The politics of state capacity in post-genocide Rwanda: ‘Pockets of effectiveness’ as state-building prioritisations?

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Abstract

The paper analyses pockets of effectiveness (PoEs) – public organisations that function better than the rest of the state – in Rwanda and their contribution to state building. It does so by exploring three cases of high-performing public sector agencies, namely the Ministry of Finance, the Rwandan Revenue Authority and the Central Bank. The paper shows that the Rwandan case does not seem to follow the patterns of other African countries, whereby a few effective public organisations exist in an otherwise relatively dysfunctional governance context. It argues that the nature of the political settlement and elite vulnerability have led to a top-down and relatively systematic project of state-building. Anchored in the experience of the genocide, ruling elites from a minority group perceive that building an effective state geared towards delivering development in a largely impartial manner is the best response to their vulnerability. Moreover, the political dominance that the ruling coalition has achieved means that it has the capacity to enforce this project. From this perspective, PoEs are best understood as emerging through a project of state-building prioritisation, with organisations supported to deliver their mandate effectively because of their political salience in the ruling coalition’s wider state-building project. Other factors identified in the PoE literature also emerge as important here, including the nature of the task being performed and the role of organisational leadership, although the choice of leaders and the support offered to them are themselves a direct outcome of the governing coalition’s political priorities.

Keywords: pockets of effectiveness, politics, Africa, bureaucracies, state-building, Rwanda


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1. Introduction

Analysing pockets of effectiveness (POEs) in Rwanda necessarily involves analysing a major project of state re-building after its near complete destruction around the 1994 genocide. The Ministry of Finance and Economic Planning (MINECOFIN) is a case in point. After the genocide, the Ministry was a hollow shell. When it resumed its activity on 16 July, only seven people reported to work. Most of the staff fled or had been killed. Individuals skilled to work in the Ministry were then extremely rare. New hires were diaspora returnees with some level of education but no experience of the Rwandan context. For example, returnees from Uganda and Kenya did not read French and were not familiar with the French accounting system. Staff were not paid for the first three months, and were only remunerated in kind, with rice and cooking oil for instance, until 1995. The Ministry’s work in the following years was limited to the narrow task of managing scarcity, handling chaotic salary payments, scrambling to adapt legislation to the new context, and dealing with international financial institutions (IFIs) adamant about Rwanda repaying the debt left by the former regime.

Fast forward ten years, and the Ministry is a clear outlier in terms of performance in relation to other parts of the state, with a better paid, better skilled cadre of civil servants. It is at the forefront of the RPF transformative project that aims, through rapid socio-economic development, to address the elite’s vulnerability by shoring up its legitimacy, particularly amongst the majority Hutu population. MINECOFIN has consequently gained unprecedented power over line ministries and stands as the main entry gate to donor support. It even became, according to a World Bank study, ‘one of the more powerful finance ministries in the region’ (World Bank 2013b: 67).

The case of MINECOFIN epitomises why and how PoEs matter in Rwanda. The argument of this paper is that, contrary to previous depictions of high-performing agencies, PoEs in Rwanda should not be regarded as ‘islands’ of effectiveness in the context of a dysfunctional state. Rather, they are the vanguard of a broader and systematic state-building project that is envisioned, by rulers, as a response to the systemic vulnerability they are facing. As a result, PoEs in Rwanda emerge as a result of their priority in the regime’s wider state-building project and because the ruling coalition has secured the dominance required to enforce this project. However, this combination of vulnerability and dominance is necessary yet insufficient for the creation of PoEs. The nature of the task being performed – specific, measurable and not transactional intensive – as well as the issue of organisational leadership (Roll 2014), are also critical in determining whether or not high-performing public sector organisations emerge.

To explore the origins and the role of PoEs in Rwanda, this research adopts a qualitative approach, best suited to understanding processes and causal changes over time. It relies on a comparative case study of three PoEs: MINECOFIN, the Rwanda Revenue Authority (RRA) and the Central Bank (Banque Nationale du Rwanda, known by its French acronym, BNR). The identification of these cases results from an expert survey undertaken with 23 respondents based in Kigali between July and September.
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2017, as detailed in Hickey (2019). The survey’s assessment has been triangulated with data from statistical performance indicators for each organisation, as well as standardised international assessment and rankings. The analysis draws on the existing literature, statistical data, technical reports as well as 120 interviews conducted in Rwanda between July 2017 and December 2019 with politicians, current and former civil servants, journalists, consultants and donors.

2. The state-building project in Rwanda

The genocide was a critical juncture for state formation in Rwanda. Four years of civil war that culminated in the genocide in 1994 left the state destroyed with no resources (Kimonyo 2017). Most civil servants were killed or fled, which led to a deep and sudden sociological renewal of the civil service, as illustrated by the case of MINECOFIN in the introduction. New civil servants were returnees from the diaspora (mainly from Uganda, Burundi and Congo) with no experience of the Rwandan state’s procedures. State collapse was paralleled with economic collapse. In 1994, the GDP per capita had declined by one-half, and four out of five persons lived under the poverty line. Rwanda became the second poorest country in the world and the one where life expectancy was the shortest (World Bank 2019: 2).

Since the genocide, the evolution of the Rwandan political settlement is one of concentration of power in the RPF and in the hands of its chairman, Paul Kagame. Two main periods can be distinguished. The first, from 1994 to 2000, corresponds to the consolidation of RPF’s power in the settlement. The RPF was created in 1987 in Uganda by Tutsi refugees who fled the anti-Tutsi pogroms of the 1950s and 1960s. It was formed with the objective of allowing the return of refugees to Rwanda, which the two Hutu-dominated regimes since independence had constantly opposed. The RPF launched an attack from Uganda in 1990 and gained power in 1994 by stopping the genocide against the Tutsi ethnic group and achieving a clear victory over the governmental army. At the end of the genocide, the situation of the RPF remained, however, precarious. While waging war in Congo, the new regime had to restore security and, until 1999, fight a full-fledged insurgency in the northwest of the country.

The RPF became the ruling party while giving representation in government to other legal political parties. In the first post-genocide government, of 17 ministerial seats, eight were occupied by RPF members. Power was nominally divided along ethnic lines, with a balance of Tutsi and Hutu at ministerial level. This arrangement, aimed at demonstrating the RPF’s commitment to unity and power-sharing, did not, however, reflect the reality of power. Helped by its control of the military, the RPF set about establishing its dominance over other parties by sidelining the most vocal opposition leaders and tightly monitoring other parties. It also disciplined civil society – religious groups, NGOs, the press and human rights organisations – into accepting its rules for public engagement (Reyntjens 2013: chap. 1;3).

This concentration of power also occurred within the RPF itself. Prominent Hutu figures critical of the RPF, or displaying a desire to establish a power base for themselves,
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were sidelined. The most famous case is the resignation, under the RPF pressure, of President Pasteur Bizimungu and his subsequent arrest. Yet, this dynamic was not restricted to Hutu members of the RPF. In the early 2000s, a series of Tutsi members also fell out with the RPF leadership and fled the country. The party’s cohesion has also been tested by growing corruption, with growing tensions between members eager to enjoy the spoils of victory and those promoting discipline and restraint. This struggle was eventually resolved in 1999 in favour of the those denouncing corruption when Kagame publicly sided with them and disciplined senior cadres and army officers (Kimonyo 2020). The episode both consolidated the pre-eminence of Kagame in the party and established the basis for higher levels of public sector performance.

The second period, from 2000, is characterised by the undisputed dominance of the RPF in Rwanda’s political settlement and the completion of Kagame’s ascendency in the party. Accessing the presidency in 2000, Kagame reinforced his power in the party by sideling several senior RPF (Tutsi) members who fell out with him.1 Furthermore, the generational shift in the party has greatly benefited the president. By 2013, no senior ‘historical’ RPF members were left in government. This paved the way to a new guard mostly composed of well-educated diasporic returnees, fiercely loyal to Kagame as they owed their meteoric careers to him. The change of constitution in 2017, allowing Kagame to remain president until 2034, was adopted without open resistance from the RPF or other parties.

The current political settlement is consequently characterised by an extraordinary concentration of power in the ruling party, possibly unparallelled on the African continent. The opposition is weak and located mainly outside Rwanda. It is constituted by the remnants of the armed opposition to the RPF that fled to the Democratic Republic of Congo after the genocide. It also includes diaspora organisations, such as the Rwanda National Congress (RNC), created by high-profile individuals once close to Kagame. Domestically, other political parties can be best understood as satellites of the RPF, as they are tightly monitored.2 Representatives of these parties occupy different cabinet positions as, according to the constitution, the dominant party in parliament cannot have more than 50 percent of ministerial portfolios. Yet, in reality, non-RPF ministers are closely monitored and never challenge the RPF’s line. The power of the ruling party is also reinforced by the informal role of the RPF in influencing policy-making and occasionally acting as an enforcer of the president’s decisions on the bureaucracy (Chemouni and Dye 2020; Golooaba-Mutebi and Habiyonizeye 2018: 26). The RPF has also concentrated power economically. As explained by Behuria (2016), it has curbed the emergence of any significant independent domestic economic force able to challenge it. This was achieved by its domination of the capitalistic sector though RPF-owned or military-owned companies and by opening the economy to foreign investors. The RPF’s strength also helps maintain his dominance as it keeps a

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1 The most conspicuous case is that of Patrick Karegeya, former head of intelligence services, who escaped Rwanda in 2007 and was assassinated in South Africa in 2014.
2 Although a handful of vocal opponents, such as Victoire Ingabire and Diane Rwigara, try to challenge the RPF in elections, they are prevented from running and are regularly imprisoned.
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tight control of the military. Furthermore, its military ethos, inherited from the war and its senior members’ experience in the Ugandan National Resistance Army (NRA), has infused a military culture in the state (Reyntjens 2020), helping the ruling party to impose change.

Power in the settlement is also concentrated vertically. The RPF enjoys significant autonomy from its followers and the wider population. It remains a cohesive party, despite regular high-level defections, and possesses great enforcement capabilities (Khan 2010). Such capabilities are enhanced by its tight control of the local administration that penetrates deep in the countryside (Chemouni 2014).

Despite its hegemony, the ruling elite continues to perceive itself as highly vulnerable. After the genocide, the RPF suffered from a profound lack of legitimacy. Led by a small Tutsi minority, it had seized power by force and had to rule over a Hutu-dominated population previously mired in genocidal ideology. This lack of legitimacy was magnified by the weak links that some RPF members had with everyday Rwanda. Many had grown up abroad and some had never set foot in the country before the beginning of the war. Their relationship with rural Rwanda was particularly tenuous or non-existent. As explained by An Ansoms (2009: 295),

‘following the RPF’s military victory, the new elite installed themselves in the capital. While this was partly for security reasons […], it also reflected the fact that a considerable number of the returnees had lost their ties with their “hill of origin” and had little incentive to go to the rural areas.’

In this respect, the situation echoes that of the systemic vulnerability of east Asian developmental states (Doner, Ritchie and Slater 2005). Faced with extraordinary political, security and economic challenges, building an effective state became a way for the elite to ensure its own survival while delivering ‘side payments’ to its potentially restive population.

Since the end of the genocide, the regime has rebuilt a state which seems to outperform countries of similar wealth. Even authors generally critical of Rwanda’s trajectory recognise that ‘the regime’s achievements in this field are undisputable’ (Reyntjens 2013: xv). This is well captured by Figure 1, which shows that in two decades, Rwanda switched from having the lowest to the highest score in the World Bank’s government effectiveness indicators among the countries analysed in this project. This is supported by the Bank’s Country Policy and Institutional Assessment (CPIA), which places Rwanda generally ahead of most competitors.
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Figure 1: Government effectiveness

Source: World Bank’s World Governance Indicators.

Figure 2: Country Policy and Institutional Assessment ratings (2017)

Source: World Bank’s CPIA. (Ratings are for 2017, except for SSA, which is for 2016.)
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This evolution was supported by a reduction of administrative corruption that has been both fast and significant over the past two decades. For example, by 2018, Rwanda was ranked 48 (out of 180 countries) for control of corruption in the Transparency International’s Corruption Perception Index, a vast improvement over its 2006 ranking of 121, placing it fourth on the continent, after Seychelles, Botswana and Cabo Verde. State effectiveness has been built by frequent reforms of the core public sector (Chemouni 2017) and the heavy incentivisation of the civil service through performance indicators (imihigo) decided by the top. While this has undoubtedly been instrumental for state organisations to be able to deliver on their mandate, it also entrenched top-down policymaking. Consultation of lower rungs of the bureaucracy or of the population is weak (Chemouni 2014), which can lead to a limited independence of the bureaucracy from the ruling party in its everyday functioning (Chemouni and Dye 2020), a misunderstanding of local contexts, and an aggressive approach to policy implementation by civil servants concerned with meeting their performance targets (Ansoms 2009; Chemouni 2018).

3. Pockets of effectiveness in Rwanda

MINECCOFIN, the RRA and the Central Bank (or BNR) were selected as case studies because they emerged as high performers within the expert survey conducted in Kigali in 2017 (Figure 3). MINECCOFIN and RRA were respectively the most and the third most cited performing organisations in the state, while the BNR was the joint fifth-highest performing. These three were selected from the top five listed below, both because of their significance to development in Rwanda and to enable comparisons with the other country case studies included in the project that this book is based on.

Figure 3: Best-performing state organisations in Rwanda (number of mentions in the survey)

3 The dominance of RPF and military-owned companies raises the question of state capture in relation to some sectors where these companies predominate (Gökçür 2012).
MINECOFIN’s standing as the best-performing organisation within Rwandan public service in the expert survey is supported by different standardised evaluations. The Public Expenditure and Financial Accountability (PEFA) evaluations reveal a continuous and widespread improvement of the organisation in terms of financial management (Table 1). In 2010, Rwanda outperformed neighbouring countries on all dimensions but one of the PEFA framework. In 2016, this performance had further improved across most categories, with declines apparent in only three of 28, two of which were due to circumstances beyond the control of MINECOFIN, namely the 2013 suspension of aid, which undermined the credibility of the budget.

Table 1: Trends in selected Public Expenditure and Financial Accountability (PEFA) indicators (2008-16)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2008</th>
<th>2010</th>
<th>2016</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate expenditure out-turn compared to original approved budget</td>
<td>B</td>
<td>A</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Composition of expenditure out-turn compared to original approved budget</td>
<td>D</td>
<td>D</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>Aggregate revenue out-turn compared to original approved budget</td>
<td>A</td>
<td>A</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Stock and monitoring of expenditure payment arrears</td>
<td>D+</td>
<td>B</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>Classification of the budget</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td>Comprehensive-ness of information included in budget documentation</td>
<td>D</td>
<td>A</td>
<td>A</td>
<td></td>
</tr>
</tbody>
</table>

This section is mainly based on Chemouni (2019).
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<table>
<thead>
<tr>
<th>Policy-based budgeting</th>
<th>Extent of unreported government operations</th>
<th>B+</th>
<th>D+</th>
<th>B+</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transparency of inter-governmental fiscal relations</td>
<td>B</td>
<td>A</td>
<td>A</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Oversight of aggregate fiscal risk from other public sector entities</td>
<td>D+</td>
<td>C</td>
<td>C+</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Public access to key fiscal information</td>
<td>C</td>
<td>A</td>
<td>B</td>
<td>The decline is due to delays in publishing the award of large contracts.</td>
</tr>
<tr>
<td>Accounting, recording and reporting</td>
<td>Orderliness and participation in the annual budget process</td>
<td>B+</td>
<td>B+</td>
<td>A</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Multi-year perspective in fiscal planning, expenditure policy and budgeting</td>
<td>C+</td>
<td>C+</td>
<td>B+</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Timeliness and regularity of accounts reconciliation</td>
<td>B+</td>
<td>B+</td>
<td>A</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Availability of information on resources received by service delivery units</td>
<td>D</td>
<td>D</td>
<td>C</td>
<td>Improvement</td>
</tr>
<tr>
<td></td>
<td>Quality and timeliness of in-year budget reports</td>
<td>D+</td>
<td>D+</td>
<td>D+</td>
<td>Stable</td>
</tr>
<tr>
<td></td>
<td>Quality and timeliness of annual budget statements</td>
<td>C+</td>
<td>D+</td>
<td>C+</td>
<td>Stable</td>
</tr>
</tbody>
</table>

Source: PEFA evaluations, different years. Accessible at https://www.pefa.org/country/rwanda

The World Bank’s Country Policy and Institutional Assessment (CPIA) also indicates the good performance of the Ministry in terms of economic and budget management in comparison to the other country case studies of this project (Chemouni 2019: 10) and to the rest of the continent (Figure 4).
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**Figure 4: Selected CPIA indicators**

![Graph showing Economic management and Quality of budgetary and financial management rating for Rwanda and Sub-Saharan Africa from 2005 to 2018.](image)

*Source: World Bank (data for 2017).*

The pre-genocide Ministry of Finance was well-run and powerful, but its significance has been further enhanced in the post-genocide period, not least through the inclusion of planning in its mandate in 1997. Whereas in the past, the Ministry of Planning was weak, with state activities largely a collection of other ministries’ policies that were usually derived from donors’ programming, MINECOFIN has come to have unprecedented power over line ministries.

Two main periods can be identified in the rise of MINECOFIN as a PoE. The first, from 1997 to 2005, is the birth of a performing organisation. This occurred through the evolution of MINECOFIN’s tasks. The Ministry became a key institution in the state apparatus through its merging with the Ministry of Planning in 1997, in order to improve the co-ordination between the finance and planning functions of the state. This new mandate made MINECOFIN the linchpin of the RPF transformative project. For example, it was charged in the later 1990s with the formulation and the implementation of the government’s grand plan, ‘Vision 2020’. This task was more strategic compared to most countries, as national plans are, in Rwanda, not only technical documents, but symbolic demonstrations of the elite’s legitimisation through development. Vision 2020 then becomes ‘the only hymn sheet to which everyone needs to abide’ (Campioni and Noack 2012: 5). Overall, as summarised by a Rwandan civil servant, ‘I think the task of MINECOFIN drives performance: it has a very sensitive mandate for Rwanda’.

In addition, in the post-genocide context of massive external support, the Ministry’s mandate has included the coordination of donors’ funding. As soon as 1995, it became the representative of the government in the series of ‘round tables’ to negotiate the reforms required by the international financial institutions (IFIs). This incentivised the Ministry to create in 1999 the Central Public Investments and External Finance Bureau (CEPEX) to manage the relationship with donors. As a result, in order to ease their

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5 Interview 13 June 2018.
interaction with the state, donors made the Ministry the focus of training and Public Finance Management (PFM) reforms, and staffed it with highly paid consultants, often as a means to finance the wages of high-capacity staff that the state could not otherwise afford.

Besides the transformation of its mandate, the other main dynamic behind the rise of MINECOFIN as a PoE is the leadership of its most long-serving minister (1997-2005), Donald Kaberuka. Kaberuka’s influence stemmed from the political space that he benefited from. He was the first minister of finance since 1994 to be a member of the RPF. Kaberuka was not only an RPF member, but a powerful one, as he sat in the party’s national executive committee (NEC). This allowed him to push through some key reforms. One was the creation in the late 1990s of autonomous agencies under MINECOFIN for public tendering (National Tender Board), auditing public accounts (Office of the Auditor General) and revenue generation (Rwanda Revenue Authority). His clout was instrumental in overcoming some resistance in cabinet meetings, as these new autonomous agencies were seen by some as a danger to the unity of the state.

Kaberuka also instilled a management style that has set MINECOFIN apart. He surrounded himself with a group of young, educated individuals from the diaspora, which an informant nicknamed the ‘Kaberuka boys’, and helped their rise through the ranks by working closely with them. He chose his personal assistant from among them, on a rotational basis, for training purposes. His managing style was also conducive to learning. He gave leeway to his subordinates to make decisions and did not embarrass them publicly, an exception in the management style of the Rwandan bureaucracy.

The second period of MINECOFIN’s evolution, from 2005, involved the consolidation of MINECOFIN functioning. After the departure of Kaberuka, the top level of the Ministry sought to formalise the gains made under him. This was done through issuing different procedural manuals and PFM reforms. Performance also improved following a series of changes that constantly streamlined the Ministry’s functioning. Interestingly, reforms were often the result either of a crisis/challenge that the government felt it had to address, or of an opportunity that the government harnessed. For example, the disappointing results of the first Poverty Reduction Strategy Paper (2001-2006) evaluation triggered a wave of reforms in PFM to improve budgeting, planning and resource mobilisation. Reforms were also driven by the will to better coordinate aid and encourage the growing donors’ budget support of the early 2010s (Chemouni 2017, 2019).

The importance of MINECOFIN’s task for the regime has translated into an organisational culture that is particularly conducive to performance. While management based on top-down pressure, performance targets (imihigo) and a good work ethic, is shared by other organisations in the state, specific traits can explain why the Ministry performs relatively better than others. First, its staff are relatively

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6 Interview with senior Rwandan official, 22 July 2017.
empowered. As explained by a former employee, in MINECOFIN ‘you have less scrutiny’, and the chain of command is more flexible and less hierarchical: ‘as an analyst, you can be called to brief the PS [permanent secretary] or the minister’. This management style can be traced back to the time of Kaberuka and to MINECOFIN’s capacity to attract talent, notably thanks to better wages than the rest of the civil service and a recruitment strategy that targets high-performing graduates. This means that high-ranking officials operating under pressure are less worried about delegating tasks to lower-ranking officials. In addition, as MINECOFIN is the point of entry for donors, staff learned to interact with them, absorbing ‘best practices’, and speaking their ‘language’ confidently, thus feeling more empowered to undertake their roles. Employees have also developed some esprit de corps: ‘there is a general sense of being a team’. This notably comes from the prestige attached to working in the Ministry and being seen as more capable than other bureaucrats. As explained by a MINECOFIN employee: ‘if you are from MINECOFIN, they listen to you differently’.

The technocratic nature of recruitment and promotion processes within MINECOFIN is central here. Access to high-level jobs, such as director general (DG) and permanent secretary (PS), is often the result of internal promotion, rather than transfer from another ministry. All PSs since the departure of Kaberuka have risen through the ranks. Instances of patronage are limited in the Ministry, mainly because of the importance of its mandate, which requires capable officials, often hired fresh from university. As explained by a former PS, other state organisations ‘know [a MINECOFIN employee] will be good technician, because in MINECOFIN there is really merit-based recruitment, not because you are my cousin’. The stable leadership of the Ministry and its relationship with the top political leadership is another influence on performance. PS and ministers have a rather long tenure in the Ministry. In 25 years, only six ministers and six PSs have led the Ministry, with some especially lengthy tenures. For example, the PS Kampeta Syingoza was in post for seven years, 2009-2016, a period of particularly strong performance. In addition, the replacement of the PS is generally not concomitant with the replacement of ministers, ensuring continuity within the bureaucracy.

As a result, MINECOFIN has been able to enjoy significant autonomy, protected from political interference by the importance of its tasks. This has prevented the emergence of informal rules of the game that would undermine the Ministry’s functioning. Line ministries cannot easily bypass MINECOFIN, which can discipline them into following budget and planning procedures (Chemouni 2017: 9-14). Furthermore, the dominant nature of the settlement reinforced the autonomy of the Ministry. For instance, presidential elections do not translate into abnormal peaks of public expenditure (Figure 5).

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7 Interview, 13 June 2018.
8 Interview with former MINECOFIN PS, 29 June 2018.
9 Interview, 29 June 2018.
10 Interview, 29 June 2018.
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Figure 5: Total government expenditure

![Graph showing total government expenditure from 2005 to 2017/18](image)

Source: Annual state budget laws.

Extraordinary spending around elections time for clientelism is indeed unnecessary, given the weakness of the opposition, thus allowing MINECOFIN to fulfil its mission of ensuring macro-economic stability (Chemouni 2019: 31-32). Although autonomous from societal pressure, MINECOFIN top officials were not autonomous from the presidency. While this has not been problematic, as the leadership gave significant space to MINECOFIN employees to take decisions and manage the Ministry, in some rare instances it could create issues. For example, big project investment decisions have often been taken by a small circle around the president, without going through the formal appraisal process in the Ministry.

RRA

In the literature, ‘in general, the story of taxation in post-genocide Rwanda has been one of remarkable success’ (Goodfellow 2014: 319). Following the creation of the RRA, the tax-to-GDP ratio increased markedly, from 10.8 percent in 1998 to 16.7 percent in 2017. In the second half of the 2010s, revenue increased by 10 percent per year on average (Schreiber 2018: 10), although this performance has recently plateaued. As shown in Figure 6, the performance is also conspicuous in comparison to other countries.

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This section draws on Chemouni (2020).
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Figure 6. Regional comparison of tax revenue (% of GDP)

Source: Reproduced from (USAID 2018: 2).

The RRA was created by law in 1997 and instituted in 1998. Although its main mission is taxation, it also collects a range of fees and local tax on behalf of local governments, such as property tax. Before the creation of the RRA, tax and customs were collected by different departments in the Ministry of Finance. The creation of the RRA was meant to enhance domestic revenue mobilisation by introducing a private sector ethos and staff motivation. As explained by Donald Kaberuka, then Minister of Finance, to Schreiber (2018: 2), 'we thought its functions were so critical that [the RRA] had to operate independently – almost on the private sector model'. This was to be achieved through granting autonomy to RRA in the recruitment of its staff and in the determination of their pay-scale. The RRA was also very much a creation of its time, in the context of the rise of New Public Management and the vogue of the Semi-Autonomous Revenue Agencies (SARAs) model then promoted by donors across Africa at the time (Fjeldstad and Moore 2009).

At a more general level, the creation and subsequent strengthening of the RRA has to be understood as the consequence of the vulnerability of the ruling elite. In the late 1990s, high levels of military expenditure, the decrease of foreign aid following the end of the emergency period, and cutbacks from donors following Rwanda’s involvement in Congo (AfDB 2011: vi), made the need for effective domestic resource mobilisation clear to the regime. Furthermore, in the near absence of natural resources in the country, the RRA has been seen as the tool to fund the elite’s legitimisation project through rapid socio-economic development. The RRA’s mandate is also at the core of the RPF’s paradigmatic ideas of self-reliance that underpin much of its approach to the rebuilding of the country. One aspect of such a worldview is its belief that foreign influence has been at the root of the country’s problem since independence (Chemouni and Mugiraneza 2019). Foreign support, although useful, has been perceived as inherently unreliable, as exemplified by the passivity of the international community during the genocide. This calls for the bolstering of domestic resources mobilisation. This is encapsulated in the RRA’s current official ‘vision’: ‘To become a world-class
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Efficient and modern revenue agency, fully financing national needs [my emphasis]. Foreign money may also nurture a culture of dependence and passivity that the RPF has historically linked with violence and underdevelopment. As a consequence, the RPF considers the active contribution of Rwandans to development (notably through financial contribution) to be a way to fight people’s perceived passivity and dependence on the state (see, for instance, Chemouni 2018). The RRA then also becomes a tool to create new mindsets fit for sustaining self-reliant development.

From the beginning, the RRA has benefited from two factors. It has ‘been able to count on the personal support of the president, who has played a major role in the campaign to change public attitudes towards paying taxes and corruption’ (Fjeldstad and Moore 2009: 6). In addition, it received the strong financial and technical backing of donors, especially DFID. For example, in 2003, DFID provided as much as 34 percent of the RRA budget (DFID 2010). Since its creation, the RRA has been constantly strengthened through a continuous series of reforms. The first wave of reforms in the early 2000s mainly aimed at strengthening the internal organisation of the RRA. The second wave of reform in the mid-2000s focused on revamping the tax system to harmonise it with the East African Community’s (EAC) tax regime, so that Rwanda could join the EAC customs union in 2009. This notably involved lowering tariffs, which provided a strong incentive for the government to widen the tax base to counterbalance the loss of customs revenues. Between 2007 to 2017, the number of registered taxpayers grew more than thirteenfold, from 26,526 to 355,128 (Schreiber 2018: 20). The contribution of SMEs (through income tax/pay as you earn) grew steadily, from 0.81 to 1.81 percent of GDP between 2010 and 2013 (USAID 2018: 6), demonstrating that the RRA’s efforts were not just focused on quick wins via large taxpayers. The decrease of customs taxes resulting from EAC rules also spurred the government to further attract investments and increase trade, accelerating RRA’s improvement of its operating procedures as part of Rwanda’s wider effort to signal that the country was ‘open for business’. Particular attention was paid to improving indicators related to tax administration and payment included within the World Bank Doing Business survey, a performance metric that the president monitors closely. The former commissioner general, Richard Tusabe (2014–2018), explained to Schreiber (2018: 21) that ‘the head of state [got] constant reports on how we perform[ed] on the Doing Business report’s tax indicators’.

From an organisational standpoint, the RRA ‘has become well known for meritocracy and for extremely low levels of corruption’ (Moore 2014: 106). This was made possible partly by its semi-autonomous status and capacity to pay higher salaries than in the rest of the civil service, in order to dissuade staff from undertaking collusive activities with taxpayers. In addition, as in MINECOFIN, senior staff have usually risen through the ranks in an organisation that prides itself of hiring mainly young graduates. As explained by a former senior official of MINECOFIN, ‘this means that you’ve got continuity and the culture of professionalism of the institution is preserved’.12 This also nurtures autonomy, as staff are not parachuted into the RRA by political patrons to

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12 Interviewed in January 2019.
enjoy RRA’s higher salaries. RRA’s career-oriented management, along with its special legal status, also fosters an *esprit de corps*, enhanced by different social activities. As explained by a RRA employee, ‘it’s obvious that there is a team spirit. We have RRA football and women’s volleyball on Friday afternoons. The teams get uniforms every year, so people like to be a part of that’.13

The nature of the RRA’s leadership is another cause of its performance, with the early appointees as commissioners general helping to make RRA’s legal autonomy a lived reality. The first commissioner general, Edward Larbi-Siaw, was not Rwandan but Ghanaian, which was viewed as a way to protect the young organisation from clientelism. After 2001, the two commissioners general, James Musoni (2001-2005) and Mary Baine (2006-2011), were among the most powerful RPF cadres at the time. This gave clout to the organisation but also ensured that its leadership could implement bold, and potentially unpopular, change internally. For example, Musoni was instrumental in replacing the senior management, many of whom worked in MINECOFIN’s old tax department, with younger ones, either hired externally or promoted internally.

Since 2001, the commissioners general have systematically reached their position as a result of internal promotion, revealing again the political autonomy of the institution, as well as the importance of competence in selecting leaders. On the other hand, this also progressively created some detrimental effects, with some senior officials in the RRA creating groups of internal clients whom they would promote. For this reason, the government has encouraged the organisation from 2014 to hire part of its senior staff, including heads of department, from outside as well.

The RRA also pioneered performance-driven management, ahead of the wider introduction of local governments’ performance contract (*imihgo*) in 2006. From its creation, each of RRA’s department had its own revenue targets that were, thanks to DFID funding, linked to payment bonuses. The performance system was also rolled out at the individual level, as each member of staff has had personal targets to achieve. This has translated into a punitive approach to taxation, with very high penalties for delayed tax returns and no room for clemency. In order to keep their numbers high, RRA officials can also be reluctant to grant tax holidays and customs exemptions, even when provided for by law. Generally, informants from the private sector recognised that corruption is low in the RRA, and that RRA officials are swiftly disciplined if they take bribes. In 2018-2019, for example, 48 staff members were investigated (RRA 2019: 71).

Unlike in MINECOFIN, staff do not feel empowered to take decisions, a problem that creates a bottleneck at the top of the organisation, given the general lack of delegation. ‘The culture doesn’t encourage people to raise issues and they don’t have the capacity to present evidence to the leadership to change course of action. You don’t escalate

13 Interview, 25 June 2018.
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failure [i.e. report issues to higher levels]. This results in a range of issues for taxpayers when interacting with the RRA, as bureaucrats are reluctant to take decisions or answer queries, for fear of being seen to be wrong.

While the effectiveness of the RRA is clear if viewed through the prism of tax collection, it is much less so if analysed through the broader lens of its relationship with the private sector. Recurring complaints from businesses underline difficulties in accessing information on tax and the fast-changing legislation that regularly imposes sudden, and at times not well-conceived, revisions. For many businesspeople interviewed, this results from a lack of preparation of tax reforms, with limited consultation of the relevant stakeholders. Given the lack of consultation and the high frequency of tax reforms, the latest Investor Perception Survey prepared by the World Bank (2018) found that tax predictability was the third main constraint to company growth in Rwanda, according to investors.

The relationship with the private sector also suffers from a significant range of organisational issues within the RRA. The overall picture is one of an agency that is relatively good in undertaking its core mission, as captured by the main performance indicators of revenue collection, but less so in ensuring that its underlying administrative organisation is fit for purpose. The reliability of its taxpayer database is the most problematic issue. It does not allow the RRA to fully know who owns what amount of tax arrears, as confirmed by different reports of the Office of the Auditor General (OAG 2015, 2018). For example, the RRA wrongly reported 32bn Rwf, or 4 percent of its total revenue, in 2014 (OAG 2015; 16).

The paradox of the glowing numbers for revenue collection and the problematic book-keeping and tax registration practices can partly be explained by the structure of incentives driving the RRA. Its performance is mainly grasped through aggregate macro indicators of revenue mobilisation, as these are the ones most used internationally and prominent politically. Other less politically salient aspects of performance pertaining to the inner organisation of the RRA are largely overlooked by RRA’s management. In addition, despite improvement, the RRA still has limited financial, human and technical capacities at the lower levels of the organisation. Finally, its management culture, focused on narrow targets, coupled with the lack of empowerment of more junior staff, creates a lack of feedback loops on what can be improved in the organisation.

Lastly, RRA’s performance needs to be understood in relation to tax policy-making, elements of which have undermined revenue mobilisation. While tax reform is not, on paper, the responsibility of the RRA, but of the Ministry of Finance, in practice, the RRA has a significant influence over tax policy, because it has more capacity than MINECOFIN to undertake policy analysis in this domain. Nonetheless, it has been unable to resist government policy in tax exemptions. In 2016, tax exemptions were estimated at about 3.3 percent of GDP, equivalent to almost 10 percent of government

14 Interview with RRA advisor, July 2018.
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Expenditure (World Bank 2019: 131), higher than in Kenya, Uganda or Tanzania (TJN-A and Action Aid 2016). Exemptions result from an attempt by the government to achieve three goals: job creation, export promotion, and the attraction of investments. Yet, different studies (ActionAid 2011; Steenbergen and von Uexkull 2018; TJN-A and Action Aid 2016), argue that they are not targeted enough to be effective, whilst a survey conducted in 2011 found that 98 percent of investors in Rwanda would have made their investment without these incentives (IMF 2015: 12).

This situation is the result of a poor coordination within the state between agencies with different incentives. Most notably, this places RRA in conflict with the Rwandan Development Board (RDB), whose role is to attract investments, promote exports and support the private sector and which is a strong advocate of tax subsidies. RDB has pushed for ad hoc deals, without consulting the RRA or MINECOFIN, which has produced inconsistent tax incentives while eroding the tax base. Overall, it appears that ‘much of the progress [of the RRA] over the past 17 years seems to have come from closing the administration cum compliance gap, while the tax policy gap (exemptions and other reliefs allowed to different types of taxpayers) remains wide’ (USAID 2018: 3). This example, and the following one on property tax, may explain why tax efforts, understood as ratio of the actual tax collection to the predicted tax revenue, while generally better than other countries of this book, has not significantly improved with the creation of the RRA (Figure 7).

**Figure 7 Tax effort in selected countries**

![Graph showing tax effort in selected countries](image)

*Source: Yohou and Goujon (2017).*

The final policy obstacle to revenue mobilisation discussed here is the government’s limited efforts to tax property. In the late 2000s, these taxes only accounted for 4 percent of local government revenue, compare to one third in neighbouring Uganda.
The politics of state capacity in post-genocide Rwanda: ‘Pockets of effectiveness’ as state-building prioritisations? (Goodfellow 2014: 320). The ineffectiveness of the state in taxing properties can be best understood as the result of Rwanda’s political settlement (Goodfellow 2014). Real estate and rental incomes are a huge source of rent for Rwanda’s current elite, and for RPF supporters more broadly. The returnees who came in the wake of the RPF’s victory are over-represented in Kigali and heavily invested in real estate and, to a lesser extent, in farmland. As a result, a tax on property would directly undermine the key source of rents constituted by rented houses in the capital or the owning of farmland in the countryside. This explains the resistance since the late 1990s to passing a new law that would revamp, and increase, property tax in Rwanda.

A new law on property tax was finally passed in 2018. How this happened reveals, as often in Rwanda, the key role played by the presidency in disciplining the elite and, indirectly, demonstrates again the role of the concentration of power in the settlement. The economist Paul Collier came in 2016 on the invitation of the mayor of Kigali and gave a presentation to the City of Kigali and to the president on the need to better tax property to sustain urbanisation. His demonstration came at a crucial moment, as urbanisation was emerging, at the time, as a new priority. The government considered it as a way to create jobs and hasten the structural transformation of the economy. Collier’s lecture emphasised that in the absence of a revamped property tax, vacant urban land and houses would allow property owners to realise significant benefits through the rise of property prices on the back of the city’s development and without participating to its financing. This strongly resonated with top officials and the president, which led to the adoption of a new property tax law in 2018 that aimed at increasing property tax.

**BNR**

Assessed on its key missions of financial sector stability and, to lesser extent, price stability, the Central Bank of Rwanda (BNR) appears to be a high performing institution. Between 1996 and 2008, inflation was controlled, at a level of 5.4 percent (Rutayisire 2010), although this average masks significant price volatility. According to the World Bank (2013a), inflation in Rwanda over the last decade has been lower than other East African countries but above average for Sub-Saharan Africa. BNR has thus been largely effective at presenting itself as an effective financial institution externally on indicators, which are prioritised by international financial institutions. Furthermore, electoral years have not translated into higher inflation, thus indicating that printing money, as public expenditure (see above), is not used for clientelist purposes (Figure 8). The BNR has been less effective in promoting a traditional developmentalist role for central banking. From a heterodox standpoint, this constitutes a significant failing but BNR’s mandate is more concerned with working in line with global financial standards than with encouraging structural transformation.

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15 Law No. 75/2018 of 07/08/2018 determining the source of revenue and property of decentralised entities. The law covers tax on property (land and building) as well as on rental income.

16 This section is based on Behuria (forthcoming).
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**Figure 8: Annual inflation in Rwanda**

![Inflation chart for Rwanda](https://data.worldbank.org/)

In terms of financial stability, the BNR has also made tangible progress, overseeing the increase in capital adequacy ratio in the banking system to a level generally higher than in the rest of the region (Figures 9 and 10).

*Source: The World Bank (accessible at https://data.worldbank.org/)*
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Figure 9: Capital adequacy ratio in Rwanda: 2002-2018

![Graph showing capital adequacy ratio in Rwanda from 2002 to 2018.]

Source: BNR, reported in Behuria (forthcoming).

Figure 10: Evolution of CAR in East Africa: December 2017-June 2019

![Graph showing evolution of CAR in East Africa from December 2017 to June 2019.]

Source: BNR, reported in Behuria (forthcoming).

The BNR also successfully decreased the proportion of non-performing loans in the economy, a major issue in the immediate post-genocide period (Figure 11). Generally, the BNR is seen as one of the most ardent implementers of the Basel financial regulatory framework on the continent (Behuria 2020).
Since the genocide, the BNR has presided over the impressive growth of the financial sector in the country. Whereas the sector was extremely shallow before 1994, with only three commercial banks, and the government retaining shares in all of them, it has become among the fastest-growing economic sectors in the country (Behuria and Goodfellow 2016). In July 2017, there were 11 commercial banks.\footnote{As well as four microfinance banks, one development bank and one cooperative bank.}

Overall, three main dynamics can explain BNR’s relatively good performance. The first lies in the policy domain of the BNR, directly aligned with the country’s economic ambition, already articulated in Vision 2020, to diversify the post-genocide economy out of cash crop revenue by becoming a financial hub and attracting foreign investors. Building the BNR’s effectiveness has been perceived as one of the ways to address this vulnerability. It aimed at signalling to foreign investors, international financial institutions (IFIs), and the international community the solidity of the Rwandan economy and, especially, of its financial sector.

This translated into a series of reforms systematically supported by the IFIs, notably through the Poverty Reduction and Growth Facility in 1998 and the 2013 Policy Support Instrument (PSI). First of all, the government swiftly embraced the neoliberal agenda of financial liberalisation after the genocide. Between 1994 and 2000, in a context of high inflation and financial instability, the BNR implemented some measures from the Structural Adjustment Programme promoted before the genocide by IFIs. In 1996, it fully liberalised interest rates. In 1999, the Rwanda Central Banking Act granted the BNR formal independence in the formulation and implementation of monetary policy and widened its mandate to ensuring financial stability. Francois Kanimba, a former BNR employee and head of the Governance Task Force, which negotiated Rwanda’s first structural adjustment programme (SAP), was appointed as...
BNR governor in 2002, a further signalling to IFIs of the government commitment to follow their advice. During his tenure, the financial sector became increasingly aligned with international standards, a trend his successors followed. The BNR’s eager adoption of Basel standards epitomises this. Driven by the top leadership of the BNR and the presidency, the adoption of Basel regulations was underpinned by a series of performance targets for the BNR (Behuria 2020). As a result, according to the IMF (2015), only two years after Rwanda started implementing the Basel framework, it already complied with more than 80 percent of Basel Core Principles, making it among the most compliant countries in Africa. However, many civil servants and bankers underlined that such standards were not appropriate to the country’s needs, as they were quite complex, too demanding, and required some expertise that Rwanda did not necessarily possess. Yet, the will to signal compliance trumped any contextual realities or stakeholders’ reservations. Adoption of Basel standards ‘progressed without acknowledging the negative consequences’, as it was assumed that ‘it may result in a more secure financial sector. Yet it may have the opposite effects’ (Behuria 2020: 138).

The BNR also embarked on strengthening its regulatory authority. The Banking Supervision Department was created in 1999, along with several prudential regulations, constantly reinforced since. In the early 2000s, one of BNR’s main tasks was the recovery of non-performing loans (NPLs), an especially pressing issue after the genocide. While they represented 10 percent of loans in 1993, they had reached 60 percent by 1999 (Kimonyo 2019: 163) (cited in Behuria forthcoming). They were the result of an expansive financial policy aiming to support the rebuilding of the country, as well as an enrichment strategy by some members of the elite. Public shaming methods were used by publishing the names of all debtors whose case was before court. Debtors were also refused access to future loans until they had paid back existing ones. In addition, while the IFIs advocated to let the non-performing banks fail, in order to solve the issue, the government preferred to open their capital to foreign investors because it feared that bank closure would send the wrong signal to investors. As shown by Figure 11 above, these measures led to a dramatic decreased in NPLs.

Inflation control, already a key mandate for BNR, was given a particularly high priority because of the positive signal that price stability sent to investors. An informal objective since the end of the genocide, inflation control became enshrined in law in the BNR act of 2007. The performance of the BNR has been somewhat moderate, with regular drought and bad harvests regularly fuelling price volatility, although with MINECOFIN exercising fiscal discipline, it has only rarely suffered from inflation arising from politicised hikes in public expenditure.

The performance of the BNR had been supported by an extremely low turnover of political leadership, with only three governors between 2002 and 2020. Governors all have strong technocratic profiles, which further reinforced the autonomy of the institution. The BNR seems to be shielded from societal pressures, as epitomised by its capacity to roll out demanding prudential regulations with no opposition from the banking sector. Yet the institution is clearly the implementer of the president’s, and the
ruling party’s, decisions. For example, rather than the BNR, ‘the RPF’s economic leadership has been the main driving force behind Basel Implementation’ (Behuria 2020: 139).

Signalling that Rwandan is open for (financial) business is not the only cause of the BNR’s good performance. The neoliberal agenda of IFIs has also been followed because it was an effective tool for the RPF to reinforce its power. In a context of consolidation of the settlement in the late 1990s, businessmen close to the RPF invested in the new licensed commercial banks, for example Alfred Kalisa in the Bank of Commerce Development and Industry (BCDI) and Tribert Rujugiro in the BANCOR. However, by the early 2000s, frictions in the RPF developed and some businessmen fell out with Kagame (Reyntjens 2013). In this context, investigating businessmen for corruption or sending them to court for the NPLs they received, and diluting their clout in the banking sector by opening the sector to foreign capital, has been used to sideline domestic capitalists (Behuria 2020).

Overall, the performance of the BNR has been driven by domestic politics, especially in the early 2000s, when the RPF decreased its reliance on domestic capitalists, and more generally by concerns of economic diversification, viewed as a way to increase regime stability. The regime aimed to achieve this by ensuring that BNR became a diligent follower of international (neoliberal) best practices. Assessed by its own mandate, the performance of the BNR has been largely successful. However, its success has also created tension with the country’s developmental project, as it deprives the aspiring developmental state of the ability to use the financial sector for structural transformation (Behuria 2020). Echoing the case of RRA, the case of the BNR shows the merits of the concentration of power in the ruling party and the top-down pressure to achieve results, but also its limited capacity to nurture social embeddedness, i.e. the capacity of the organisation to understand the local constraints of the private sector: ‘in Rwanda’s ambitious development project, there is little room for BNR and commercial banks to voice criticisms’ (Behuria 2020: 144-145).

Analyzing the politics of PoEs in Rwanda

The everyday performance the three organisations analysed in this paper can be explained by a set of organisational features long identified in the literature on PoE as drivers of effectiveness (e.g. Grindle 1997; Leonard 2010; Roll 2014). The PoEs practised merit-based hiring, which nurtured professionalism. This was eased by their capacity to pay staff better than the rest of the state. In addition, all three organisations have, more than in the rest of the state, tried to encourage internal promotion, which reinforced their autonomy and their staff’s esprit de corps. These traits were made possible by three main factors highlighted in Hickey (2019) and Roll (2014): political economy, the function of the PoE, and organisational leadership.

18 The case of MINECOFIN revealed a peculiar management culture, whereby junior officials were relatively empowered. This exception can be traced to the management style of Kaberuka but also to the greater exposure of MINECOFIN officials to donors.
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The political economy of PoEs

The functioning of the three organisations reflected wider patterns of politics within Rwanda, with the dominant incentives and ideas that characterise its political settlement generally supporting their performance. The concentration of power in the RPF, especially around Paul Kagame, made subverting the organisations’ formal rules – for example, replacing merit-based recruitment with clientelism or state capture to accommodate a powerful political opposition – unnecessary. Decisions, once taken, were implemented in a relative straightforward manner. The very few instances when the nature of the settlement somewhat limited performance were due to the internal dynamics within the RPF, as in the example of the property tax. Yet, in this case, as in the case of bad loans in the banking sector in the late 1990s, the concentration of power in the settlement made the disciplining of the elite eventually possible. Unfortunately, the rapid consolidation of the settlement after the genocide, and the absence of marked variation since, do not allow further insights into the relationship between the nature of the settlement and performance over a longer historical period.

Nonetheless, the dominant nature of the political settlement itself is not sufficient to account for the performance of the three PoEs. Whilst dominance provided the space for them to be effective and gave the RPF the enforcement capacities required to implement their programme, it was the systemic vulnerability of the ruling elite, anchored in its ethnic minority status and the episode of the genocide, that provided them with the spur to be effective. In this respect, Rwanda’s trajectory clearly echoes those of the strong southeast Asian states where vulnerability of rulers experienced collectively incentivises them to solve their collective action problems through building an effective state capable of addressing such a vulnerability (Doner, Ritchie, and Slater 2005; Slater 2010). Similarly, the strengthening of MINECOFIN, the BNR and the RRA has to be understood as part of a wider attempt to build an effective state able to ensure regime survival through rapid socio-economic development.

In Rwanda, as a consequence, most of the drivers behind the PoEs’ performance apply to the rest of the state as well. This is unsurprising, as elite vulnerability in Rwanda does not concern a particular group linked with a precise policy domain within the ruling elite but the whole regime. Furthermore, it is an effective state as a whole, which is viewed as the response to elite vulnerability, whether it is about economic growth, service delivery or ensuring security. Unsurprisingly, then, many traits explaining the MINECOFIN, BNR and RRA performance are not exceptional: autonomy of the state from society, top-down pressure to deliver development, or target-driven management, are patterns common in Rwanda, whether it is in the sector of agriculture (Ansoms 2009), social protection (Chemouni 2018; Lavers 2016), education (Williams 2017) or the governance of local authorities (Chemouni 2014). Consequently, it seems that a real trajectory of state-building is at play in Rwanda, instead of just the emergence of isolated PoEs operating within an otherwise dysfunctional state. This is supported by the expert surveys that reported high levels of overall effectiveness, with respondents finding it difficult to clearly separate high performers from the norm (Figure 12), as well
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as more widely recognised performance indicators of effective governance (Figures 1-2).

**Figure 12: Performance in the Rwandan state**

Which of the following statements best describes the distribution of performance amongst different parts of government in Rwanda?

- a) Most MDA regularly deliver on their mandate, with only a few failing to do so.
- b) On average, around half of all MDA regularly deliver on their mandate, whilst the remainder struggle to do so.
- c) Only a few MDA regularly deliver on their mandate, whilst the majority generally fail to do so.

*Source: Expert survey.*

Why then do some organisations, such as the RRA, MINECOFIN and the BNR, stand apart in Rwanda? One reason is the role of ideas. All three PoEs are organisations whose mission strongly fits not only the interests but also the ideological worldview of the RPF. RRA’s extraction of taxes, MINECOFIN’ strengthening of PFM procedures, and BNR’s role of reassuring investors to move the economy away from a risky commodity-based growth, all serve the core RPF’s paradigmatic ideas about self-reliance that underpins much of its approach to the rebuilding of the country. Indeed, ‘policies are logically geared towards reducing aid dependency, framed as an issue of independence but also dignity. As a result, self-reliance receives greater importance in Rwanda than in many other African countries’ (Chemouni and Mugiranzeza 2019: 23).

The other reasons for the overperformance of the three PoEs concerns the nature of their policy domain and of the tasks that they perform. While, for the elite, a performing state *as a whole* is the response to their vulnerability, RRA, MINECOFIN and the BNR performed better because they are the ones at the frontline of this legitimization project. Their mandates, whether it is implementing the regime’s ambitious developmental plan (MINECOFIN), finding the resources for it (RRA), or getting out of a risky growth based on commodities while signalling to the world that Rwanda’s is financially stable (BNR), are especially vital. As a result, they are prioritised by the elite in terms of resources (better salary and better staff) and political clout (gaining autonomy from society and other state organisations). They become lead climbers in the wider dynamics of state building, not because they are isolated ‘islands’ of performance but as the result of a process of ‘state-building prioritisation’. The Rwandan case thus further demonstrates the importance of considering policy domains in mediating the effects of a given political settlement on institutions (Hickey and Sen forthcoming).
Organisational function

The nature of their tasks seemed to have played an important role as well, something largely underlined in the literature on public policy and management (Andrews, Pritchett, and Woolcock 2017; Israel 1987; Leonard 2010). As emphasised by Evans (1995), performance often requires both embeddedness and autonomy. The vulnerability of the Rwandan elite anchored in its elite’s minority status, its origins in the diaspora abroad and its limited ties with the rural world, means that the current state, while autonomous from social pressure, might not be embedded enough in society. Consequently, state organisations in Rwanda are more likely to do very well when their task requires a high level of autonomy (resist popular pressures) but much less so when they require some embeddedness. In the case of the RRA, and to a lesser extent the BNR, this results in inconstant performance: tasks requiring autonomy (extracting tax, imposing prudential regulations) are well performed, others requiring embeddedness (consulting the business sector for formulating tax laws or new regulation), much less so.

Organisations undertaking tasks that are specific, technical and measurable are more likely to perform well (Israel 1987; Leonard 2010; Roll 2014: 34), which is the case in all three of our cases. In contrast, organisations performing ‘transactional’ activities, i.e. involving many stakeholders to achieve results, face a more daunting task (Andrews, Pritchett, and Woolcock 2017). Service delivery is a case in point, as it involves the complex coordination of different tasks at different levels of the state, and interactions with the population. Unsurprisingly, the worst performers identified in the survey were in service delivery (Figure 13). To a lesser extent, the construction of big infrastructure projects is also a complex task that requires the management of a large set of stakeholders, and the Ministry of Infrastructure was identified as the fourth worst performer by experts. In these cases, even if an organisation by its policy domain is a high priority for the elite and thus receives greater political and financial resources, the nature of the task might prevent it from becoming a ‘best performer’. The case of the energy department in the Rwanda Ministry of Infrastructure exemplifies this (Chemouni and Dye 2020). Increasing the electricity production capacity had been identified as vital for the elite developmental project and the organisation, as a result, received unfaltering political and financial support. While on paper, the Ministry of Infrastructure (MININFRA) had good reason to become a PoE, it has been considered a bad performer partly because of the difficulty of the task and its transactional nature: negotiating with investors, choosing a technology, conducting feasibility studies, etc. This was compounded by the range of unintended consequences of top-down pressure on its staff. Unlike the three PoEs analysed here, this translated into a high turnover of leadership and the disempowerment of bureaucrats by the ruling party, which undermined the Ministry’s performance. Tim Williams (2017) observed a similar dynamic in the Ministry of Education, also one of the worst performers in the state.
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Figure 13: Worst performers (number of mentions)

Source: Expert survey.

Organisational leadership

Organisational leadership played a significant role in the performance of MINECOFIN, the RRA and the BNR. The respective leaders of these organisations had the skills, the expertise and the political clout to carry out changes necessary for performance to emerge in each organisation. They indeed nearly all had a technocratic profile with many of them already having a significant previous experience in their own organisations. In addition, many PoEs' leaders had the profile of a “technopol” (Domínguez 1997; Joignant 2011), i.e. individuals with both technical and political competences, able to rally political support to their objective. For example, Donald Kaberuka (former Minister of Finance), James Musoni (former Minister of Finance and RRA DG), Mary Baine (former RRA DG), Claver Gatete and John Rwangombwa (both former Minister of Finance and BNR governor) were all heavyweights in the RPF. Their political clout has reinforced their capacity to take bold, and potentially unpopular decisions. Yet, this also reveals that, while the PoEs were autonomous from societal pressure, they were fully subservient to the RPF leadership and the presidency, a trait also visible elsewhere in the rest of the state (Chemouni and Dye 2020; Williams 2017). Given the elite’s commitment to development, this was generally useful to push for the organisation’s agenda but was also at the expense of the organisations’ embeddedness in society. Indeed, the capacity to nurture “institutionalized channels for the continual negotiation and renegotiation of goals and policies” (Evans 1995, 12) was limited since bureaucrats’ accountability only flowed upwards. This has created issues as exemplified by the lack of consultation with the private sector by either RRA or BNR, and the lack of involvement of stakeholders in deciding on big investment projects in MINECOFIN.

Consequently, leadership was an additional condition for the PoEs to emerge. Yet, this factor is only partly independent from political economy dynamics. Leadership
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Conducive to performance in the PoEs was also able to thrive because of the political economy context. For example, even if the performance of MINECOFIN has a lot to do with the idiosyncratic leadership skills of Kaberuka, the wider political settlement allowed an individual like Kaberuka to be selected, empowered to carry out his work without interference, and left in post long enough to develop and deploy his leadership skills. This phenomenon is also observable in the RRA and the BNR. This is not to say, however, that the wider political economy was systematically conducive to good leadership in Rwanda. In other state organisations, such as the Ministry of Infrastructure (Chemouni and Dye 2020) or the Ministry of Education (Williams 2017), pressure to perform led to high turnover of leaders, as disappointing performance encouraged the president to change leaders frequently in the hope that the new appointee would do better than the departing one. This, unintentionally, undermined the performance of these organisations.

**How PoEs emerge in Rwanda**

Overall, the case of the Rwandan PoEs is both exceptional and familiar. It is exceptional because they are not PoEs in the classic sense of the term, i.e. public organisations that are relatively effective ‘despite operating in an environment in which effective public service delivery is not the norm’. (Roll 2014: 24). In other words, while MINECOFIN, the BNR and RRA are originally classic PoEs, as they emerged in a post-genocide environment of low state performance, they are now better defined as relatively high-performing organisations in a generally functional state. Public sector performance is indeed configured differently in Rwanda than in the other case studies of this project and in many other African countries where PoEs exist in a context of general dysfunctionality. The peculiar collective vulnerability of the Rwandan elite created drivers of performance that are systematic and apply to the whole state, thus pointing to a relatively well-functioning state and to a systematic state-building project under way. Higher performing organisations are more likely to emerge when they are at the forefront of such a state-building project.

Yet, the case of Rwandan PoEs is also classic because it is also determined by leadership and the nature of their task – specificity of the task, its technical and measurable nature, the degree of transactional work – something long identified as important in the literature. It appears that in Rwanda, the effect of the larger political economy context is mediated by organisational constraints. This is why other organisations, such as the Ministry of Infrastructure, that also have been at the forefront of the elite developmental project have not ‘reached’ the kind of PoE status achieved by MINECOFIN, RRA or the BNR. In other words, being at the vanguard of the elite’s response to its vulnerability was a necessary yet insufficient condition to achieve overperformance. PoEs were the result of the interaction of a specific political economy context, a policy domain, organisational leadership and the nature of the task undertaken.
5. Policy implications

Three main policy implications can be derived from this analysis. First, the Rwandan case indicates that the hope of building a state through islands of effectiveness becoming an archipelago and then a continent is not always warranted. In Rwanda, spill-over effects, through which the performance of the three PoEs could spread in the state, were rare. They were mainly limited, in the case of the RRA and MINECOFIN, to the rotation of some staff into the rest of the state, and to some PFM training that MINECOFIN provided to civil servants. Instead, many factors driving performance in the rest of the state were actually the same as for the PoEs but did not come from them. Consequently, donors could support PoEs for their own sake, but should not assume that PoE practices will spill over into the rest of the state.

Second, analysis of PoEs reveals the merits, but also the dangers, of a high concentration of power in a settlement. Whilst this concentration of power can offer the capacity to undertake difficult reforms and impose high levels of performance, it can also generate contradictory incentives and significant blind spots. Organisations will often not perform well if the task requires some level of embeddedness, especially the bottom-up gathering of information, or cannot easily be grasped by narrow indicators used by the top to assess performance. In addition, while the support and involvement of the ruling party and the presidency offers precious support for PoEs, it can also generate subservience and prevent bureaucrats from fully deploying their technical expertise and innovative capacities (cf. Fukuyama 2013), a phenomenon also conspicuous in other poorly performing organisations in Rwanda, such as the Ministry of Infrastructure (Chemouni and Dye 2020). More generally, the pattern of performance in Rwanda, underpinned by a top-down style of governance, can also create a range of unintended consequences, such as lack of empowerment of staff, a lack of critical appraisal of policy and an incentive to ‘cook’ statistics, an issue already identified in the Rwandan case (Chemouni 2014: 251, 2018: 90; Reyntjens 2015).

Finally, the pattern of performance of PoEs is a reminder of the extraordinary concentration of power in the ruling party, and especially around the president, and the danger that goes with it. This begs the question of whether PoEs’ performance can survive Paul Kagame. It might be the case if the norms and practices created in PoEs become sufficiently ingrained in the state to persist, or if the vulnerability of the elite continues to play its role. This is not, however, certain, given the generational shift under way in the RPF, encouraged by the president, that gives rise to younger bureaucrats and politicians, who may not have the same memory of the atrocities of the genocide, or the extraordinary challenges of the immediate post-1994 period. In this case, as has often been the case on the continent, and especially recently in Ethiopia, the current state-building dynamics might be potent at a point in time but short-lived, due to their incapacity to survive the strong individual that was so pivotal in nurturing them and a historical driver whose power may be diminishing.
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