



## Rwanda, Inc.

### How a Devastated Nation Became an Economic Model for the Developing World

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**7** 7 Importance  
8 Innovation  
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## Take-Aways

- In the mid-1990s, Rwanda suffered tragic genocide. Tribal warfare between Hutus and Tutsis killed a million citizens in three months.
- Two decades later, Rwanda is peaceful and stable. It attracts foreign investment and is steadily raising its citizens' standard of living.
- President Paul Kagame inspired and implemented Rwanda's turnaround.
- Rwanda's gross domestic product surged 8.2% from 2010 to 2011, even though the country had no private sector before 1994.
- Suspicious of World Bank loans, Kagame prefers to seek international investment.
- Unlike many African leaders, he takes a hard line against corruption.
- To attract business, Rwanda changed its official language from French to English.
- Fifty-six percent of the members of parliament are women – higher than in the US Congress and the highest rate of female representation in the world.
- Rwanda relies on tourism for 50% of its foreign exchange.
- Reflecting Kagame's commitment to education, Rwanda spends a quarter of its annual budget on schools.

# Relevance

## What You Will Learn

In this summary, you will learn: 1) How Rwanda has responded to its genocidal past and 2) How President Paul Kagame's unique leadership is steering his nation to success.

## Review

In 1994, Rwanda's gruesome neighbor-on-neighbor genocide stunned the world. The aftermath of that societal meltdown is a major surprise: The East African sovereign state is now a safe, stable nation successfully striving to lift its people out of poverty. Patricia Crisafulli and Andrea Redmond report that former exile Paul Kagame, who is now president of Rwanda, single-handedly put his nation on the path to prosperity. While their writing can be a little cloying at times, the two authors provide colorful details that make a compelling case for Kagame's heroism. *getAbstract* recommends their study to international businesspeople, investors, academicians, NGOs and policy makers.

# Summary

*"It's not about re-creation of what used to be, but creation of something that is actually very different – from nothing..."*

*"Out of the proverbial ashes, a nation of possibility and hope has arisen, taken root, and begun to flourish."*

## Rwanda's Stunning Recovery

In 1994, Rwanda became synonymous with senseless slaughter. The citizens of this small, landlocked African nation went insane. Tribal warfare between Hutus and Tutsis killed a million citizens in three months. Flash forward: Two decades later, Rwanda is on the rebound. Food is no longer scarce. Under a stable government, incomes are rising and violent crime is rare. Rwanda's gross domestic product surged 8.2% from 2010 to 2011. The poverty rate dropped from nearly 57% in 2006 to less than 45% in 2011. The income of a million Rwandans rose above the poverty level in half a decade.

Before 1994, Rwanda had no private sector. The state controlled the economy. Now, market vendors sell fruits and vegetables. Rwandans hire out as guides for eco-tourists, including those drawn by the silverback gorillas that live in the Rwandan mountains. Rwanda relies on tourism for 50% of its foreign exchange. Though densely populated, it remains a largely rural nation and coffee is its main cash crop.

Rwanda's inflation was about 8% in 2011, well below the double-digit levels of neighbors Uganda and Kenya. In a continent known for kleptocratic leaders, post-genocide Rwanda is a remarkably honest place to do business. The national culture disapproves of corruption. Gender equality is a fact of life in Rwanda. Fifty-six percent of the members of parliament are women – far higher than the percentage in the US Congress and the highest rate of female representation in the world.

The Rwandan government invested \$95 million in telecommunications infrastructure, and mobile phone use has soared. The 20-story Kigali City Tower rose without an anchor tenant, yet at its completion in 2012, every space had a tenant. Visa, the credit card firm, is among the companies renting space in the tower.

For all the strides made in the two decades since its national tragedy, Rwanda remains a developing nation. Less than 11% of Rwandan homes had electricity at the end of 2011. Rwanda cannot afford any government funding of the arts. The nation's roads are abysmal.

*"Since its horrific genocide 18 years ago, in which a million or more people were killed in 100 days, Rwanda has completely reinvented itself."*

*"Safety in Rwanda... is not defined only by its streets. ...All its people, particularly the rural poor, face fewer risks thanks to achievements like compulsory education, universal health care, improved longevity, reduced material and infant mortality, and food security."*

*"Investment, as [Kagame] sees it, is the antidote to overreliance on aid and donation, which do not empower people to help themselves."*

*"For many first-time Western visitors, what is often most striking about Rwanda is how clean it is: there is almost no litter anywhere."*

These drawbacks are slight compared to the plights of other poor nations, such as lawless Somalia or perpetually dysfunctional Haiti.

### **The President Who Turned Around a Failed State**

Paul Kagame, the man who is most responsible for Rwanda's stunning turnaround, is a complex and upright ruler. An ethnic Tutsi who was nearly slaughtered as a young boy during an earlier genocidal attack by Hutus in the 1960s, Kagame preaches ethnic equality and reconciliation. He embraces free markets as well as the private sector's role in the nation's economy.

The stick-thin leader commanded the Rwandan Patriotic Front during the 1994 genocide, and his strong-willed, evenhanded presidency has won worldwide accolades. Former US president Bill Clinton and former British prime minister Tony Blair have lauded Kagame's leadership. During his tenure, Rwanda has educated more children by making the age of compulsory school attendance 12 instead of nine. To be more attractive to the international business community, Rwanda has changed its official language from French to English.

For all his courage, tolerance and openness, Kagame isn't without fault. First elected to a seven-year term in 2003, he won re-election in 2010 with 93% of the vote, causing Western watchdogs to cry foul. Kagame imprisons Rwandans who stir up ethnic tensions, raising questions about freedom of speech and political expression.

### **Run-Up to Genocide**

Born in 1957, Kagame was nearly killed by Hutus in the early 1960s. He and his family narrowly escaped thanks to a relative who sent a car to whisk them away at the last moment. The family moved to Uganda. Kagame joined the Ugandan army, which sent the promising young leader to the US Army Command and General Staff College for training in 1990. He learned that Rwandan exiles were joining the Rwandan Patriotic Front (RPF) and battling Rwanda's Hutu-dominated army. Fearing more ethnic cleansing, Kagame left his US military training to join the RPF.

The RPF was a ragtag military with low morale and little order. With his US training and indomitable willpower, Kagame quickly imposed discipline, making murder, rape and desertion capital offenses. As the RPF trained in Rwanda's frigid mountains, where the peaks rise as high as 10,000 feet, Kagame seemed impervious to cold and hunger. He did not share the sense of despair that clouded the rebels' risky, long-shot mission. Kagame continuously reminded his troops that they were fighting for the long-term health and success of their country.

Flourishing under Kagame's leadership, the RPF rebels made progress, winning skirmishes against government forces and taking control of parts of Rwanda. In 1993, a force of some 8,000 RPF soldiers made their way to the capital city of Kigali. In an unexpected move, Kagame pulled back, a retreat many commanders would have considered a sign of weakness. Kagame reminded his troops of all they had accomplished and painted the retreat as a victory.

In April 1994, the jet carrying then-Rwandan president Juvenal Habyarimana – a member of the Hutu tribe – was shot down by missiles. A French judge later concluded that Kagame's RPF forces could not have shot down the plane. Who killed Habyarimana remains a mystery, but his assassination set off a vicious genocide. Referring to Tutsis as "cockroaches," Hutu militants killed and raped thousands of Tutsis.

*“Paul Kagame has made his country into the Rwanda the world sees today: stronger, unified, and one of the best business climates in Africa, which is the next frontier for investment and development.”*

*“The magnitude of the turnaround, socially and economically, is sometimes referred to as a ‘miracle’.”*

*“On a continent in which foreign aid is often the main source – and sometimes the only source – of funds, Kagame has led Rwanda on a radically different path: toward self-determination and self-sufficiency.”*

*“Evidence of Rwanda’s recent achievements is everywhere, in its bricks-and-mortar, paved roads and even fiber optics.”*

The United States was unwilling to risk an embarrassment similar to that which it suffered in Somalia, and the United Nations did little to intervene, leaving Kagame and the RPF to stop the bloodshed. As RPF soldiers advanced, they encountered mass graves and mutilated Tutsis. Kagame’s lieutenants brought the atrocities to his attention a few times, but Kagame ordered them not to tell him of such spectacles because seeing the tortured victims only made him angry.

Kagame knew he couldn’t afford to lose control of his emotions. He acknowledges he was lucky to survive the ordeal. In one near miss, Kagame sat down beside the road to rest after he and his troops had been marching for hours. When he stood up, he realized the spot held an explosive booby trap that he had barely missed detonating.

### **An Atypical Recovery**

Kagame and his forces stopped the genocide. When the slaughter ended, he – and his country – faced daunting obstacles. He had to prevent another genocide, either by Tutsis in retaliation or by Hutus harboring murderous rage toward those Tutsis who survived. Kagame scrupulously avoided ethnically charged rhetoric. He welcomed all Rwandans – including Hutus – to help rebuild their nation. He lay blame for the genocide on a colonial legacy of ethnic rivalry. For about six years after the war, Rwanda remained stagnant.

Kagame did not want to borrow from the World Bank. He envisioned a self-sustaining economy that needed no help from the world powers that had done nothing to halt the genocide. “We have had the strange benefit that, early on, not a lot of nations wanted to give us foreign aid, and we turned that into an advantage,” Kagame wrote in an essay. He attended a five-day retreat hosted by a World Bank consultant. His focus surprised the consultants, who were accustomed to heads of state making only token appearances.

Execution has been a hallmark of Kagame’s leadership style. Tireless work is another. He can function with little food or sleep, often working late and rising early. Rwandan business leaders and foreign officials credit Kagame with spearheading the nation’s recovery, and refer to him as Rwanda’s CEO. Kagame sets the tone for his organization, holds himself to high standards, and expects his fellow citizens to follow his lead.

Mindful that the genocidal regime stole from the treasury, Kagame cracked down on corruption. Signs at the airport read, “Investment yes. Corruption no.” He so despises corruption that he allowed friends to go to jail for breaking anticorruption laws. Kagame projects a stern demeanor and a “steely toughness” that solidifies his seriousness about the rule of law. In the days after the genocide, he urged Rwandans to keep their country neat and tidy. Cleanliness, he argued, would spawn self-confidence. Kagame persuaded Tutsis to reconcile with their attackers. When someone professes shock that a widow forgave the militants who hacked her husband to death, the widow says, “The president has asked me to do it.”

### **Courting Capitalists, Seeking Consensus**

Kagame doesn’t want to rely on traditional foreign aid, but he’s eager to attract investment and foster economic development. So far, “Rwanda has laid several important foundations for foreign investment, from the fiber optic network that spans the country to its solid credit ratings and political stability.” Kagame seeks input and ideas. He has met with a number of American executives, including the leaders of Google, Walmart and Chevron. The CEOs of Starbucks and Costco became bulk buyers of Rwandan coffee. Jamie Dimon, CEO of JPMorgan Chase, sponsored training for Rwandan financial analysts.

*“Perhaps the most unique and distinguishing characteristic in Rwanda is the government’s zero tolerance for corruption.”*

*“The pace of change in Rwanda is a steady beat, the rhythm of a country on the move.”*

*“A lack of qualified people to produce results quickly is the weak spot in the Rwanda model.”*

Consider Rwanda’s investment in Merrimack Pharmaceutical, a Massachusetts biotech company. Kagame sought advice from a Rwandan expatriate who is a former executive of several large US pharmaceuticals. The Rwandan pension fund invested \$16 million in Merrimack. The company’s management was reluctant to take Rwanda on as an investor. Could a nation where only 11% of homes have electricity afford to take a flier on a biotech company? Kagame was undeterred and moved forward with the investment.

Kagame’s insistence upon “good governance” extends beyond the capital into the countryside. He established a decentralized government, with officials making decisions locally. During the genocide era, a strong central government ruled over layers of bureaucracy. Rwanda’s longstanding lack of investment in education left it with only a few competent public servants. Violence frightened many capable Rwandans into exile, and killed many others. Kagame’s tough anticorruption push has created the unexpected side effect of making bureaucrats afraid to make decisions. Public servants worry that a decision might be labeled corrupt, leading to an embarrassing investigation. Kagame has built a reputation for decisiveness but the minions in his government aren’t as bold.

### Precolonial Traditions

While building responsible local governments, Kagame launched a crusade for accountability. He brought back a precolonial practice, *imihigo*. In this Rwandan cultural tradition, members of the community declare their goals before tribal leaders, and the community vows to support them as they pursue those goals. In the modern version of this accountability exercise, Rwanda’s local mayors provide an annual statement of goals, along with a report explaining their progress toward the previous year’s goals.

Kagame’s unique twist on free-market capitalism includes social welfare programs aimed at Rwanda’s poor. One such program, Girinka, gives every poor family a cow. Because many Rwandans are subsistence farmers, the cow improves their living standards. The government-provided cow gives milk and produces dung that farmers use as fertilizer. Since 2006, the Rwandan government has given its citizens 150,000 cows. In another government program, Rwanda provides metal roofs for homes in the rainy northern regions. Poor people in these areas long made do with leaky tile roofs.

While free cows might ward off starvation, and metal roofs provide comfort and better health, Rwanda has broader ambitions. To establish a modern service economy, the nation needs a literate, educated populace. Before 1994, only about half of Rwandans could read. Reflecting Kagame’s commitment to education, Rwanda spends a quarter of its budget on schools. Raising the mandatory schooling age created a demand for teachers. Rwandan educators focus on teaching English and technical skills. For more advanced pupils, Carnegie Mellon University teamed up with the government to offer Rwandan students a degree in information technology. “Although Rwanda is not yet where it wants to be, and must maintain and even accelerate its momentum of growth, it has already come an incredible distance in such a short time.”

## About the Authors

Business journalist **Patricia Crisafulli** wrote *The New York Times* bestseller *House of Dimon* about JP Morgan banker Jamie Dimon. Governance expert **Andrea Redmond** is a board member of the Allstate Corporation and Northwestern University Hospital.