sub-Saharan Africa due to a relatively less spending on pro-poor, pro-rural policies. In the South East Asia case, the perception of a substantial imminent threat of rural rebellion helped this model to work. These agricultural policies worked hand in hand with macro-economic stability (Kees van Donge, Henley, and Lewis, 2009, p.7-9). In David Henley's work, agricultural activities were also part of the significant impact of the number of people that these development strategies reached (Henley, undated).

However, denial from the land of the African population led to reduced incomes and a development failure because of the lack of ability for Africans to utilize "hybrid rural-urban family strategies" (Evans 2011, p.39). Evans highlighted the absence of denial as an element of the East Asian experience (Evans 2011, p.46). Rather than deprivation, land reform has perceived to be a significant precursor to the emergence of the developmental state. Taiwan's land reform, for example, was one of the largest non-communist land reforms (Wade 1990, p. 241). Both land reform and a ceiling on land ownership significantly limited wealth accumulation in land and improved agricultural productivity. In addition to the land reform advantageous, an ongoing cap on land ownership was required to prolong these benefits (Wade 1990, p.297).

Besides agricultural policies, the first two elements of Johnson's Japanese model and Evans concept of embedded autonomy both proposed that developmental state's achievements required a meritocratic rationalized bureaucracy, which could operate autonomously from the pressures of society (Johnson 1982, pp.315-317; Evans 1995). The professionalism of the bureaucracy and its protection from disturbance by arbitrary political breezes seemed to be an element that was present in the majority of developmental states including those outside of the core East Asian developmental state group such as Botswana (Meyns 2010; Taylor 2005). On

top of a professional autonomous bureaucracy requirement, it also required additional embeddedness.

In order to achieve growth, the connection of these bureaucracies to their societies and particularly their business communities was crucial (Johnson 1987; Evans 1995 and 1998). These bureaucracies remained connected enough to their society, without facing influence by interests groups, in ensuring growth and redistribution. Many people recognized this embedded autonomy as one of the necessary factors that considered a state as developmental rather than a condition to enable the emergence of developmental states (Evans 1995 p.12).

Bureaucratic autonomy represented one of the key benefits of an authoritarian regime. Societal and political pressures could effectively insulated bureaucrats under authoritarianism (Wade 1990, p.375). However, “It was even misleading to think that bureaucrats enjoyed independence in the authoritarian regimes” (Haggard 2004, p.64). Moon and Prasad for example, contended that Korean bureaucrats were in fact highly dependent upon and vulnerable to the wishes of President Park (Moon and Prasad 1994, p.365).

The combination of autonomy and embeddedness was a product of “both the historically determined character of the state apparatus and the nature of the social structure” (Evans, 1995, p. 50). The National government, elite and popular commitment to a national project or vision was a key feature of developmental states, as well as focusing growth and improvement in living standards (Wade 1990, p.7; Fritz and Menocal 2007, p.534; Lin and Monga 2011, p.278). The population had to make sacrifices to achieve developmental ends, which Johnson identified as the key advantage that an authoritarian regime had over a democratic one in terms of its developmental potential (Johnson 1999, p.52). Civil society was to some extent sidelined and many developmental states had drawn their legitimacy from their achievements in terms of growth and in particular improvements in living standards (Leftwich 2008, p.16; Johnson 1987, p.143; 1999, pp.52-53; Wade 1990, p.298).

Around many of the attributes of developmental states, sequencing was also a difficult question produced by developmental states such as a capable bureaucracy and embedded autonomy or national project/state legitimacy. Despite sequencing difficulty, the pre-existence of certain state capacities were important. Consequently, it was a struggle to attempt performing developmental roles without developmental structures being in place. Although examining the domestic structures of the state took less credits compare to the global context in which developmental states emerged, it played a significant role (Evans 1995, p.6; Pempel 1999, pp.146-7; Wade 1990, p.346).

External threats have also played a major role. The start of many states taking on a developmental form occurred in an environment of threats to the state's survival (Doner, Ritchie and Slater, 2005). Leftwich, for example, described Botswana as surrounded by hostile neighbors (Leftwich 2010, p.98). However, not only external threats shaped the environment of developmental states. Many developmental states had also faced the threat of internal unrest (Doner, Ritchie and Slater, 2005). These threats, both internal and external, could provide incentives for cooperation between elites.

As Doner, Ritchie and Slater (2005, p.339) contended: "How war makes states depends ultimately on how war makes states generate revenue". The impacts of these various responses were political as well as economic. For them, it was necessary and sufficient as a cause for developmental states to emerge by combining three factors such as a credible threat of internal conflict, external threats, and resource constraints. The combination of pressures to maintain political coalitions with limited resources available and the need for foreign exchange produced sufficient cause for elites to pursue a developmental state strategy (Doner, Ritchie and Slater, 2005).

The above combination, from Doner, Ritchie and Slater's perspective, referred to "systemic vulnerability". One might have thought of confusion of the above term with developmental state. The first developmental states involved considerable capital investment from the state in

businesses, infrastructure, and education. Yet the concept of systemic vulnerability lied on the absence of resources possibly used for rents (Doner, Ritchie and Slater, 2005).

State-business relations had been a key part of the developmental state story and a key part of their success. For Chalmers Johnson (1982) and many other scholars, one of the key defining elements of the developmental states was their particular configuration of its relationship between state and society. However, the close ties of business and government were often in many senses exclusionary and discriminating in that they have built closes networks of relationships with some groups and excluded or even forcibly marginalized others.

The close relationship between business-people and bureaucrats had been a vital aspect of the state's ability to control and co-ordinate the private sector with an aim to achieving growth (Moon and Prasad 1994, p.363). There could be substantial synergies for growth coalitions but the partnership between business and the state needed to remain balanced (Wade 2010, p.158).

However, Evans associated an unbalanced state-business relationship with what he called intermediate states, in addition, inconsistency was another possibility" (Evans 1995, p.60). Close relationships between state and business did not have necessarily positive developmental outcomes. The Philippines was a negative example of penetration or capture of the state by business interests (Wade 2010, p.158). Overall, many scholars denied the transferability of institutions and practices from developmental states, as well as the relevance of the East Asian developmental state in Africa and elsewhere (Williams et al. 2011, p.340).

Musamba stated that African states would not be able to become developmental (Musamba 2010, pp.30-31). Even though, the fact that state capacity and commitment were absent in some African countries did not mean that they would not be present in the future. In fact, there were also states in Africa and elsewhere that did show promise of state capacity and commitment, as Lockwood highlighted Tanzania (Lockwood 2005) and others highlighted Ethiopia and Rwanda.

Instead, it was wise for other nations seeking to replicate Japan's achievements to fabricate the institutions of their own developmental states from local materials (Johnson 1982, p.323). Contrary, African and Latin American countries needed to follow East Asian experience in the same way that East Asian policy-makers followed western models of capitalism in such originality and inventiveness in order to outperform the original (Evans 1998, p. 83).

Since East Asia, Africa and Latin America were different in many ways, adaptation and innovation should then be the hallmark of any emerging developmental state rather than a dogmatic following of the East Asian model or western models of capitalism. As suggested in the literature, if developmental states would emerge in the near future these would have looked remarkably different to the states originally labelled as developmental (Routley, L. 2012). The question was how different these new developmental states would have looked like.

2.6. New Developmental State

The US played a key driver behind the pressure to liberalize and open up national markets, in order to level the playing field. However, this did not apply to new developmental states. Instead, it posed difficulties for states wishing to take a developmental route (Hayashi 2010, p.60; Chang 2006; Wade 2003). Consequently, this pressure limited the "development space" in the options available to developing countries to protect their emerging industries (Wade 2003, p.622).

Some recent thinking on the developmental state brought social and political aspects to the center of the developmental state (Evans 2010; 2011; Sandbrook et al. 2007). It rather focused on "people and their skills instead of machines and their owners" (Evans 2010, p.6). The states, as social democratic developmental states, employed many of the same "market-conforming mechanisms" discussed in the East Asian developmental states (Sandbrook et al. 2007, p.24).

Rather, refocusing attention from capital accumulation to human development entailed rethinking the role of the developmental state (Evans and Heller, 2012). Development economics have acknowledged then that expanding human capabilities trumped capital

accumulation as a driver of economic growth as well as of development more broadly defined. Coherent state apparatuses, able to deliver collective goods had become more important than ever. Close ties with industrial elites were no longer sufficient and may be counter-productive. Besides East Asian case, Scandinavian example was also significant as it focused on elements that caused economic growth by examining a form of state.

In the late 19th early 20th century, this form of state grew out of a negotiation of how to relieve or manage poverty (Sandbrook et al. 2007, p.29). It was about building a society without poverty and social exclusion (Sandbrook et al., 2007 p.232). It focused on social protection and redistribution that pursued to ameliorate the negative impacts of global capital and the markets without disengaging from them (Sandbrook et al. 2007, pp.232-4).

Nonetheless, disengagement was the way to expanding human capabilities (in terms of the provision of health and education services and infrastructure) rather than to produce a “capability expanding state”. This capability enhanced growth in a global employment market place that required skilled healthy workers (Evans, 2010; 2011). An effective state was a key element required for the emergence of a successful social developmental state (Sandbrook et al. 2007, p.236; Evans 2010, p.3).

Another key element of convergence was the significant role assigned to civil/political society within the state. Democracy and public deliberation were the “only” way in which the state would have been able to comprehend fully the services or infrastructure necessary for it to enhance capacities (Evans 2011, p.43). Civil society, (as highly political arena) was the site where the negotiation of how to manage poverty and the impacts of globalization and ensure “equitable development” took place.

Building a social developmental state was a “continually spontaneous, learning by doing process” (Evans 2011, p.37). There was a possibility for social developmental state to be of great benefit to many countries. However, local innovation and adaptation did not come “ready to wear”. It remained as the dangers of trying to extract a model and implement it in other

developmental states (Evans 2010, p.4). Clientelism and patrimonialism presented other form of a barrier to becoming developmental. This barrier was of a particular issue for African states. The departure point for Africa Power and Politics Program's (APPP) explorations of patrimonial developmentalism was that different types of patrimonial and clientelist behaviors had different types of impacts (Booth 2010, p.7).

In consideration of the forms of rent seeking in terms of their centralized/decentralized nature and of their orientation to a long/short-term horizon, some African regimes (namely, Kenya 1965-1975, Malawi 1961-78 and Côte d'Ivoire 1960-75) regarded as "developmental" in terms of their strong economic performance (Kelsall, and Booth 2010, p.12). One of the key assumptions, which some scholars working on (APPP) challenge, was that clientelist behaviors and neo-patrimonial regimes automatically undermined bureaucracies (Booth 2010, p.15 & p.17; see also Williams et al. 2011, p.340).

For instance, there was considerable corruption between government and business within Japan, Korea and Taiwan (WooCumings 1999, p.16; Moon and Prasad 1994, p.375). However, this corruption was not detrimental like the anti-developmental damaging patrimonialism, which occurred elsewhere (Hayashi, 2010, p.52).

Business interests, with whom developmental states had a high level of linkage, could have seen them as risk of clientelist (Evans 1995, p.53). From Evans' view, a state became developmental only when embeddedness and autonomy were in it together. The developmental outcomes were often lost at point of leadership change or in the case of the leader's declining capacities (Cammack and Kelsall 2011). By building a professional network of loyal clients in the bureaucracy, it helped politicians but not the state they run. Instead, if they have consolidated their power base by building effective coercive state apparatuses, these might stayed with the state long after they have left the scene" (Vu 2007, p.36).

In short, patrimonial developmental states had the difficulty of sustaining the gains made and the absence of institution building. As it has been seen, both corruption and collusion between

businesses and the state and the close relationships between bureaucrats and business often varied between the developmental state and the developmental patrimonial by degree rather than type. Rather, there was no clear cut from the developmental state to the developmental patrimonial.

Since 1993 “social capital” had become one of the key terms of the development lexicon, adopted enthusiastically by international organizations, national governments and NGOs alike (Harriss and de Renzio (1997: 920). Even though the use of “social capital” only seemed to date back to 1994, it had already signaled as the “missing link” in development, for the World Bank itself (World Bank, 1997b). In its definition, social capital usually distinguished from physical, financial and human capital, which generally got their interpretation from within neoclassical orthodoxy.

On the other hand, Putnam (1995) pursued to generalize social capital as culture beyond a set of individual ties “to encompass the repertoires of entire material cultures”. The construction of social capital had to be in terms of its content as meaning. In order to distinguish social from economic and even human capital, ones needed to tie the conceptual framework to an understanding of the social as the informational or other cultural externalities between individuals (Siisiäinen, M., 2000).

The world saw then social capital as a vital ingredient in economic development. As perceived by rural development studies, a vigorous network of indigenous grassroots associations could have been as essential to growth as physical investment, appropriate technology, or (that nostrum of neoclassical economists) “getting prices right” (Putnam, 1993b: 38). Meanwhile, others regarded social capital as a total chaotic concept. “There was not necessarily anything positive or pre-determined about the impact of social capital, until the examination of both its intrinsic and extrinsic content”, so said Adam Smith. Instead, Synergy across the public-private (between representatives of communities and governments) reinforced and cemented

relationships founded on patronage and clientelism, rather than fostering inclusive forms of civic engagement (Beall's, 1997: 960).

There was a need of understanding of power relations and existing structures of inequality since both investments in social capital in waste proved a solid investment for some than others. The above example simply meant that even if social capital content were chaotic and incoherent as a concept, it would have still required systematic content and influence. However, social capital tended to neglect power and conflict and to proceed from the micro to the macro (in conformity with its individualistic origins). It also spawned popularization, as with Putnam but also Fukuyama (1995, 1996), for whom trust began where history had ended.

In Stiglitz's world, development was more than the accretion of physical capital and even more than the accretion of human capital. It included closing the knowledge gap between rich and poor economies and other transformations, such as those that resulted in lower population growth rates and changed in economic organization (Stiglitz, 1997: 19). Despite the previous stance in favor of state's simplicity, there had been a challenge in addressing what role the state should have played given its continuing importance; even if serving as a cover for sizeable discretionary intervention in practice. In other words, the state tended to be more influential than before, rather than becoming genuinely state-friendly, in both depth and scope.

As Putnam's (1993b: 42) said, "Social capital was not a substitute for effective public policy but rather a prerequisite for it and, in part, a consequence of it. Social capital . . . worked through and within states and markets, not in place of them . . . The social capital approach promised to uncover new ways of combining social infrastructure with public policies that work, and, in turn, of using wise public policies to revitalize America's stock of social capital".

It was essential for the social capital to attach to the economy in a functionally positive way for economic performance, especially growth. Rather, "Social capital, while not all things to all people, was many things to many people" [Narayan and Pritchett (1996:2) Harriss and de Renzio (1997: 921)]. In short, social capital allowed the World Bank to broaden its agenda

whilst retaining continuity with most of its practices and prejudices, which included the gentle neglect of macro-relations of power, preference for favored NGOs and grassroots movements, and decentralized initiatives (Brown and Ashman, 1996).

Political risks also played an important factor due to the host government's change in "the rules of the game" under which businesses operated (Butler and Joaquin, 1998). Such changes in government policy and/or political institutions could have affected investment behavior of multinational corporations. Lower corruption and nationalization risk levels and better contract enforcement were associated with higher FDI inflows (Gastanaga et al. 1998) whereas multinationals faced an increasing threat of expropriation if political hazard in the host country increased (Henisz, 2000). The importance of the nature of the regime (authoritarian or democratic) for the emergence of developmental states had been one of the key debates within the developmental states literature. Using different econometric techniques and periods, multinational corporations were more likely to be attracted where there was democracy [Harms and Ursprung (2002), Jensen (2003), and Busse (2004)].

The authoritarian–democratic issue raised debates around the relationship between democracy and the particular state-society relations constructed within developmental regimes. From Evans' concept of embedded autonomy, the society demanded the isolation of the bureaucracy in order to be autonomous. In itself, "democracy's image presents as problematic for the emergence of developmental states due to the short-termism that electoral politics can breed, as opposed to the long view that those pursuing a developmental vision in developmental states can take" (Kelsall and Booth 2010, p.27).

Authoritarian governments were any less disposed to instability and unpredictability than democratic one (Sandbrook et al 2007, p.23). Consequently, this did not line-up with the frequent calls of western donors for accountability and democracy, often discussed as good governance. However, scholars did not perceive authoritarianism as necessarily being developmental (White 1998, p.7; Fritz and Menocal 2007, p.536). Instead, the suppression of

the masses, as opposed to their incorporation, allowed for the construction of a developmental structure (Vu 2007, p.30).

Generally, there was a weakness in the linkage between regime type democracy, authoritarianism and growth (Haggard 2004, p.59). Despite differences, authoritarianism (and indeed democracy) was a too broader term, which encompass vast range possible sets of state society relations (Vu 2007, p.48). The emergence of new developmental states, particularly in Africa, was likely to be democratic as the majority of states were then democratic (White 1998). However, democracy might have changed the nature of developmental states by requiring a broader based coalition as in Botswana (Poteete, 2009) rather than the narrower one in South Korea (Vu, 2007).

On the other hand, competing causal linkages were at work. Democratic rights lead to improved property rights protection, which in turn increased foreign investment (Li and Resnick, 2003). Diversely structured networks that created effective ties to a broad cross-section of civil society became essential and democratic deepening appeared to have become a key feature of success (Evans and Heller, 2012: 2).

Only a narrow group of bureaucrats and industrialists constituted the formation of the dense links of embeddedness in the East Asian developmental state cases. A broader incorporation of social groups such as labor and other civil society interests under a democracy might in fact have been possible and desirable in newly emergent developmental states (Evans 1995, p.17). The 21st century developmental state was a capability enhancing state, eager to promote the capabilities of their citizenry through provision of collective goods such as, health and education (Evans 2010; 2011).

Despite, building the close ties, as not the only option to obtain the “knowledge” required by the state for focusing on the development of capabilities in the East Asian case (Evans, 1995; Moon and Prasad 1994). Instead, there would have been an acute need for “information on collective priorities at the community level” (Evans 2011, p.49). It was not up to technocrats to

create policies. Rather, policies “must be derived from democratically organized public deliberation” (Evans 2011, p.43). In a developmental state, the recruitment of the civil service was usually done along meritocratic grounds from top universities that possessed prestige as a career, had clear merit based promotion prospects and had a sense of internal cooperate coherence (Johnson, 1982; Evans, 1995).

However, developing states did not required a “super bureaucracy” staffed by “incorruptible super bureaucrats” to move towards becoming developmental states (Evans 1998, p. 79). Instead, “minimal norms of probity and competence” would have sufficed in general and radical transformation of bureaucratic practice for agencies key to economic policy and planning (Evans 1998, p.79-80).

The changed relationships between local and global capital (also called globalization) was another factor of developmental state. The pull-push of global capital and local capital into transnational networks had made close ties with capital riskier and more difficult for a developmental state” (Evans 2011, p.50). Globalization brought significant complementarities for developmental states as well as challenges (Sandbrook et al. 2007, p.227).

These complementarities and challenges instead often demonstrated preferences towards states in which, services and infrastructure were provided by the state, populations were educated and healthy and where the likelihood of disruptive violent unrest was low (Sandbrook et al. 2007, pp. 227-230). In addition, newly emerging developmental states faced considerably slowed growth in global markets. Japanese, Korea, Taiwan and Mauritius took the opportunity of succeeding in upgrading at the time markets were expanding (Wade, 1990, p.346; Meisenhelder, 1997, p.290). Since then this expansion had slowed considerably which would make it harder if not impossible for states to achieve growth using the same strategies that the East Asian states utilized (Wade 1990, pp.347-8; Hayashi 2010, p.59).

It was in light of the confusion between state, society, and market that the next paragraph would looked at the developmental state, as the choice of theoretical framework that fitted this case, in order to strike the balance between state, society and private sector.

2.7. Theoretical framework

The theoretical framework is “the structure, the scaffolding, and the frame of your study” (Merriam, 2001). Therefore, it was from the researcher’s implicit or explicit theory of the phenomenon under investigation that emanated this research (Merriam, 2001).

The eclectic (or OLI) paradigm claimed to be the dominant analytical framework that has accommodated various operational testable economic theories of the determinants of foreign direct investment (FDI) and the foreign activities of multinational enterprises (MNEs) for more than two decades (International Business Review 9, 2000). However, the framework advantages of ownership, location and internalization could not stand-alone or worked in this case. With a small domestic market and a lack of natural and human resources, the strategy for competitiveness was to be better organized, more stable, and more efficient than its neighbors, or, in a widely used phrase, “to run the country like a business” (Vietor & Thompson, 2007).

Yet, as a landlocked country, Rwanda suffered from a number of quite severe disadvantages in addition to its violent socio-political history. As a destination for private investment, Rwanda was miss-placed geographically and lacked compelling attractions. Rwanda did not qualify for the OLI framework because its private sector productivity was constrained by relatively limited investments in technology, lack of foreign linkages through foreign technology licensing or foreign ownership, limited worker training programs, and slow uptake of ICT in the manufacturing sector (World Bank, 2009). In addition, Rwanda was miss-placed geographically in order to attract foreign investment.

Although contested, the concept of “developmental states” produce “development outcomes” generally included economic growth promoted by policies for rapid industrialization, which increased the standard of living for a large proportion of the population through redistribution and agricultural reform (Evans (1995), Meyns and Musamba, 2010 and Routley, 2014). In addition, Johnson’s (1982) argument (in MITI and the Japanese Miracle) about the developmental state came to be seen as a causal argument linking interventionism with rapid

economic growth anywhere in the World. In development theory, the idea of the “developmental state” has proved one of the most robust and charismatic concepts.

In this Rwandan case, developmental states model fitted because Rwanda looked at Singapore’s developmental state model as inspirational (New times Rwanda 2008) and did show promise of state capacity and commitment (Lockwood 2005). In addition, its strong economic performance, with growth rates averaging 8% over the last 10 years, has led some to argue that it represented a new form of African developmental state (Gaynor, N. 2014; Economist Intelligence Unit, 2010; IMF 2013). Even the World Bank has predicted that Rwanda would become among the ten fastest-growing economies in the world over the next decade (World Bank, 2009).

The impact on developmental debates was fundamental in explaining the connections between state structures and strategies and the ability of these countries to create globally competitive industrial sectors (Amsden, 1989 and Wade, 1990). However, researchers needed to move beyond traditional Anglo-Saxon blinders and to admit that successful developmental outcomes depended on particular configurations of the state apparatus itself and its relations to society as a start.

The question was what constituted the particular structural characteristics associated with developmental success and the political and organizational dynamics of their evolution. In order to answer possibly the above questions, ones needed to locate the analysis of the developmental state within a more general theory of what outcomes constituted “development” in regards to FDI and what inputs were most crucial to producing those outcomes.

The deliverance of such high quality services required interventions that were deeper and more socially and politically intrusive than industrial policy. This kind of capability-enhancement removed the lack of freedom in a way of handling directly against the forms of traditional authority and organizing power of clans, castes, patriarchs and challenged the political hegemony of capitalist elites as well. In fact, a state that could deliver such services was one

that must had both significant infrastructural power (the power to reach into society and deliver things), as well as significant authoritative power (the power to get individuals and groups to willingly obey commands) (Stephan Leibfried, Evelyne Huber, Matthew Lange, 2015).

The Rwandan government's aspirations to transform Rwanda into a middle-income country by the year 2020, combining high growth levels with 'pro-poor' policies ((GoR 2000, 4) resonated strongly with the idea that developmental states produced "developmental outcomes" (Meysn and Musamba 2010; Routley 2014). After 1994 genocide, Rwanda undertook an extraordinary national regeneration program, which included repair of infrastructure (www.imf.org, 2004). Citizen Participation in decision-making was one of the key elements of the national decentralization policy adopted in 2000 and revised in 2013. Most importantly, citizens participated in planning processes directly at the village and cell levels (MINALOC 2013, x).

The ultimate administrative structures dependency on new forms of embeddedness linked state-society ties to state capacity. Hence, it was certain that democratic forms of embeddedness were most likely to strengthen capability-enhancing state interventions. While organizational and institutional forms would vary depending on the cultural and historical context, effective mechanisms of deliberation that included a broad cross-section of society was the foundation of effective public policy (Evans2004). Active participation by citizens was in fact a key ingredient for many social policies. The rule of law and the basis of legitimacy for all civil society groups was the pursuit of rights that backed a strong civil society that could be democratizing on balance (Sommers, 2008).

Overall, the conceptual analysis that has undercut the traditional preeminence of capital accumulation over the expansion of human capabilities was both the ultimate goal and primary means of development. It required transformation of state-society relations for the developmental state to play an effective role in the promotion of development as capability expansion. The state played a critical role when it came to the translation of growth into capability enhancement, as well as ensuring that capability enhancement and social investment

more generally could in turn promote growth. In its optimal form, broad-based embeddedness implied links to a plurality of groups, multiple points of contact with the state that reduced the costs of transaction between state and society and modes of intermediation that promoted co-production and coordination over domination, coercion or dependency.

In order to understand clearly the role of the state in the country's development, the next paragraphs has detailed the known on developmental state literature.

Chapter three: Research methodology

3.1. Introduction

This chapter was concerned with methodological choice and the impact of this on the processes and outcomes of the research. It examined the main stages related to deciding the research approach, identifying data requirements and subjects, and the techniques by which data was gathered and analyzed. The choice of mainly qualitative research was grounded on understanding interviewees' points of view, unfolding the meaning of their experiences and uncovering their lived world prior to scientific explanations in order to produce knowledge (Kvale and Brinkmann, 2008). Though qualitative, the research fell under exploratory tradition because it seeks insights into the general nature of the problem, the possible decisions alternatives, and relevant variables to be considered (Aaker, Kuma, Leone and Day, 2013, p.65). At the end of this chapter, the outcomes should clearly have given a wider picture of how the study was conducted and why particular choices were made in reaching the results.

3.2. Research Design

This study explored a case study using a combination of mainly qualitative research with a minor quantitative research method. Prior to data collection, a selected review of the literature was conducted in order to study the contributions of other researchers and writers in the broad areas of FDI, and Rwanda in particular. The focus of the review allowed to gain a better understanding of what prompted investors to tap into foreign markets in general, and on possible reasons that may attracted them into Rwandan market in particular. This allowed, later on, formulating questions for interview and in the analysis of data responses from participants.

As the next phase of data collection, in depth interviews as a single method triangulated with literature and theories as crucial in attempting to obtain an in-depth understanding of the phenomenon under study. This strategy added rigor, breadth, and depth to the study and provided corroborative evidence of the data obtained (Creswell, 1998; Denzin & Lincoln, 2000). Nevertheless, collecting data implied its analysis and synthesis. This process involved

different stages from handling large amount of data to constructing a framework (Merriam, 1998). It included coding (fragmentation of the interview into separate categories) and synthesis (grouping categories to reconstruct a holistic and integrated explanation).

Through the phases of this research, ethical issues relating to protection of the participants were of vital concern (Berg, 2004; Marshall & Rossman, 2006; Merriam, 1998; Pring, 2000; Punch, 1994; Schram, 2003). Consequently, the respect of the ethical issues related associated with Issues of Trustworthiness in sense that the researcher continuously pursued to control potential biases that might occurred throughout the design, implementation, and analysis during this study (Guba and Lincoln, 1998). This process involved the terms credibility, dependability, confirmability, and transferability explained later on. Last, not least, the control of these potential biases involved issues of limitations, which related to the common critiques of qualitative research methodology in general.

Throughout processes, the researcher carefully thought to ways of accounting for these limitations and to ways of minimizing their impact. The researcher finally closed with a summary of this chapter outlining different stages that were undertaken in designing, implementing, and analyzing this study.

3.3. Case selection

A case study can be determined by the kind of research question that a study is trying to address (Shavelson & Towne, 2002, pp. 99–106) and by emphasizing the study of a phenomenon within its real-world context, the case study method favors the collection of data in natural settings, compared with relying on “derived” data (Bromley, 1986, p. 23). To yield the most information about the phenomenon under study, purposeful sampling was a method that was typical of case study methodology (Patton, 1990; Silverman, 2000).

This study was chosen as a “case” because it first allowed answering the research question of “how” a phenomenon of attracting FDI in a landlocked country happened in Rwanda after 1994 genocide within 2004-2010. This period (2004-2010) covered the baby post-war stage (1994-

2003) to the reaping stage (after 2010 on) because I believed that it was seeds-sowing stage of the country's development. In addition, it allowed the collection of data from people who were experiencing the phenomenon that I was about to explore for better understanding of the background information in this particular case.

Rwanda was chosen for this case because it also fulfilled the landlocked condition in addition to the condition that it performed an amazing economic development derived from FDI. In connection with this study's title "From Ashes to inspirational", it was chosen because Rwanda was rebuilt from the 1994 genocide's ashes that contributed to its development, which could be of inspirational to other countries later on. Since this study fell under "case study" category, it was so important to choose the right sampling at the beginning as the case study's interest was in process rather than outcomes, in context rather than a specific variable, and in discovery rather than confirmation (Merriam, 1998, p. 19). "If the population is defined improperly, the research probably will answer the wrong question". Realistically, a proper sampling should be reproducible at a later point in time (Aaker, et al. 2013, p.304).

The choice of industries and sectors was based on the concentration of foreign investment in commercial establishments, mining, tea, coffee, tourism, and ICT. On the other hand, the first three choices of sectors were in banking, tourism, and ICT for a simple reason that they were sectors mostly invested in by foreigners with a potential of higher number of participants. Others like mining were starting to see an increase in foreign investors as well. The choice of sectors was extended because of diversification in order to extract wide varieties of different investors' experiences for better analysis. In addition, this diversification would serve as plan B to sectors with lower number of participants or unavailability.

A snowball sampling strategy sometimes referred to as network or chain sampling (Miles & Huberman, 1994; Patton, 2002). The choice of institutions was due to their nature in the involvement of this case as foreign investors, and government and private institutions involved in the regulation for instance. The choice of Rwanda Development Board (RDB) fulfilled the

condition of representing the government in regulating and promoting foreign investment in the country. In addition, RDB's role of "One Stop Center" to investors and institutions related, allowed gaining a glance of the choice of investors and institutions to include in the sampling.

Based on the nature of the study, the choice of sampling targeted foreign investors in Rwanda with either 100% or at least 50% plus of the shares in the company, regardless whether it was a Joint-Venture (JV), Mergers and Acquisitions (M&As), Subsidiaries, or Small and Medium Enterprises (SME), you name it. However, the company had to fulfill the condition of eligibility to be classified as foreign. It had to be present on the Rwandan ground with the solitary purpose of establishing an enterprise.

When it came to interviewees' choice, the use of non-probability sampling method (Denzin and Lincoln, 2000) was chosen because it gave equal rights to participants. Hence, it eliminated the fact that interviewee's employer needed to be a foreign entity in order to be included in the sample, especially which, in Rwandan case, most of depute-executives or executives are Rwandan. In the interviewees case, the target was company executives or deputy-executives because of the nature of the information they were about to provide. Other than these two categories, only a qualified representative chosen by the company was included in this sampling because their position could permit them to disclose the information.

However, due to the nature of the information and the availabilities of interviewees, only three interviewees managed to perform interviews out of the eight selected and six previously agreed for interviews. The other three could not perform interviews because of several postponements, which ended up in cancellations. The rest of the two did not simply reply to my several correspondences. After the disappointment, the choice of interviewees in different sectors (less invested) was extended to four more interviewees, which did not respond either to my correspondences (three each).

3.4. Data collection methods

As the primary method for data collection in this research, in-depth interview was used because it had the potential to elicit rich, thick descriptions. As a fundamental tool in qualitative research (Kvale, 1996; Merriam, 1998; Seidman, 1998), an interview is an “attempt to understand the world from the subject's point of view, to unfold the meaning of peoples' experiences, to uncover their lived world...” (Kvale, 1996). However, interviews are not neutral tools of data gathering; they are the result of the interaction between the interviewer and the interviewee and the context in which they take place (Fontana & Frey, 2003; Rubin & Rubin, 2005; Schwandt, 1997).

“Qualitative interviewing begins with the assumption that the perspective of others is meaningful, knowable, and able to be made explicit” (Patton, 1990, p. 278). In order to generate data in a legitimate way, the researcher interacted with interviewees (i.e., talk to and listen to them) for a better capture of the meaning of their experience in their own words. While collecting data through individuals, in-depth interview offered the potential to capture a person’s perspective of an event or experience (Creswell, 1994; Marshall and Rossman, 2006; and Denzin and Lincoln, 2003).

Furthermore, it gave an opportunity to clarify statements and probe for additional information. The combination of research questions and literature review allowed developing the interview questions. From the literature review, the research constructed matrices that cleared main characteristics to consider in the formulation of interview questions. From there, the researcher designed two set of interview open-ended questions that enabled the flexibility to allow new directions to emerge during the interview. The two set of questions related to the government (or related institutions) and investors in an attempt to capture both sides of the story.

After consultation with the supervisor, the researcher sent e-mails to prospective participants describing the purpose of the study, inviting their participation, and requesting a convenient date and time for a telephone or skype interview. The interviews took place between August

and October 2015. Prior to the recording and in e-mails, the researcher asked interviewees for their consent in study participation, their choice of being anonymous, as well as the permission to record. All interviews (telephony and skype) were recorded in their entirety. On completion of the interview, the audio tape was transcribed verbatim.

3.5. Data analysis and synthesis

Prior to the analysis, the researcher transcribed, coded, and grouped the data to make the analysis job easier. The coding process fragmented the interview into separate categories, forcing one to look at each detail, whereas synthesis involved piecing these fragments together to reconstruct a holistic and integrated explanation.

3.5.1. Transcribing

This technique allowed the transformation of the oral interview conversation to written text in the form of transcripts agreeable to analysis. However, there were not many standard rules but rather a series of choices to be made instead. This process regarded as the solid rock-bottom empirical data of an interview project (Kvale and Brinkmann, 2008). After each interview, the researcher listened to the interview on the slow pace and started to write down textually as said by the interviewee. Sometimes, the researcher had to rewind and listen again to minimize loss of data. This process took around 4-6 hours for each interview.

3.5.2. Coding and Grouping

Since the data had to be organized manually, coding and grouping was very important because of the large amount of the data (Spencer, R. and O' Connor, 2004). The process of coding and grouping interviewees' answers under different topics and headlines permitted the establishment of possible relationship, the ease of better evaluation and analysis, hence, the drawing of conclusions by comparing the results without losing the overview (Lathlean, 2006).

In this process, the researcher first grouped interviewees' answers by question in order to compare and contrast concerning the literature. The researcher then grouped all answers in categories that answered the research questions. In order to reduce the amount of unnecessary

data, the researcher regrouped again interviewees' answers by using the most relevant answers under each research question. Since it can be confusing, the researcher then assigned a color coded to each category on sheets and recorded them in the codebook created.

3.5.3. Analysis

In this exploratory research, data analysis was the weak part of qualitative methodology because it was associated with relatively time consuming transcribing, coding, and interpreting processes (Atkinson and Dalamont, 2013). Hence, "free-flowing for any given study could have reached into the thousands of pages" Burnard, Gill, Stewart, Treasure, and Chadwick, 2008, p.25). Since the study involved transcribing process of handful of hours, it was necessary to use "quick and targeted" analysis method, which included the creation of a listing (Guest, MacQueen and Namey, 2012) because not only allowed the classification but also clarification of data when handling the results.

The formal process of data analysis began by assigning alphanumeric codes on sheets according to the categories and descriptors of the study's conceptual framework. As the process of coding the transcripts proceeded, it allowed capturing other themes as they emerged and wrote them on separate sheets. Once the data categorized, the themes were then used to analyze whether the questions were answered in accordance to the theoretical background of the literature review.

Overall, the researcher's intention was to come up with a number of clusters, patterns, or themes that were linked together, similarly or divergently and either that collectively described or analyzed the research arena. Based on analysis and synthesis, the researcher was able to move forward and think about the broader implications of this research. Toward this end, the researcher formulated several conclusions and developed various practical and research-related recommendations.

3.6. Ethical considerations

In any research study, ethical issues relating to protection of the participants were of vital concern (Berg, 2004; Marshall & Rossman, 2006; Merriam, 1998; Pring, 2000; Punch, 1994; Schram, 2003). Each interviewee was to be debriefed before the start of each interview (Aaker et al., 2013). As part of the research process, respondents were informed about the procedures of voluntary cooperation and the study's purpose. Their information was treated with care, confidentiality, and discretion by the researcher. A part from the researcher, the supervisor and the sensor also had access to the interviewees' information for verification purposes only.

Prior to interviews, e-mails were sent out to participants requesting interview and informing them about their mutual consent and rights to be anonymous both either by name or/and company. The same procedure applied before the start of each interview reminding them of their rights. The researcher was committed to keeping the names and/or other significant identity characteristics of the sample organizations confidential. Cautionary measures were taken to secure the storage of research-related records and data, and nobody other than the researcher had access to this material.

3.7. Issues of Trustworthiness

Without rigor, this research would have been worthless, became fiction, and lost its utility. Trustworthiness implied the terms credibility, dependability, confirmability, and transferability, which involved specific methodological strategies for demonstrating qualitative rigor, such as the audit trail, member checks when coding, categorizing, or confirming results with participants, peer debriefing, negative case analysis, structural corroboration, and referential material adequacy (Guba & Lincoln, 1981; Lincoln & Guba, 1985; Guba & Lincoln, 1982).

3.7.1. Credibility

Credibility dealt with the focus of the research and referred to confidence in how well data and processes of analysis address the intended focus (Polit and Hungler, 1999). As a key component of the research design, findings required the criterion of credibility (or validity) from the standpoint of the researcher, the participants, and the reader (Creswell, 2003; Creswell

& Miller, 2000; Marshall & Rossman, 2006; Mason, 1996; Maxwell, 2005; Merriam, 1998; Merriam & Associates; 2002; Miles & Huberman, 1994). Choosing participants with various experiences increased the possibility of shedding light on the research question from a variety of aspects (Patton, 1987; Adler and Adler, 1988). Seeking not to verify conclusions, but rather to test the validity of conclusions reached, entailed a concern with both methodological and interpretive validity (Mason, 1996).

This process of validity involved the consideration of the interrelationship between the research design components, the study's purpose, conceptual framework, research questions, and methods. Methodological validity of this study required the triangulation of data sources and data-collection methods. However, the process of gathering data from multiple sources and by multiple methods harvests a fuller and richer picture of the phenomenon under review.

On the other hand, the interpretive validity employed the clarification of the assumptions up front. In addition to this, various participatory and collaborative modes of research, such as the search for discrepant evidence and peer review, were also used while looking for variation in the understanding of the phenomenon and seeking instances that might challenge the researcher's expectations or emergent findings. Discussions with fellow students, in the same process of writing, were a further way of ensuring the quality of the findings. Furthermore, outlining representative quotations from the transcribed text allowed a better judgement of similarities within and differences between categories.

3.7.2. Dependability

Dependability 'seeks meant for taking into account both factors of instability and factors of phenomenal or design induced changes', that was, the degree to which data change over time and alterations made in the researcher's decisions during the analysis process (Lincoln and Guba (1985, p. 299). However, it was important to question whether the findings were consistent and dependable with the data collected. During data collection, there was a risk of inconsistency when data were extensive and the collection extended over time.

By questioning the same areas for all the participants as well as interviewing and observing allowed the acquisition of new insights into the phenomenon of the study that can subsequently influence follow-up questions or narrow the focus for observation. As argued by Lincoln and Guba (1985), the more important question became one of whether the findings were consistent and dependable with the data collected.

3.7.3. Confirmability

"How can one establish the degree to which the findings of an inquiry are determined by the subjects (respondents) and conditions of the inquiry and not by the biases, motivations, interests, or perspectives of the inquirer?" (Guba, 1985, p. 290). The term neutrality was an inappropriate term for this concern because post-positivist research recognized that there could be no absolute objectivity; at best, the researcher could become conscious of with the hope to reduce his or her ethnocentrism, semantic accents, and biases.

In light of this constructive recognition of the impossibility of objectivity, there were three recommended techniques to address this concern: triangulation across researchers and methods, reflexive journals, and auditing. The concept of confirmability corresponded to the notion of objectivity in quantitative research. The implication is that the findings were the result of the research, rather than an outcome of the biases and subjectivity of the researcher; hence, there was a need to identify and uncover the decision trail for public judgment. Therefore, it was important to be reflexive and illustrate clearly the details of how to trace back the data.

3.7.4. Transferability

This process involved ways in which the reader could determine whether and to what extent this particular phenomenon in this particular context could transfer to another particular context (Lincoln & Guba, 1985). However, transferability could extend to the "speculations on the likely applicability of findings to other situations under similar, but not identical, conditions" (p. 489), also known as "context-bound extrapolations" (Patton, 1990).

Though the author could have given suggestions about transferability, it was the reader's decision whether or not the findings are transferable to another context. Therefore, it was valuable to give a clear and distinct description of culture and context, selection and characteristics of participants, data collection and process of analysis. Ensuring depth, richness, and detailed description provided the basis for a qualitative account's claim to relevance in some broader context (Schram, 2003). In addition, the provision of a rich and vigorous presentation of the findings together with appropriate quotations enhanced transferability.

3.8. Limitations of the Study

This study contains certain limiting conditions, some of which are related to the common critiques of qualitative research methodology in general and some of which are inherent in this study's design. Careful thought has been given to ways of accounting for these limitations and to ways of minimizing their impact. Unique features of qualitative research methodology present potential limitations on its usage. Qualitative studies in general are limited by research subjectivity. One of the key limitations of this study is the issue of subjectivity and potential bias regarding the researcher's investigation on his/her own country.

However, this could be an advantage of interviewees' cultural understanding in decoding their messages. The researcher quickly recognized this issue and stated own assumptions up front. In addition, the research coded interviewees' responses by replacing their names with letters during the analysis. Further major limitations were research sample restriction and sample size. Due to the nature of responses, the sample was restricted to firms' executives or deputy-executive. Consequently, it affected sample size in addition of their limited availabilities, which also reduced the number of interviewees being on the list.

Therefore, a critique of this research might be the limited possibility of generalizing this study to other cases. Although generalizability was not the intended goal of this study, what the researcher addressed is the issue of transferability (Lincoln & Guba, 1985). Consequently, the actual sampling size affected the transferability of the study as well as the generalizability due

to the lack of presence for all pre-selected sectors, as well as the observation of interviewees' actions and reactions during interviews (telephony).

The researcher adjusted interview time from 45 to 20min to increase the chance. Alternatively, the research sent few major questions to interviewees that could replace the actual interview. In addition, previous misuse of information by “so-called” researchers (so told by interviewees) has slowed down the responsiveness in the mainly distant interview participation.

Chapter four: Data analysis

4.1. Introduction

The purpose of this chapter was to analyze and interpret the knowledge of selected literature review and data collected from interviews. Throughout this process, the chapter enlightened readers whether Rwanda has used similar strategies implemented by previous countries in attracting foreign investors or has come up with new strategies that other countries with similar case could use in the future. Prior to the comparison, what do we know about Rwanda.

4.2. The essence of Rwanda

Rwanda looked at countries like Singapore as inspirational development models due to the rapid pace at which it successfully transformed its country (New times Rwanda 2008). The plan, termed “Vision 2020,” projected Rwanda as the economic fulcrum of East and Central Africa. Therefore, social and political stability was essential for Rwanda to become an attractive investment destination and to integrate it into the wider regional economy of East and Central Africa. Leading by example, it performed a strong economy that has led some to argue it represented a new form of African developmental state (Gaynor, N. 2014; Economist Intelligence Unit, 2010; IMF 2013). Consequently, the government of Rwanda established priorities for the most pressing needs by focusing on the “4Rs”: reconciliation, reform, reconstruction, and regional stability (African Development Bank, 2008).

It introduced an incentive regime to attract foreign investment by reforming the country’s institutional and regulatory framework (African Development Bank, 2008). EDPRS has focused private-sector development on increasing the value of existing exports, diversifying exports and developing Rwanda as a regional hub, promoting standards to facilitate trade integration, increasing the level and quality of investments in productive sectors, and promoting an economic environment conducive to economic growth (Hategeka, 2010).

The government also adopted a Small and Medium Enterprises (SME) policy that would provide a mechanism for facilitating SMEs to access appropriate business financing. In

response to the suspension of aid by some of Rwanda's biggest donors (p. 19616), the government has set up the Agaciro Development Fund (AgDF) which means "dignity," "pride," "worth." in the local Kinyarwanda language.

In agriculture, infrastructural developments and social service provision at local levels, the government appeared to have effected a spectacular reversal in poverty and inequality in recent years (GoR 2013). The government had to adopt various roles and policies to restore communal strength, beginning with agricultural reform (Hoyweghen, 1999). In health and education, the country was on track to meet two of its Millennium Development Goals (MDGs). The primary school enrolment rate was then at over 94 per cent (UNICEF, 2010).

By emphasizing science and technology education, Rwanda had then reached a level of technological readiness comparable to, or better than, the regional average (African Development Bank, 2008). As part of its reconstruction efforts, this government undertook an ideological program called "national unity and reconciliation" to build a "New Rwanda", a nation of one people who refused the "genocidal ideology" of the past (Burnet, J. 2008).

In addition, it has drawn much attention as the global leader on female political representation, surging to 64% in recent parliamentary elections (Sezibera, 2010). Lacking Singapore's great natural advantage as the most developed deep-water port in Southeast Asia, landlocked Rwanda required a different strategy to become the region's transportation hub. In order to analyze thoroughly the case of Rwanda, the choice of combined characteristics of developmental states, 12 pillars of competitiveness and Rwanda's vision 2020 plans needed to be in place.

The main reason of this choice was to identify the main characteristics that all three above had in common and that led Rwanda to become a developmental state, which performed developmental outcomes as well as being able to answer the research questions. Besides that, the GCI was widely used in the public and private sector to guide investment and policy

decisions (Schwab, 2010). Additionally, it enabled a comparison of Rwanda's strategy to that of Singapore across a wide range of factors that built national competitiveness.

The next paragraph outlined the choice of the main factors of Rwandan's success and their reasons of being:

4.3. Rwanda's development strategy 1994 – Present

In the case of Rwanda, the Rwandan business and political leadership had explicitly taken Singapore as a model for rapid economic growth, with the aim of positioning Rwanda as a regional hub for transportation and advanced services (New times Rwanda 2008). For Rwanda to achieve Singapore's success, it needed to go through Singapore's five phases. The strategy started in 1994 because the research question looked at Rwanda development after the 1994 genocide.

Phase 1: Starting Position

Yet, as a landlocked country, Rwanda suffered from a number of quite severe disadvantages in addition to its violent socio-political history. As a destination for private investment, Rwanda was miss-placed geographically and lacked compelling attractions. Despite the 1994 genocide heavily effects, Rwandan population has evidently patented a critical turning point in its modern historical and development path. After the genocide that destroyed much of the social and physical capital, Rwanda faced a situation where it was necessary to achieve huge efforts in rehabilitation and development.

Phase 2: Asserting Government Control

Similar to Singapore's government upon independence, Rwanda's government post-civil war required sufficient control to push through its ambitious plans for social and economic transformation. Due to strictly enforced penalties, crime rates in Rwanda remained extremely low (Ulrich, L., & Thomas, R. 2014). In line with development plan, Rwandan government has established priorities for the most pressing needs by focusing on the "4Rs": reconciliation, reform, reconstruction, and regional stability (African Development Bank, 2008).

The policy and macroeconomic stability created by President Kagame and his government has served as a basis for the gradual rebuilding of society and repositioning of the country's economic activity (Ministry of Finance and Economic Planning, 2000). Rwanda has formulated its Vision 2020, which was in effect a policy white paper outlining its developmental aims.

Phase 3: Attracting Foreign Direct Investment (FDI)

The low level of human resources, the poor quality of its infrastructures, the country's landlocked position, high operating costs, the limited natural resources and the political instability of the region were some of the factors that limited the potential attraction of foreign investors in Rwanda. Consequently, Rwanda had to be better organized, more stable, and more efficient than its neighbors were, or, in a widely used phrase, “to run the country like a business” (Vietor & Thompson, 2007).

The Government of Rwanda continued to promote a private sector development, aiming at fostering both local and foreign investment by undertaking reforms with the objective of making the country a favorable place for investment (National Institute of Statistics of Rwanda, 2013). For instance, the government created Rwanda Development Board (RDB) to bring together all government agencies in charge of investment; these included agencies responsible for business registration, investment promotion, tourism and others.

The government has also embraced an expansionary fiscal policy to reduce poverty by improving education, infrastructure, foreign and domestic investment and pursuing market-oriented reforms. Part of foreign investors' motifs in a country included a solid institutional framework as an important pillar to attract FDI. The National Bank of Rwanda (BNR), as one of the major institutions responsible for promoting and facilitating investment in the country, also reviewed its exchange regulation to ease investment.

It has also liberalized the acquisition of Rwandan transferable assets by foreign non-residents. Currently, through the capital account liberalization, investors benefit of the flexibility in terms of capital movement. This free capital movement allowed investors to relocate their capital

anytime for better opportunities. Among other benefits, investors had a great communication facility, when it came to languages, as Rwandans can speak Kinyarwanda, English, French and Swahili. The government has also embarked on an extensive economic liberalization and privatization program, introducing an incentive regime to attract foreign investment by reforming the country's institutional and regulatory framework (African Development Bank, 2008).

Phase 4: Moving Up the Value Chain

Rwanda has also embarked on a drive to upgrade its infrastructure to develop industries such as tourism, transport, logistics, Information and communication technology (ICT) and education (EY's attractiveness survey, 2014). In addition, it had a strong emphasis on the stimulation of a vibrant private sector (Republic of Rwanda, 2002). The government has adopted a relatively activist stance in at least two other areas.

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 sector lines, Horizon Group (Booth & Golooba-Mutebi, 2011). Second, it brokered the creation of a private investment consortium that brought together a group of the richest domestic and diaspora entrepreneurs known as the Rwanda Investment Group (RIG). At an early stage, Horizon Group established a cassava-growing operation and a dairy (Laiterie Nyabisindu) while RIG acquired a 90 percent stake in CIMERWA, with the government of Rwanda holding the balance (Booth & Golooba-Mutebi, 2011).

Phase 5: Becoming a Regional Services Hub

EDPRS has focused private-sector development on increasing the value of existing exports, diversifying exports and developing Rwanda as a regional hub, promoting standards to facilitate trade integration, increasing the level and quality of investments in productive sectors, and promoting an economic environment conducive to economic growth (Hategeka, 2010). The

government has also initiated an aggressive strategy for telecommunications to connect the national network to the global network via the East coast of Africa.

In 2010, Rwanda launched two new high-speed Internet projects to extend data connectivity and VoIP services to wireless broadband and fiber-optic cable for internet users in Kigali. However, lacking Singapore's great natural advantage as the most developed deep-water port in Southeast Asia, landlocked Rwanda required a different strategy to become the region's transportation hub. In 2011, Rwanda launched the Kigali Free Trade Zone (KFTZ), its first free economic zone, which provided a duty-free environment for the import of raw materials, or goods imported for re-export.

Through the KFTZ, the government would encourage export diversification and promoted Rwanda as a regional trade logistics hub (N. Musengimana, personal communication, August 18, 2010). Though it was a landlocked, Rwanda was an important throughway for minerals from the heart of Africa to the eastern shores. In order to reinforce its position, Rwanda joined the East African Community (EAC), and chaired its Secretariat. EAC membership was an important and expected move: it granted access to a wider market and economically more favorable conditions. Briefly, there are many reasons investors should consider to invest in Rwanda. Below are the main five reasons:

5 reasons for investing in Rwanda

Sustained high growth	<ul style="list-style-type: none"> ▶ 7.1% average year-on-year GDP growth since 2004, stable inflation and exchange rate ▶ 3 year GDP growth rate highest among major African economies and neighbouring countries
Robust governance	<ul style="list-style-type: none"> ▶ A clear vision for growth through private investment set out by President Kagame (Vision 2020) ▶ Politically stable with well functioning institutions, rule of law and zero tolerance for corruption
Investor friendly climate	<ul style="list-style-type: none"> ▶ Fastest global reformer of business regulations based on World Bank Doing Business Survey ▶ Simple taxation, development of industrial parks and free trade zone, and creation of stock exchange ▶ Increasingly attractive destination for FDI – \$118M in 2009 represents 14x increase from 2004 ▶ Rwanda Development Board, an independent agency, created as a 'one-stop centre' for investors
Access to markets	<ul style="list-style-type: none"> ▶ Market of over 10M people with a rapidly growing middle class ▶ A hub for rapidly integrating East Africa: located centrally bordering 3 countries in East Africa which has an existing Customs Union and forming a Common Market in 2010 for 125M people
Untapped investment opportunities	<ul style="list-style-type: none"> ▶ Potential opportunities for investment abound, particularly in the following sectors: <ul style="list-style-type: none"> ▶ Infrastructure: Opportunities in rail, air transportation to further develop Rwanda as an EAC hub ▶ Agriculture: Backbone of economy, potential for growth through productivity and value addition ▶ Energy: Power generation, off grid generation and significant methane gas opportunities ▶ Tourism: Unique assets creating booming sector; growth potential in birding and convention ▶ Information and Communication Technology: Priority sector for achieving Vision 2020 ▶ Other attractive sectors include Real estate and construction , Financial services, and Mining

Source: RDB

2

4.4. Rwanda's Pillars of Competitiveness

The GCI framework (or 12 pillars of competitiveness) defined national competitiveness as “the set of institutions, policies and factors that determine the level of productivity of a country” (Sala-iMartin, Blanke, Drzeniek Hanouz, Geiger, & Mia, 2010). The higher those factors were in terms of human, financial and natural capital determined the level of return; consequently the level of growth either in short or long term. In the Rwandan case, the GCI allowed to compare Rwanda's strategy to that of Singapore across a wide range of factors that built national competitiveness. Based on 12 pillars of competitiveness, the selection of Rwanda's pillars of competitiveness would derive from the Rwanda's Vision 2020 in accordance with developmental states' characteristics.

4.4.1. Good governance and a capable state

A so-called developmental state needed to possess developmental structures (state capacity) and used these to perform developmental roles (Vu 2007, p.28). Growth resulted from policies that allowed a state to play developmental roles, as a custodian, demiurge, midwife and shepherd, in the economy (Evans, 1995: 77-81).

The Rwandan government clearly emphasized the technocratic governance aspect, focusing on the importance of a capable state that stimulated economic development. However, it also asserted that good governance, next to “accountability, transparency and efficiency in deploying scarce resources”, must entail “a State respectful of democratic structures and processes and committed to the rule of law and the protection of human rights in particular” (GOR 2000, p. 12).

In line with development plan, Rwandan government has established priorities for the most pressing needs by focusing on the “4Rs”: reconciliation, reform, reconstruction, and regional stability (African Development Bank, 2008). The policy and macroeconomic stability created by President Kagame and his government has also served as a basis for the gradual rebuilding of society and repositioning of the country’s economic activity (Ministry of Finance and Economic Planning, 2000).

The institutions and agencies reflected the strength and seriousness of the Rwandan state in spearheading its economic development. The Government of Rwanda (GoR) has launched policies such as Vision 2020 and its Economic Development and Poverty Reduction Strategy (EDPRS). In addition, it has created the Rwandan Development Board (RDB), a “pilot agency” modelled on Singapore’s EDB, and the Private Sector Federation (PSF), a “peak association” that developed the capacity of the private sector. Mandatory imihigo performance contracts aimed to produce “results oriented performances”. The GoR established a plethora of other institutions to promote investment, regulate utilities and promote infrastructural development and capacity (Mann and Nzayisenga 2015).

The National Bank of Rwanda (BNR), as one of the major institutions responsible for promoting and facilitating investment in the country, also reviewed its exchange regulation to ease investment. It has liberalized the acquisition of Rwandan transferable assets by foreign non-residents. Back then, through the capital account liberalization, investors benefited of the

flexibility in terms of capital movement. This free capital movement allowed investors to relocate their capital anytime for better opportunities (BNR report, 2012).

Rwanda figured among the top 30% best performing countries in terms of control of corruption, and more than 50% of all countries performed worse than Rwanda in terms of government effectiveness, which measures the competence of public service delivery and state bureaucracy. Since 2005, indicators have shown considerable improvement in areas of rule-of-law, efficiency and independence of police and justice, and the quality of contract enforcement, and crime (in 2010, Rwanda's performance in this field was on a par with China's).

Decentralization policy (2003) was one of the key aspects in the e-domain of governance that the Rwandan government has been implementing in recent years. In 2006, Rwanda adopted a new and simplified administrative structure comprised of 4 provinces and Kigali City (rather than 12 provinces), 30 districts, 416 sectors, and 2148 cells. The Rwandan government saw a key role for authorities at decentralized levels (most importantly the district and sector-level authorities) in the implementation of its strategies. Overall, the decentralization policy ensured "participation at the grassroots level, whereby local communities would be empowered in the decision making process" (GOR 2000, p. 12).

In accordance with interviews, all three **A**, **B**, and **C** praised the government's level of involvement in planning and implementation, their relationships and togetherness in the way forward to the country's future. However, like in any institution, they all recognized that there was still a room for improvement.

Interviewee **A** (**RDB**) mentioned about the development of the economy and the private sector to create a conducive environment through incentives such as easing the Doing business (E.g. opening a firm in six hours), new investment law targeting specific sectors of the economy, in addition to anticorruption measures and a safety, conducive and cleanness environment. More importantly, land reform and interviewee's **A** institution heavily involvement in facilitating investors' settlement in companies' infrastructure where investors get the land then simply plug

and play. Interviewee **A** also mentioned about their various ways of communication with their partners (other institutions involved like PSF, RURA, RRA etc. and investors). Overall, interviewee **A** admired the country's focus commission looking after targets' achievement.

Interviewee **B (Access Bank)**, instead, mentioned about the talk with government's authorities prior to investment in the country and its impressive factors. Interviewee **B** emphasized on the smooth transition through National Bank of Rwanda (BNR) as well as integration processes (renew of doing business integration: only 4 months). Interviewee **B** rated the country high (9) due to the professional level of handling business by the central bank. Interviewee **B** also mentioned about security and cleanness as the key to success.

Interviewee **C** acknowledged that the government of Rwanda was busy trying to attract investment in Rwanda by easing the "Doing Business" ("One stop center"), as well as creating a conducive business environment (well-functioning regulatory and banking institutions). Interviewee **C** also emphasized on the country's stability, peace, and security as well as good relationships with other institutions (public and private) involved in their sector as main factors in the backbone of investors. However, interviewee **C** suggested the involvement of investors in the preliminary stages of designing new law for better effectiveness and implementation when it reaches to their level.

4.4.2. Human resource development and knowledge-based economy

4.4.2.1. Human resource development

The new developmental state rather focused on "people and their skills instead of machines and their owners" (Evans 2010, p.6). Development economics have acknowledged then that expanding human capabilities trumped capital accumulation as a driver of economic growth as well as of development more broadly defined. According to Ansoms & Donatella Rostagno (2012), the first PRSP likewise focused mainly on education and the health sector, and significant progress was indeed made.

In the realm of public health, the infant mortality rate decreased from 106 to 59 infants per 1000 births between 2000 and 2010. The maternal mortality rate was halved from 1100 to 540 cases per 100,000 births between 2000 and 2008. In both instances, the figures attained surpassed the 2010 objectives formulated in Vision 2020. HIV/AIDS prevalence declined from 3.8% to 2.9% in 2007. Rwandan policymakers also focused heavily on expanding the insurance system: for a fee of 1000 Rwandan francs (RWF), individuals could take out coverage against pregnancy or illness under the mutuelle system.

The Rwandan government has also invested massively in education. With the introduction of free and compulsory primary education, the net enrolment rate increased from 75% (2001) to 96% (2008). On the other hand, the pupil-to-teacher ratio in primary schools rose concurrently from 54 to 68, with a possibly negative impact on the quality of education. Nonetheless, the primary completion rate rose from 22% in 2000 to 54% in 2008 and, according to the minister of education, it subsequently continued to rise to 78% by 2010. Gross enrolment rates in secondary education improved from 11% (2000) to 27% (2009); and gross tertiary enrolment increased from 1.4% (2000) to 4.8% (2008).

4.4.2.2. Transformation from agrarian to knowledge-based economy

As the focus of the developmental state, Evans recent work, built on Amartya Sen's capability approach, focused on the development of capabilities of individuals rather than economic gains (Evans 2010, 2011) whereas the work of Richard Sandbrook et al identified states as a key player in development.

The GoR has invested considerable resources in the country's information and communication infrastructure. It also financed the rollout of a national fiber optic backbone and a Kigali Metropolitan Network. Additionally, it bought bulk Internet bandwidth from international suppliers through Broadband Systems Corporation (BSC). The GoR has also helped Visa establish its African headquarters in the country and has worked with it to launch electronic payment systems, financial literacy programs and electronic tax collection. By enabling this

digital transformation, the Rwandan government hoped to boost local entrepreneurship among the educated youth and attract international investment.

During interviews, both interviewees **A** and **B** mentioned about energy and money that their institutions invested in their people to get the right people to the right jobs in order to deliver excellent and efficient services. They both recognized the lack of skilled labor into professional specific services as well as the intensity of training skills to bring up their employees to a professional level.

Interviewee **A** emphasized on the challenge of training a big chunk of diversified employees because all the trainings were centralized in a different institution called National Capacity Building Secretariat (NCBS) that provided trainings to the entire government. Consequently, interviewee **A**'s institution prioritized training offers by key areas such as ICT and used grants and other resources to train a high number of employees possible.

Interviewee **B** identified staff capacity skills as one of the major challenge they faced and improved their human capabilities through lots of training to their people from their head quarter's experienced employees. Culture difference was another issue that hindered their staff in way that, for example, West-Africans were more into outspoken whereas East-African were more reserved. Interviewee **B** stated that the beginning was tough because they lacked people with skills in key areas that constitute their business.

With interviewee **C**, the nature of their business did not require constant staff training. Instead, interviewee **C** was pleased with the effectiveness of staff capabilities of other institutions they were dealing with when it came to problem solving. Interviewee **C** saw an improvement in laws and regulations that were governing their sector.

4.4.3. Private-sector innovation with private-sector-led development

Governments were instructed to adopt technocratic strategies to promote Small and Medium Enterprise (SME) development, encourage private sector associations, promote property rights and extend access to formal credit (Harrison 2010, Taylor 2012).

States and markets developed in tandem with each other, with states often laying the groundwork for the expansion of capitalism, and in turn, capitalist relations facilitating the deeper power of states (Polanyi 1944/2001, Mann 1986, North and Weingast 1989, Grief 2006, Luiten van Zanden 2012).

The principal aim was to involve strongly the private sector in the growth process and to assign it a key role in the policy framework of poverty reduction. Between 2006 and 2011, private investment indeed grew to over 12% of GDP, a six-fold rise compared to a decade ago (IMF 2011a). Many have looked to the rapid development of Japan, South Korea, Singapore and Taiwan for clues. Scholars have stressed that their development was the result of neither neo-liberalism nor Soviet-style command nor control, but rather a form of state-directed capitalism (Johnson 1982, Wade 1990, Evans 1995, Weiss and Hobson 1995, Pempel 1999, Woo-Cummings 1999, Vu 2007). These “developmental states” were characterized by the capacity to deflect political capture and to forge cooperative relationships with private sector groups, an arrangement Evans has described as a “felicitous combination of autonomy and embeddedness” (Evans 1995: 164).

The Government of Rwanda (GoR) saw private sector-led growth as the force that would raise living standards and reduced aid dependence (Mann, L., & Berry, M. 2015).

In the early years of the new millennium, private capital investment directed its ambitions at the service sector. The first Rwandan PRSP actually contended that there was a window of opportunity “to leap-frog the stage of industrialization and transform [Rwanda’s] subsistence economy into a service-sector driven, high value-added information and knowledge-based economy that could compete on the global market” (GOR 2002, p. 69). At that time, over 93% of all formal businesses focused on commerce and were thus active in the service sector, as well as the bulk of micro and household enterprises of the informal sector in trading and commerce (Go’ku’r 2011).

Evangelical pastor Rick Warren, Starbucks and Google CEOs Howard Schultz and Eric Schmidt and former British Prime Minister Tony Blair has all championed Rwanda as a model. Michael Porter, a Harvard Business School Professor, thus claimed: “[Rwanda represents] a very rich story about management and leadership and strategy and communication. At the core is the private sector of [the] economy” (quoted in Fox 2013: 1). In the political economy literature, however, scholars have nuanced this view of Rwanda as an enterprise model by stressing the strong role of the state in the development process through industrial policy-making and party-and state-owned companies (Booth and Golooba-Mutebi 2012, Kelsall 2013).

All three interviewees (**A**, **B**, and **C**) had in common the improvement of the private sector.

As I mentioned previously, interviewee **A** talked about the development of the economy and the private sector to create an attractive environment. Through private sector, stated interviewee **A**, the number of foreign investors has increased as well as an interest in investing in other sectors such as tourism, mining, energy and so on. Interviewee **A** recognized the importance of the private sector in bringing the capital, providing jobs and transferring new skills and technology to the country. Interviewee **A** acknowledged the efforts of our neighbors (mainly Kenya) investment in key sectors such as banking, insurance and hotels. Interviewee **A** praised the private sector by helping services to pick up and overtaking the predominantly agriculture.

Interviewees **B** and **C**, on the other hand, praised regular talks between institutions to address and share their issues and solutions with governmental institutions in charge. They both welcomed government’s efforts in the ICT innovation as a key to all sectors success in today’s World. In addition, they encouraged all sectors to join in for everyone’s interest (investors and country as whole).

4.4.4. Productive and market-oriented agriculture

Doner, Ritchie and Slater highlighted this ability to “upgrade from lower value to higher value economic activities” as the key element which marked out South Korea, Singapore and Taiwan

as developmental states, as opposed to the four high-growth countries of the Association of South Asian Nations namely; Malaysia, Thailand, the Philippines and Indonesia (2005, p.328).

The Strategic Plan for the Transformation of Agriculture (SPAT) outlined an operational framework for agricultural sector development within the EDPRS. The document focused on agricultural modernization, intensification, professionalization and enterprise development (GOR 2004a). The government has worked out policies for promoting mono-cropping and regional crop specialization, land registration and the consolidation of plots, as well as market-orientation in all production activities. However, improving efficiency and realizing economies of scale in food production, with the ultimate goal of contributing to poverty reduction raised a concern of these policies.

Consequently, , the large private investors whose capital-intensive farm structure and risk coping abilities allowed them to invest in new high-potential production systems seemed to tailor the SPAT strategies. The rural sector was predominantly populated by “small family farms (over 90% of all production units) . . . with an average of less than one hectare in size, integrating polyculture, animal production systems” (GOR 2004a, p. 10).

The government vision entailed that subsistence farming was replaced by a productive, commercial agriculture sector, envisaged to provide an initial growth engine, later to be replaced by the industry and service sectors (Minecofin, 2000: 23, 2002: 30, 36f, 2013: 43f). For the transformation to take place, it required modernization, professionalization and private sector involvement. Whereas the promotion of market oriented production required the land consolidation which was a rearrangement of smaller land parcels into larger holdings (Minagri, 2004, 2009, 2011: 13ff; 2012; cf. Ansoms and Rostagno, 2012: 435f, 441; Musahara and Huggins, 2005; Pritchard, 2013).

Parallel to this, the settlement policy (started in 2008) implied the eradication of grass-thatched houses (called Nyakatsi). By late 2009 almost 125.000 grass thatched houses had been identified, families categorized according to the kind of support needed, and the program

accelerated, with the Rwanda Defense Forces and National Police involved in removing remaining houses (Minaloc, 2010; The Rwanda Focus, 2011). Through community work (called umuganda), which also commonly implied cleaning and maintaining community infrastructure, and which was followed by meetings led by local leaders, in collaboration with the local authorities, they built new houses to replace the grass-thatched houses (Minaloc, 2008: 13; RGB, 2013b).

4.4.5. Infrastructure development

“Agricultural and rural policies raised rural incomes and levels of well-being, leading directly to mass poverty reduction, and indirectly to the creation of a conducive climate for industrial development” (Kees van Donge, Henley, and Lewis 2009, p.7).

According to Kees van Donge, Henley, and Lewis, these agricultural policies worked hand in hand with macro-economic stability (2009, p.7-9). In David Henley’s work, agricultural activities were also part of the significant impact of the number of people that these development strategies reached (Henley, undated).

In the industrial developmental states of East Asia, agricultural and land reform stood as precursors to the emergence, which represented the archetype of a developmental state. The work of the “Tracking Development” program, for example, highlighted the importance of agricultural development as well as land reform before undertaking industrialization (Kees van Donge, Henley, and Lewis 2009, p.7).

Evans’ work, on the other hand, drew on the South African case to argue that denial from the land of the African population led to reduced incomes and a development failure because of the lack of ability for Africans to utilize “hybrid rural-urban family strategies”(Evans 2011, p.39). He highlighted the absence of denial as an element of the East Asian experience (Evans 2011, p.46). Rather than deprivation, land reform perceived to be a significant precursor to the emergence of the developmental state.

Wade, for instance, cited Taiwan's land reform as one of the largest non-communist land reforms (Wade 1990, p. 241). He saw land reform and a ceiling on land ownership as significant as it limited wealth accumulation in land and improved agricultural productivity. In his argument, not only that land reform was advantageous, but also that an ongoing cap on land ownership was required to prolong these benefits (Wade 1990, p.297).

“The rehabilitation and development of infrastructure was a crucial aspect in lowering the costs of doing business in Rwanda” (GOR 2000, p. 15). One of the objectives put forward in Vision 2020 was the elaboration of a “modern land law providing security of tenure and freedom of exchange”. Despite the legality of customary land rights for acquiring official titles, the registration of ownership was compulsory, and the law stated that formal legal procedures were to be established for the acquisition and leasing of land (Article 26). It was the Rwandan government's hope that the security of official land titles would encouraged more investment in land conservation and quality improvements (GOR 2004b).

However, in line with the new law, official titles could be acquired only through a formal procedure of registration with proof in the form of a certificate. People had to pay for a registration certificate for each of their parcels. Moreover, Article 20 of the law prohibited the division of land parcels of one hectare or less. This rule, if implemented, would have been a major constraint for the majority of peasant households, given that average landholdings were only 0.71 hectares (2000 figures; Jayne et al. 2003). With the omission of the ceiling of 50 hectares (from an earlier new land law draft) to the approval version, the land law provided extensive opportunities for large-scale investors and enhanced their bargaining power in the field of land acquisition.

Even the 2006 EDPRS document clearly detailed the reorganization of the urban living space: “These sites and zones selected will be surveyed, demarcated and sub-divided into building plots. These sites and zones will be provided with relevant infrastructural services. The process will involve the clearance and upgrading of unplanned urban areas. Partnerships between government and the Private Sector will be of essence” (GOR 2007, p. 60).

The GoR seek to transform Rwanda's visual and physical layout and accommodated the masses within a 'high modernist society' (Scott 1999). Drawing inspiration from East Asian developmental states such as Singapore, it used "benevolent" authoritarian measures and technology to reorder the landscape (Rwanda Development Board 2014). This involved making the country "legible" through the cleaning of urban areas, the prohibition of plastic bags and unlicensed vending, the paving of roads, the installation of street signs and the building of an advanced communication infrastructure.

The villagisation (or imidugidu) policy was a "master plan" for resettling the scattered rural population into 14,837 government-selected sites to "upgrade" Rwandan society (Newbury 2011). Mimicking earlier failed socialist villagisation experiments in Tanzania, Mozambique and Ethiopia, by 1999, the Rwandan Ministry of Land announced it would reorganized the entire population into administrative districts known as "cellules" or "umudugudu" to better promote security, open up arable agricultural land and regroup the population in modern villages with electricity and clean water.

All three interviewees (**A**, **B**, and **C**) acknowledged the importance of infrastructure (soft and hard) in their everyday activities. The development of ICT in human capital, physical infrastructure and innovation capabilities was a crucial that unlock the country's success.

Interviewee **A** insisted that tourism attracted guests hence open up hotels' opportunities while energy reduced the cost of production hence increased affordability of owning sites. In addition, low cost housing allowed accommodating more citizens as well as expanding more affordable shelters to far rural areas. In the economic zone, interviewee **A** signaled a presence of a huge demarcated and serviced chunk of land, in terms of electricity and water, fiber and connection that was there for investors to exploit. Interviewee **A** gave credit to their management professional system already in place where their people kept tracking on the records and enquiries in order to understand the clients' needs and to be ready for the answers.

Fortunately, interviewee **B** did not get any infrastructure (soft: operating systems or hard: physical location) issues as they took over the whole package included staff, equipment, operating systems and physical address. Interviewee **B** saw the country's effort in infrastructure as authorities extended the city towards the countryside. Interviewee **C** did not require neither sophisticated operation systems nor highly skilled staff to run its business. They were both pleased with the facility and availability of infrastructure put on their disposition.

4.4.6. Regional and international integration

“Regional economic cooperation may enhance FDI to the region in promoting political stability by restricting membership to democratically elected governments. It can also permit countries to coordinate their policies” (Carkovic and Levine, 2002).

FDI could influence members of a regional bloc to limit corruption, implement sound and stable macroeconomic policies and adopt an “investor-friendly” regulatory framework. In addition, it expanded the size of the market, and therefore made the region more attractive for FDI. The market size advantage of regionalism was particularly important for Africa because countries in the region were small, in terms of both population and income.

Recent discoveries of natural resources and ongoing market integration through East African Community (EAC) made up its large market opportunities. Since 2007, FDI projects in East Africa had grown at a Compound Annual Growth Rate (CAGR) of 23.4%, the second-highest rate in Africa. The region's attractiveness for consumer-facing industries was growing. Opportunities also existed in the Technology, Media and Telecommunication (TMT) sector, with more than 50 million East Africans having mobile phone subscriptions. Contrary to other regional hubs (mainly dominated by Western Europe investors), EAC countries have taken the lead in investing in the eastern hub. The largest investor in the region was, in fact, Kenya (EY's attractiveness survey, 2014).

Additionally, inter-country links in the region have been deepening through the auspices of the EAC. Typical example would be the harmonization of the legislation relating to the EAC

Customs Union and common market protocols. In November 2013, the five EAC member countries also laid the groundwork for a common currency by 2023. In addition, numerous construction and infrastructure upgrades were also in progress such as Kenya's US\$4b Mombasa Nairobi railway line and the upgrade of the main northern corridor that links Mombasa to Uganda (EY's attractiveness survey, 2014).

In terms of economic integration, Rwanda focused most intensely upon its immediate neighbors. Rwanda joined the East African Community (EAC) on 1 July 2007. Other member countries were Kenya, Tanzania, Uganda and Burundi. The EAC aimed to 'widen and deepen economic, political, social and cultural integration' through 'increased competitiveness, value added production, trade and investment' (East African Community 2006). One of its strategies was to integrate all member states into a customs union. In this way, the EAC could provide Rwanda with access to the sea.

Within the EAC, Rwanda did not stay behind. It has seen robust economic growth in the last decade. Goal-oriented, this trend expected to continue, with GDP forecast to grow 7.5% in 2014 and 7.0% in 2015. The country has made concerted efforts to improve its business environment. It ranked 32nd on the World Bank's Doing Business rankings 2014 and third in SSA for the friendliness of its business environment. In 2010, the country laid a fiber-optic cable covering the entire country. This enabled the development of the country's financial services sector. Rwanda has also embarked on a drive to upgrade its infrastructure to develop industries such as tourism, transport, logistics, Information and communication technology (ICT) and education (EY's attractiveness survey, 2014).

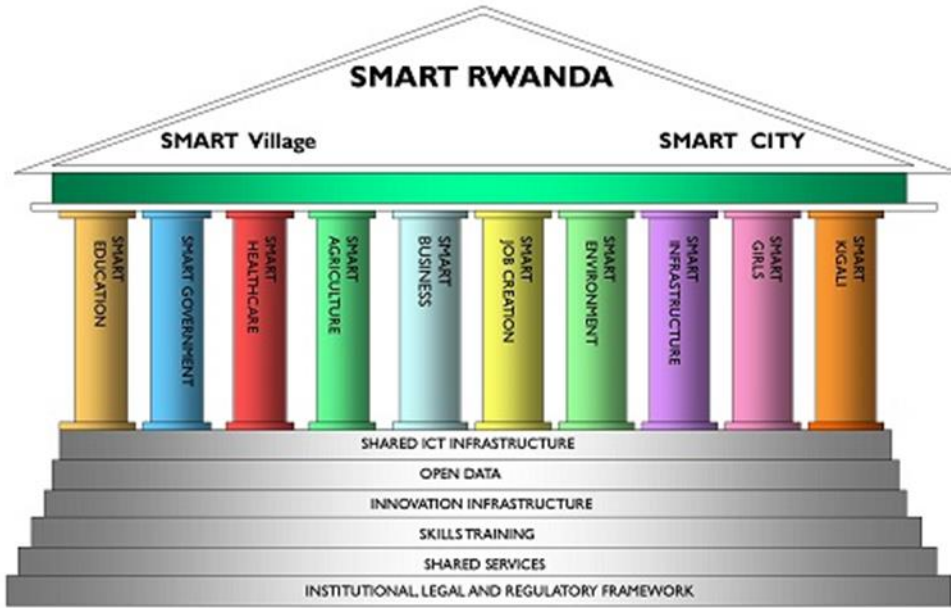
Rwanda's focus on the EAC seemed to have dampened its interest in the Economic Community of the Great Lakes Countries (CEPGL). Founded in 1976, CEPGL's intention was to promote economic integration between the DRC, Rwanda and Burundi. Nevertheless, the community collapsed in consequence of the continuous violence in the region in 1994. Since CEPGL's revival in 2008, it has hitherto failed to yield truly concrete results. Instead, an

economic rapprochement between the aforementioned countries could represent a concrete step towards more constructive relationships.

Interviewee **A** stated their interest in investing in medical tourism and health services insurance so that they could get the best centers in the region in Rwanda. Additionally, they regulated the Special Economic Zone (SEZ). Besides land, interviewee **A** emphasized on other incentives to benefit from SEZ such as exemption from export duties, some import duties, mainly in terms of taxes, and so on. With modern technology, there was also facility of the web that allowed distant investors to have access on recent information and updates. However, the integration came with its package such as the terrorism in Kenya, the Ebola, travel bans from America and Europe, even though there were not in the package order.

Interviewee **A** announced their plan to integrate their systems in a program called “online”, which was a platform that enabled citizens to have access to many of the issues relating to land, identity cards or driving permits wherever they were (including regional). Interviewee **B** institution instead intended to extent businesses in other regions, hence, its acquisition of another similar business type. Interviewee **B** had no transfer issues in integration processes as the country uses well-known standards institutions as KPMG recognized Worldwide. Interviewee **B** further praised the country’s move to the regional integration as its business sector was growing extensively. Back to 2008 up now, the interviewee **B** signaled an increase from four major firms to around thirteen including medium firms targeting low to medium customers. Interviewee **B** pinpointed the country’s high pace of integrating beyond regional as interviewee **B** saw the presence of other regions (Nigeria and Ghana) other than East-African as well as Americans and Europeans.

Certainly, some people might ask themselves of the Rwandan destination with such speed in development. As mentioned (Campioni and Patrick Noack, 2012), Rwanda was equated to a ‘speeding train’ set on the rails of growth and development, which is unable and unwilling to stop or slow down. Where to:



Chapter five: Findings and discussion

5.1. Introduction

This chapter aimed at reporting the findings of this study after a thorough analysis and discussion of the triangulation among the theories, literature and interviews used to conduct this study.

5.2. What worked for Rwanda

The findings suggest that Singapore's developmental state model worked in Rwandan case and that factors that attract FDI to Africa are different from factors that drive FDI in other regions. Instead, African leaders can learn from each other (Brunetti et al. 1997 and Batra et al. 2003). In Rwandan case, by emphasizing science and technology education, Rwanda has now reached a level of technological readiness comparable to, or better than, the regional average (African Development Bank, 2008).

Whereas in agriculture, infrastructural developments and social service provision at local levels, the government appeared to have effected a spectacular reversal in poverty and inequality in recent years, reporting a decline in income poverty and a fall in the country's Gini coefficient over the same period (GoR 2013). The government has adopted various roles and policies to restore communal strength, beginning with agricultural reform (Hoyweghen, 1999).

In health and education, the country is on track to meet two of its Millennium Development Goals (MDGs). The primary school enrolment rate now is at over 94 per cent (UNICEF, 2010). In health, effective investments of the foreign assistance funds (McNeil, 2010) have resulted in a reduction in infant mortality. Malaria morbidity and mortality rates have dropped 60%, and HIV prevalence is less than 3%. Average life expectancy has increased (Sezibera, 2010).

Regional economic cooperation may enhance FDI to the region in promoting political stability (Carkovic and Levine, 2002). Since 2007, FDI projects in East Africa have grown at a Compound Annual Growth Rate (CAGR) of 23.4%, the second-highest rate in Africa. Overall (from interviewees), Rwandan believe that togetherness, continuous cooperation, and

commitment of all including leadership made it possible for Rwanda to stand out of the cloud today.

5.3. Discussion

Rwanda looked at countries like Singapore as inspirational development models due to the rapid pace at which it successfully transformed its country (New times Rwanda 2008). Though Singapore's case worked in Rwanda, the two countries differ in terms of their population (mix races for Singapore). However, they both have in common the fact that they brought different ideas from their different previous countries of residence, which served as a crucial weapon of development. In addition, they both started poor and almost no resource (minerals, human or infrastructure) to back up their economy.

In both cases, they were committed to transform positively their countries for good (especially their leaders) regardless of what other people judge good for them. For a country to develop, it needs to have a vision, implementation strategies and plans, and capabilities (social capital and infrastructure), which was the case of Rwanda in vision 2020 achievements. As mentioned by the RDB's interviewee, it has taken the commitment of the leadership higher up towards achieving those (seriousness, the commitment, the vision) goals for anything else to fall in place. Rwanda had a focus commission from above and wavering focus was there for everyone to see. All authorities above have been held accountable and people could always see the advantages. The achievement has been really a big success factor for the country.

Lacking Singapore's great natural advantage as the most developed deep-water port in Southeast Asia, landlocked Rwanda required a different strategy to become the region's transportation hub (N. Musengimana, personal communication, August 18, 2010). As landlocked, Rwanda has made a smart move to EAC and the region has made a smart choice to invest in the Eastern Hub, compare to other regional hubs mainly dominated by Western Europe investors. The 2023 plan to common currency in the region (EY's attractiveness, 2014)

might hold a strong and united future (compare to the Eurozone) which could extend to the whole Africa as a Nation.

As Evans (2011, p.37) stated, building a social developmental state was a “continually spontaneous, learning by doing process”. Hence, African leaders could learn from each other (Brunetti et al. 1997 and Batra et al. 2003) as a Nation with almost similar types of challenges. The 21st century developmental state is a capability enhancing state, eager to promote the capabilities of their citizenry through provision of collective goods such as, health and education (Evans 2010; 2011). This aligns with Rwandan’s plan to meet two of its Millennium Development Goals (MDGs) with over 94 per cent in primary education (UNICEF, 2010) and reaching a level of technological readiness comparable to, or better than, the regional average by emphasizing science and technology education (African Development Bank, 2008).

Yet, some believed that FDI flew to countries with better quality institutions while poor governance could impede it (Daude and Stein, 2007). Since policies that promoted FDI to Africa also had a direct impact on long-term economic growth, African countries could not go wrong implementing such policies (Asiedu, 2004). Looking back for the Rwandan’s case, RDB, as a government’s representative institution, was looking towards the development of the economy and the private sector. As mentioned by the RDB’s interviewee, the country had zero tolerance to corruption with very limited cases of corruption. One of the things RDB has really worked on was to ease doing business, to make it much easier for investors to carry out their business. In terms of incentives, RDB had new investment law where it was targeting specific sectors of the economy and gave out good incentives in terms of taxes.

According to BT Costantinos (2014), developmental state is “a state that puts development as the top priority and is able to design effective instruments to promote such a goal”. There was no doubt that the Rwandan state had a clear goal towards the development of the economy and the private sector. Hence, the number of investors coming in the country had increased and they were investing in most of the sectors. RDB had one stop center where investors could find

different individuals from different institutions, including the land office. Apart from that, RDB was the ones who regulated the Special Economic Zone (SEZ). However, interviewee **A** recognized that RDB was not there yet where it wanted to be but it was on the right track.

The work of the “Tracking Development” program, for example, highlighted the importance of agricultural development as well as land reform before undertaking industrialization (Kees van Donge, Henley, and Lewis 2009, p.7). However, its denial could lead to reduced incomes and a development failure because of the lack of ability for Africans to utilize “hybrid rural-urban family strategies” (Evans 2011, p.39). The interviewee **A** mentioned on different occasions how land was important to the country. RDB, as a governmental institution, played the mediator between public and private partnerships by providing the land facilities and infrastructure to investors. Among all the services in the one center, the land was the pressing one. Since the country has a limited land, RDB took a big role in that area. In addition, any investment required at least a small plot of land to run its business if not a big chunk of land to run an industrial business.

However, the country experienced challenges such as limited worker training programs (World Bank, 2009), small and nascent private sector dominated by micro and small enterprises, and low skills and labor productivity in all sectors of the economy [Economic Development and Poverty Reduction Strategy Paper (EDPRS II)] that needed improvement as a continuous learning process. Both interviewees **A** and **B** agreed on the lack of skilled labor into professional specific services as well as the intensity of training skills to bring up their employees to a professional level. However, they both mentioned about energy and money that their institutions have invested in their people to get the right people to the right jobs in order to deliver excellent and efficient services.

The Government of Rwanda (GoR) saw private sector-led growth as the force that would raise living standards and reduce aid dependence (Mann, L., & Berry, M. 2015). Interviewee **A** talked about the development of the economy and the private sector to create an attractive

environment. He acknowledged the efforts of our neighbors (mainly Kenya) investment in key sectors such as banking, insurance and hotels. Others like SPAT's operational framework for agricultural sector development within the EDPRS have focused on agricultural modernization, intensification, professionalization and enterprise development (GOR 2004a).

The government vision entailed that subsistence farming would be replaced by a productive, commercial agriculture sector, envisaged to provide an initial growth engine, later to be replaced by the industry and service sectors (Minecofin, 2000: 23, 2002: 30, 36f, 2013: 43f). "The rehabilitation and development of infrastructure is a crucial aspect in lowering the costs of doing business in Rwanda" (GOR 2000, p. 15). One of the objectives put forward in Vision 2020 was the elaboration of a "modern land law providing security of tenure and freedom of exchange". The Rwandan government hoped that the security of official land titles would encourage more investment in land conservation and quality improvements (GOR 2004b).

All three interviewees (**A**, **B**, and **C**) acknowledged the importance of infrastructure (soft and hard) in their everyday activities. The development of ICT in human capital, physical infrastructure and innovation capabilities was a crucial factor that unlocked the country's success. Interviewee **A** signaled the impact of tourism in attracting guests, which opened up hotels' opportunities while energy reduced the cost of production hence increased affordability of owning sites. In addition, all EAC members benefited of their huge land exploited by investors (Interviewee **A**). One of EAC's strategies was to integrate all member states into a customs union, which provided Rwanda with access to the sea.

Finally, whether the case of Rwanda constituted a new form of African developmental state was a suggestion to further research. This new form of African developmental state was suggested because some researchers (Ansoms, 2011; Desrosiers and Thomson 2011; Purdekova' 2011; Reyntjens 2011, 2004; Straus 2006) regarded Rwanda as an authoritarian top-down style of governance. Sandbrook et al (2007, p.23) added that authoritarian governments were any less disposed to instability and unpredictability than democratic one. On the other hand, The World Bank's Worldwide Governance

Indicators ranked Rwanda's government as more stable than most emerging nations (Kaufmann, Kraay, & Mastruzzi, 2009).

In addition, others (Burnet, J. 2008) recognized its plan of undertaking an ideological program called "national unity and reconciliation" to build a "New Rwanda", a nation of one people who refused the "genocidal ideology" of the past. Irrespective of preference, everyone has an opinion, an anecdote or a particular insight about this tiny mountainous country (Maddalena, C. and Patrick, N., 2012). The above comments signaled that Rwanda was both authoritarian and democratic, whereas in the normal settings, a country could be either authoritarian or democratic.

On the other hand, these comments could rather signaled that Rwanda took out from both (authoritarian and democratic) what it judged best fit for the country to create a new form of developmental state that could promote the development of its citizens, economy, and the country as whole. As Evans (2010, p.4) stated, local innovation and adaptation did not come "ready to wear" in addition to the weakness (Haggard, 2004, p.59) found in the linkage between regime type democracy, authoritarianism, and growth. Despite differences (Vu, 2007, p.48), authoritarianism (and indeed democracy) was a too broader term, which encompassed vast range possible sets of state society relations.

Chapter six: Conclusion and recommendations

6.1. Conclusion

In Rwandan case, this study has proven that Singapore's developmental state model has worked in Rwanda with certain adjustments. This case has also proven that with a small domestic market and a lack of natural and human resources, the strategy for competitiveness is to be better organized, more stable, and more efficient than its neighbors, or, in a widely used phrase, "to run the country like a business" (Vietor & Thompson, 2007). FDI and small business growth were the two critical elements in developing the private sector in lower-income economies and reducing poverty (www.Worldbank.org). FDI flew to countries with better quality institutions.

However, countries needed to channel FDI's wealth in proper directions of development to reap its outcomes (<http://isoko-institute.org> 2015). Following Singapore's case, Rwanda has been experiencing significant economic growth within increase in Foreign Direct Investment. The Rwandan government has made significant efforts to put in place measures to promote foreign direct investment and to reduce poverty with limited empirical studies. The government has embraced an expansionary fiscal policy to reduce poverty (Table4) by improving education, infrastructure, foreign and domestic investment and pursuing market-oriented reforms.

Rwandan transformation manifested through all aspects of economy, politics, social, environmental and technological. Rwanda's image as an investment destination has considerably improved and investments are increasing. The state has played a key role in organizing the relationship between a capitalist economy and capability-enhancing development. However, a room for improvement for weak areas is open for anyone concern to contribute for further development. Whether the case of Rwanda constituted a new form of African developmental state was a suggestion to further research.

6.2. Recommendations

The merits and qualification of people employed by government need a very careful assessment because they are the ones leading development especially at the local level. Hence, they need intrinsic and extrinsic motivations to provide outstanding outcomes. As a regulatory organ, the state has to direct state policy toward nurturing indigenous capitalist accumulation by facilitating institutions of stabilizing capital-labor relations and supplying technical services and physical infrastructure. For possible solution, economies must continue to offer an attractive investment climate, as one of the major reform efforts to attract FDI.

Although many economies in the world have largely succeeded in removing the most significant regulatory barriers to foreign investment, further reforms targeting more nuanced regulatory areas may be a key step to stay at the forefront of attracting global FDI. Since African region is structurally different from the rest of the world, African leaders need to learn from each other for the way forward to development (Brunetti et al. 1997) and Batra et al. 2003). African cities have a great population and economic potential that attract consumer-facing industries (the likes of banking, retail, and telecommunications).

In order to attract greater investments, cities needed to focus on infrastructure, consumer base, local labor cost, productivity, and a skilled workforce. The question is not how much state intervention, but “what kind” (Evans 1995, p.10). Significant increases in the standard of living for a large number of the population, for instance, constitute a pillar to the legitimacy of developmental states (Wade 1990, p.7; Fritz and Menocal 2007, p.534; Lin and Monga 2011, p.278). In order to achieve growth, for example, it is crucial to connect different structures of bureaucracies to their societies and particularly their business communities (Johnson 1987; Evans 1995 and 1998). Building a social developmental state is a “continually spontaneous, learning by doing process” (Evans 2011, p.37), hence, the population has to make sacrifices to achieve developmental ends (Johnson 1999, p.52).

“Rwanda will never be the same again” By President Paul Kagame.

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See www.mckinsey.com 2010.

Appendices

Appendix 1- Previous research on FDI: summaries of key empirical studies

Authors	Positive	Negative
Asiedu (2002)	Large local markets, natural resource endowments, good infrastructure, low inflation, an efficient legal system and a good investment framework make a major contribution to FDI.	Corruption and political instability have had the opposite effect.
Asiedu (2006)	Countries with small markets or lacked natural resources could attract FDI by streamlining their investment framework and improving their institutions and policy	

	environment. However, good infrastructure, an educated labor force, macroeconomic stability, openness to FDI, an efficient legal system, less corruption and political stability also could promote FDI.	
A.Zorska (in Sergiel, 2012)	There are two types of FDI investment: horizontal and vertical. Horizontal FDIs enable Mother Company to expand its range of controls and vertical FDIs enable the search for new sources of supplies of such resources like human capital or raw materials.	
Blonigen and Piger (2011) and Hornberger et al. (2011)	Market-driven, efficiency seeking, strategic-advantage seeking or resource seeking determine ways for FDI.	
[Borensztein et al. (1998); de Mello (1999); Blomstrom et al. (1994) and Balasubramanyam et al. (1996)]	FDI enhances growth only under certain conditions: it requires the host country to exceed a certain threshold, the complementarity of the domestic and foreign capital, the country's achievement of a certain level of income, the openness of the country and a well-developed financial sector of the host country.	
Brunetti et al. (1997) and Batra et al. (2003)	Factors that attract FDI to Africa are different from the factors that drive FDI in other regions.	
Bruno Ocaya, Charles Ruranga, and William Kaberuka (2013)	Greater trade openness, more limited rule of law, and lower receipts of aid, as well as lower income level of the host country strengthened FDI-to-growth causality by Greater political rights.	
Carkovic and Levine (2002)	Regional economic cooperation might also enhanced FDI to the region in promoting political stability by restricting membership to democratically elected governments.	
Daude and Stein, (2007)	FDI flew to countries with better quality institutions while poor governance could impede it.	
De Gregorio, 1992; and Oliva and Rivera-Batiz (2002)	Positive relationship between FDI and growth	
Djankov et al. (2002)		Stricter regulation of entry was associated with higher levels of corruption, and a greater relative size of the unofficial economy.
Duggan, et al. (2013), Javorcik and Mattoo (2011) and Paunov (2012)	Both openness and economies could increase foreign presence, access to international markets, transfer of technology and expertise, access to finance and increased competition between foreign and domestic providers alike	
Golub and Ling (2006)	Easing business start-up avoids the difficulty of navigating the various requirements for starting a foreign investment.	
Morris, Kaplinsky and Kaplan (2011c: 9)	By putting visions, policies, strategies and implementation plans into place could allow to bring about the systemic competitiveness of any particular commodity value chain. In addition, it could allow extending the scope of such alignment by growing the scale, range and depth of domestic capabilities	

Appendix 2- Previous research on Developmental State: summary of key empirical studies

Authors	Description	Summary of findings and conclusions
Amsden (1989)	Case Study of Korea's industrialization process.	Korea and other late industrialisers are following a similar pattern that involves the state intervening in the market to assist business. This benefits rather than harms the broader national interest.
Doner, Ritchie and Slater, (2005)	Review of political economy comparing two set of States. Economy upgraded Taiwan, South Korea and Singapore vs non-upgraded: Malaysia, Thailand, the Philippines and Indonesia.	"Systemic vulnerability" constitutes a necessary and sufficient condition for a developmental State to emerge. A pursue of a developmental path, by elites, requires a simultaneous interaction of 3 elements of "systemic vulnerability" (a credible threat of mass unrest, heightened need for foreign exchange necessitated by national insecurity and scarcity of easy revenue sources).
Evans (1995)	Examination of the role of the State in industrial growth through Information Technology (IT) Industry [based on case studies from New Industrializing Countries: Brazil, India and Korea (1970s-1980s)].	For a successful industrial transformation, the State's bureaucracy needs, both, autonomy from business interests in decision-making focusing on a broader national interest (embeddedness) and management of industrialization process.
Henley undated (circa 2010-2011).	Comparison of development strategies undertaken in Malaysia and Indonesia with development strategies undertaken in Nigeria and Kenya in the post-war period.	Development strategies in Malaysia and Indonesia have been successful than those within Nigeria and Kenya because they have focused on reaching the largest number of people in contrast to Kenya and Nigeria whose approach has often been on more narrow but perhaps more ambitious projects.
Johnson, 1982	Institutional history of Japanese Ministry of International Trade and Industry (1925-1975).	One of the first works to utilize the term developmental state. This work sees Japan as a developmental state that is employing a particular set of state-business relations often through the MITI and particular industrial policy.
Kees van Donge, Henley and Lewis (2009)	Comparison of development trends and policies undertaken in countries from South East Asia and Sub-Saharan Africa (1960s-2000s).	Pro-poor rural/agricultural policies constitute the success of South East Asia's development. However, the absence of the above policies in case of Sub-Saharan Africa intricate its low levels of development and unsuccessful industrialization.
Kelsall and Booth (2010)	Examination of the hypothesis of a link between long-horizon centralized rent processes and economic growth (case of Côte d'Ivoire, Malawi, Kenya, Rwanda and Tanzania). Analysis of the economic and political landscape of the long-horizon centralized rent processes period, whether there is a connection between long-horizon centralized rent processes and economic growth.	In fact, there is a connection between long-horizon centralized rent processes and economic growth. But that on its own these processes are not sufficient. A skilled leader, assisted by a competent bureaucracy, plays a major role with the long-horizon centralized rent processes to achieve economic growth.
Kohli (2004)	Comparative Historical Analysis of the state as an economic actor in 4 countries South Korea, Brazil, India and Nigeria in the late half of the 20th Century.	The role of the state in promoting or hindering industrialization. The type of state formed during the period of state formation is a key element in explaining the way in which states subsequently are able to act as economic agents.
Sandbrook et al. (2007)	Comparative analysis of 4 countries identified as social democracies in the periphery Kerala (India), Costa Rica, Mauritius and Chile (1990-2007).	Regardless their predisposing to pursue equitable development, the possibilities for the emergence of an economically successful social democratic state in the global periphery centers on the class formation of states. These successful states manage this

		incorporation and ameliorate its negative consequences in a manner, which attracts capital to invest.
Vu (2007)	Comparative political history of state formation in South Korea and Indonesia. South Korea (1945-1980) and Indonesia (1945-1975).	Intra-elite and elite-mass interactions (state formation period) are key to the emergence of developmental States. A state can try to perform developmental roles without having developmental structures in place or have developmental structures, which it does not use for developmental ends. However, a successful developmental State requires both.
Wade (1990)	Empirical examination of the theoretical explanations for the growth of East Asian states. Focus on the industrial and economic policy of Taiwan. Industrial and economic policy of Taiwan.	The Governed Market (GM) gives the most convincing explanation of the drivers behind the rapid growth of East Asian states. The GM involves the implementation of particular industrial and economic policies by the state that steer industry into higher wage more profitable sectors.

Appendix 3: In Depth Interview (IDI) Guide for Governmental institutions

Date:

Names:

Department:

Position held:

How could landlocked Rwanda stimulate foreign direct investment (FDI) with minimum resources?

1. How did your institution find out about those sectors?
2. How do you perceive the country in 10 years? Why?
3. As a member of the society, do you see yourself the same person as 10 years ago? Why?
4. How would you rate, between 0 and 10, the country's success in relation to the workforce (0: low, 10: high)? Why?
5. What could be possible challenges that hinder its full efficiency?
6. Do you see any changes in investors (foreign or/and local), in the last 10years, in terms of activities? How?
7. How would you rate, between 0 and 10, socio-economical satisfaction towards the state's representatives (0: low, 10: high)? Why?
8. What are the country's main activity and its economic contribution?

9. How would you rate, between 0 and 10, government's satisfaction towards social development (0: low, 10: high)? Why?

How can the State (Government) streamline foreign investment in the country?

10. How important is FDI to your institution? Why?
11. Which sector(s) does your institution value most? Why?
12. What has your institution done to add value to that/those sector(s) if any? How?
13. How would you rate, between 0 and 10, your relationships with those sectors (0: low, 10: high)? Why?
14. How would you rate, between 0 and 10, your institution level of success into those sectors (0: low, 10: high)? Why?
15. If your institution would have to do it again to reach the maximum potential, how would you do it? Why?
16. From your institutional perspective, how would you rate those sectors' level of satisfaction on your accomplishment (0: low, 10: high)? Why?
17. Looking back to our conversation, what would you add that I should have gone through? Why?

In Depth Interview (IDI) Guide for investors' institutions

Date:

Names:

Department:

Position held:

How could landlocked Rwanda stimulate foreign direct investment (FDI) with minimum resources?

1. How do you (as institution) know this country (Rwanda)?
2. Have you (as institution) ever thought before to be in this country?
3. When did the idea come first in your mind? Why?
4. Could you, prior to this move, see possible challenges?
5. What was your first impression at the beginning of the institutional installation to the country?

6. How would you rate, between 0 and 10, your institutional progress (0: low, 10: high)? Why?
7. Would you recommend other investors to the country today? Why?
8. Would you recommend other investors to the country when you first came? Why?
9. Which sector would you recommend them? Why?

How can the State (Government) streamline foreign investment in the country?

1. How did the idea develop?
2. What made you decide to move to this country?
3. What could possibly be going on in your mind half way through the installation process?
4. Did you feel lonely, in terms of support, during the installation process?
5. If you ever account challenges, how did you overcome them?
6. If you would repeat this process, how would you do it?
7. How would you rate, between 0 and 10, your relationships with the government institution(s) in charge of you (0: low, 10: high)? Why?
8. What would you change today to improve your relationships? Why?
9. What would you expect that/those institution(s) to change today to improve your relationships?
10. Looking back to our conversation, what would you add that I should have gone through? Why?

Table 1: Host country determinants of FDI

Host country determinants of foreign direct investment (FDI)		
Host country determinants	Type of FDI classified by motives of firms	Principal economic determinants in host countries
<p>Policy framework for FDI Economic, political, and social stability Rules regarding entry and operations Standards of treatment of foreign affiliates Policies on functioning and structure of markets (especially competition and policies governing mergers and acquisitions) International agreements on FDI Privatization policy Trade policy (tariffs and nontariff barriers) and coherence of FDI and trade policies Tax policy</p> <p>Economic determinants</p> <p>Business facilitation Investment promotion (including image-building and investment-generating activities and investment-facilitation services) Investment incentives Hassle costs (related to corruption and administrative efficiency) Social amenities (for example, bilingual schools, quality of life) After-investment services</p>	<p>Market-seeking</p> <p>Resource/asset-seeking</p> <p>Efficiency seeking</p>	<p>Market size and per capita income Market growth Access to regional and global markets Country-specific consumer preferences Structure of markets</p> <p>Raw materials Low-cost unskilled labor Skilled labor Technological, innovative, and other created assets (for example, brand names), including as embodied in individuals, firms, and clusters Physical infrastructure (ports, roads, power, telecommunications)</p> <p>Cost of resources and assets listed above, adjusted for labor productivity Other input costs, such as transport and communication costs to/from and within host economy and other intermediate products Membership of a regional integration agreement conducive to the establishment of regional corporate networks</p>

Table 2: Regional integration (EAC)

A hub for investors to access the rapidly integrating East African market



A large market

Country	Population in Millions
Kenya	35.3
Tanzania	39.7
Uganda	32.0
Rwanda	9.6
Burundi	7.9

EAC comprised of 125 million people with a combined GDP of over USD 70 billion

EAC: Taking real strides towards integration

- ▶ Established a Customs Union (2005)
- ▶ Working towards a Common Market in 2010, a Monetary Union by 2012 and, ultimately, a Political Federation
- ▶ Functioning political and legal organs
- ▶ Regional infrastructure projects are being financed and implemented and regional trade has increased

Rwanda: A gateway to Africa and the world

- ▶ Efforts to combine the East African Community, the Common Market for Eastern and Southern Africa, and the Southern Africa Development Community underway, putting **600M people into a single market**.
- ▶ Existing bilateral trade agreements with the US and initiatives with the European Union (EU) and others in advanced stages

Table 3: Private sector role in agriculture

[Go back to outline](#)

Shifting Towards Private Sector Led Agriculture Growth and Vision 2020

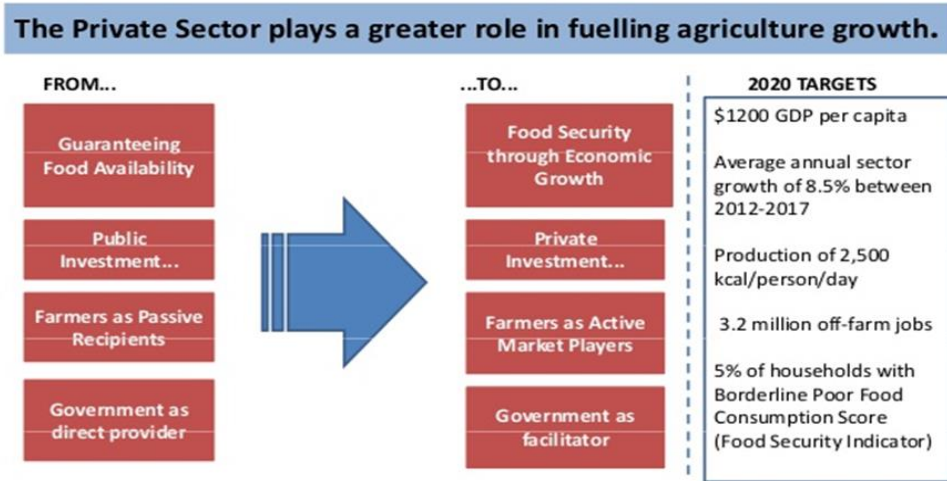


Table 4: Poverty outcomes under investment plans

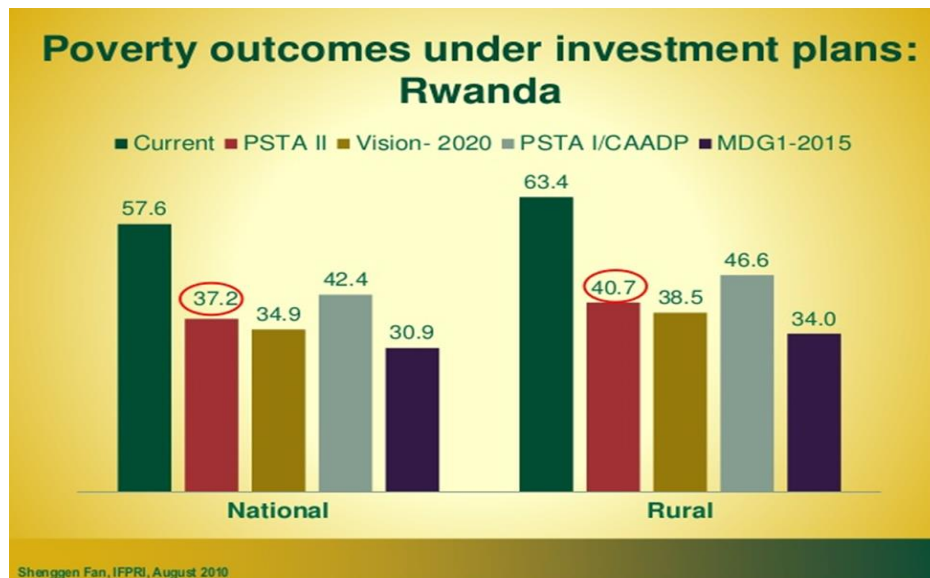


Table 5: Future country’s plans

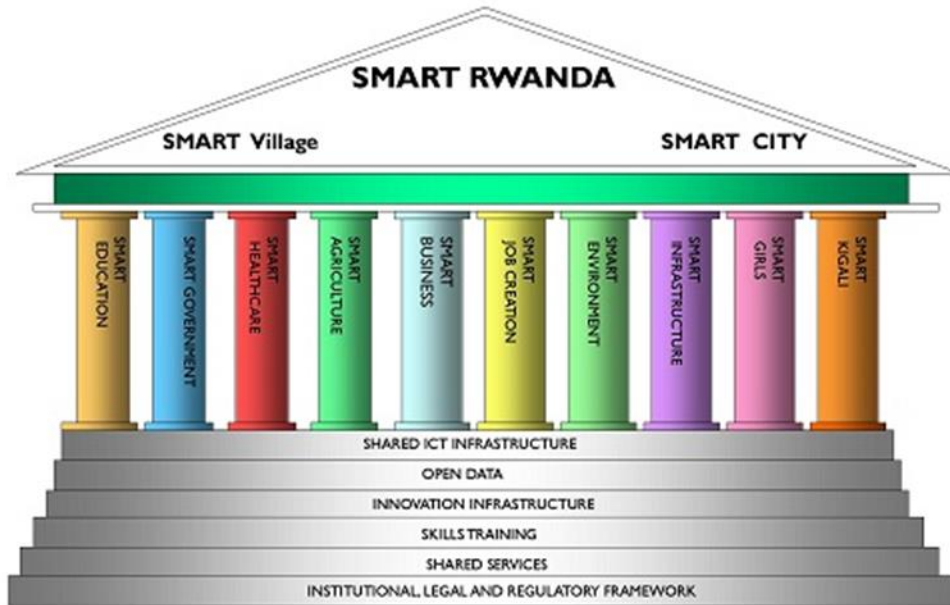


Table 6: Five reasons for investing in Rwanda



5 reasons for investing in Rwanda

Sustained high growth	<ul style="list-style-type: none"> ▶ 7.1% average year-on-year GDP growth since 2004, stable inflation and exchange rate ▶ 3 year GDP growth rate highest among major African economies and neighbouring countries
Robust governance	<ul style="list-style-type: none"> ▶ A clear vision for growth through private investment set out by President Kagame (Vision 2020) ▶ Politically stable with well functioning institutions, rule of law and zero tolerance for corruption
Investor friendly climate	<ul style="list-style-type: none"> ▶ Fastest global reformer of business regulations based on World Bank Doing Business Survey ▶ Simple taxation, development of industrial parks and free trade zone, and creation of stock exchange ▶ Increasingly attractive destination for FDI – \$118M in 2009 represents 14x increase from 2004 ▶ Rwanda Development Board, an independent agency, created as a 'one-stop centre' for investors
Access to markets	<ul style="list-style-type: none"> ▶ Market of over 10M people with a rapidly growing middle class ▶ A hub for rapidly integrating East Africa: located centrally bordering 3 countries in East Africa which has an existing Customs Union and forming a Common Market in 2010 for 125M people
Untapped investment opportunities	<ul style="list-style-type: none"> ▶ Potential opportunities for investment abound, particularly in the following sectors: <ul style="list-style-type: none"> ▶ Infrastructure: Opportunities in rail, air transportation to further develop Rwanda as an EAC hub ▶ Agriculture: Backbone of economy, potential for growth through productivity and value addition ▶ Energy: Power generation, off grid generation and significant methane gas opportunities ▶ Tourism: Unique assets creating booming sector; growth potential in birding and convention ▶ Information and Communication Technology: Priority sector for achieving Vision 2020 ▶ Other attractive sectors include Real estate and construction , Financial services, and Mining

Source: RDB

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