Economic Changes Within Rwanda

By: Colin Quinn

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Professor Ezekiel Gebissa

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When speaking of Rwanda, often times the first thing that comes to mention is the Rwandan genocide. Upon receiving its independence from Belgium in 1962, the country saw a rather consistent divide in directions desired for the country. This was due to the two main cultures that reside there, the Hutus and Tutsis. In order for a country to bounce back from 100 days of the most violent period of the Rwandan Civil War during 1994, required years of dedicated efforts. This genocide is a major cause for the country’s previously crippled economy due to the immense outbreak of HIV/AIDS amongst its population, low crop yields from lack of healthy and available farmers due to its previous reliance on subsistence farming, and plummeting population from the civil war, illnesses, and starvation. Along with these struggles amongst the population, most infrastructure had been destroyed during the war. The split between the Hutu and Tutsi people during these struggles further inhibited the chance to recover from so many major setbacks. As if the internal struggles were not enough, many outside countries that had investments in Rwanda saw the turmoil and pulled their funding. As a result, Rwanda’s gross domestic product (GDP) fell even further due to abundant poverty and lack of foreign investment. During the early 1990’s, Rwanda’s people were struggling to live watching the political climate continually strain, and a horrendous genocide amongst its own population of different cultures.

Despite all of this internal turmoil, Rwanda’s newly reformed economy is functioning better than ever. Seeing an average annual GDP growth of 7.18 percent between 2000 and 2020, with its peak being 12.3 percent in the second quarter of 2019. These improvements came hand in hand with the refocus on maintaining and expanding the country’s infrastructure. Along with a growing population comes a growing market based on the introduction of more reliable energy, better means of transportation, and further connecting themselves with the rest of the world via smartphones and consistent access to the internet. This connection to the internet was brought forward by the Rwandan government in 2011 by using fiber-optic lines to lessen the cost of entry for its population. It is also notable that as the infrastructure continues to support its people, the people can help support the infrastructure. The poverty rate continues to decrease as it went from 57 percent in 2006 to 39.1 percent as of 2015. This leads to an increasing middle class that can now comfortably support their communities and help continue the economic growth through business expansion and increased number of jobs. It is pivotal that the investment into Rwanda continues to grow through government assistance, however the population must also invest in themselves to continue on the growth rate that has been achieved in recent years.

Rwanda has gone through numerous political reforms in its time since their civil war, leading them to where they are now with a rapidly growing economy. In order for all of this to be possible, it is of utmost importance that the population be relatively healthy so that they can continue contributing back into their communities. Thus a plan known as the Economic Development and Poverty Reduction Strategy (EDPRS) was implemented between 2013 and 2018 by the Rwandan government. The main goal of EDPRS is economic transformation through what is called their Five Priority Areas. This plan serves to increase interconnectivity within Rwanda’s infrastructure, increasing the connectivity of their economy with those of other nations, transformation of the private sector, facilitate urbanisation in a positive manner, and deploy an Earth friendly economy. Priority three of the EDPRS is to increase the investment in private sector business, and in doing so generates more jobs and economic mobility for its people. There are three main parts to this priority, being an expansion on the international airport and completing the plans for the railway connection, refocusing on exports and re-exports, and further promotion on exports with additional investments in sector-specific infrastructure to further aid those working in the private sectors. With a freshly updated private sector and heavily emphasized exports, the GDP continues to grow along with its middle class. In order for these new businesses to succeed at their greatest potential, a lot of the overhead that goes into creating them must be less intrusive. Examples of this initiative are the improvements in electricity supply consistency and availability, having more property legally registered, protecting the investors of private sector businesses, and providing a reliable line of credit for those who can utilize it. In this business sector, Rwanda is now performing above average for Sub-Saharan Africa coming in ranked at 32nd for all of the African countries. Arguably the largest single impact on these changes is the reliance of electricity. Having a consistent source of energy allows for things to be sped up by computers and no longer requires human overhead to complete paper forms that must travel to different locations. As a result, it is now cheaper to transfer legal documents and complete banking information, further enabling an increase in private sector businesses.

Throughout all of these government reforms the motivation is increased relevance in the global economy. However this is not possible without improvements in the local institutions and the population. Major district level changes that are being implemented include creating more space for women and youth in the business sectors, skills development through education, infrastructural development, and increasing the amount of public works locally. There are two major initiatives that employ local economic development (LED) within Rwanda. The Joint Action Development Forum (JADF), which aims to bring private sector investors and the Civil Society together to communicate about socio-economic development quarterly. The Public Private Dialogue (PPD) actively fixes a common issue of lack of communication between political ideas and private companies with the common goal of improving the business environment. Both JADF and PPD act as catalysts for any current and future LED focused projects by giving the necessary conversations a reliable place to start. In the case of micro-finance institutions (MFI) and non-governmental organizations (NGO) the main goal is to expand the availability for loans while still supporting themselves financially. Rather than receiving loans from the government, these organizations put the responsibility into private sector businesses that receive financial insurance from the Rwandan government. Giving people affordable loans while their incomes falter from market fluctuations, it allows them to have a more sustainable lifestyle and more consistently participate in the open economy. MFIs and community based organisations (CBO) also stress proper financial education for the people partaking in hopes that they are better suited to give back to the community and economy. As shown by Rwanda’s increase in GDP, these organisations have proven to be helpful to many who have broken out of the poverty line within Rwanda.

Clearly shown by the improvements that have been made throughout Rwanda, the initiatives taken by the government and its people have been very effective. As infrastructure and private businesses continue to improve, more economic mobility will be available to others which is already occurring as the middle class grows in percentage. Continual growth in these areas is expected as plans such as the EDPRS and the focus on letting businesses operate as needed get extended into the future. It is evident that Rwanda is focusing their priorities into infrastructure, business, and generating employment opportunities for the generations to come. This includes their push for reliable electricity, quality means of transportation, access for education on business skills, reducing unemployment, and a general shift in attitudes towards working.

All in all, Rwanda’s transformation from a poverty ridden country going through genocide into one of the quickest growing African economies is nothing to scoff at. Plenty of emphasis has been put onto their economic bottlenecks to allow their country to thrive in the ways necessary for its own success. It is important to note that the solutions taken by Rwanda are not a cure to all economic issues, but putting focus into the proper areas allows for the tremendous growth that is shown here. Many foreign investors are joining forces with Rwanda in their triumphant escape from poverty through the powers of infrastructure, business, and education. Rwanda is a prime example of not letting the past define the future exhibited through immense efforts by many parties. Rwanda is on its way to breaching out of poverty and joining into the rest of the world’s economy as it continues to be one the fastest growing in the world. It will be interesting to watch as data comes out on the impacts of COVID-19 however, and should Rwanda come out strong, there is incredible merit to be deserved.

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