A New Institutional Economics (NIE) Perspective on Institutional Change and Leadership in Rwanda, from Pre-History to Post-Genocide

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DECLARATION

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ABSTRACT

This dissertation uses development theory and principles of New Institutional Economics (NIE) as points of departure to study the role of leadership and other aspects of institutional change in Rwanda's history. Alston, Melo, Mueller and Pereira's (2016) critical transitions framework, which emphasises the role of leadership in institutional change, serves as a conceptual framework for the analysis. This framework identifies shocks to economic and political outcomes as the sources of opportunities for individuals or groups to show leadership, change the dominant network and their beliefs, and implement institutional change.

The study applies the critical transitions framework to Rwanda's history to identify five epochs of institutional change: (i) the 'Golden Era' (pre-history to 1894); (ii) colonial period (1894-1961); (iii) First Republic (1961-1973); (iv) Second Republic (1973-1994); and (v) the post-genocide period (1994 to the present). The most recent period followed the genocide in 1994 that was spurred by a recurrent theme in the country's history, namely ethnic tension between Hutu and Tutsi. Since then, Rwanda has displayed one of the most impressive examples of post-conflict reconstruction in human history.

Amongst Rwanda's achievements was being named by the World Bank's Doing Business project as the country that made the largest number of reforms to improve its business environment during the past decade and a half. This study uses Doing Business data to quantify pro-business institutional change from 2002 to 2013. The bases for this choice are the associations between the data collected by Doing Business and key concepts in NIE, as well as the theoretical underpinnings of the Doing Business project.

This dissertation employs fuzzy-set Qualitative Comparative Analysis (fsQCA), a set-theoretic technique that allows for equifinality (various routes to an outcome), to analyse the determinants of pro-business institutional change in Rwanda and in Sub-Saharan African countries more generally. The analysis attempts to explain such institutional change in terms of combinations of five causal conditions: transactional leadership, state fragility, the strength of the business environment prior to the reforms, and the democratic and autocratic features of the polity.

The results for Rwanda indicate that effective transactional leadership, a governance style with few democratic features and many autocratic elements, and an already-supportive business environment at the start of the period influenced pro-business institutional change from 2002 to 2013. The country's leaders established structures for dialogue and engagement with stakeholders outside of the ruling party and for coordination of actions by different state departments and other stakeholders. They also created an environment of stakeholder commitment to implementation of projects and policies.

Nsanzabaganwa's (2012) connectedness model explains the policymaking processes behind institutional change in Rwanda. It describes policymaking in the country as a product of the interaction between the politician, policy expert, private sector and change manager. Political scientists now know that autocracies frequently establish the same economic institutions that academics historically viewed as typical hallmarks of democratic governments. The co-existence of

an inclusive policymaking process and a relatively autocratic political regime in Rwanda is consistent with this phenomenon.

This dissertation has a strong focus on change in formal institutions, but also highlights the role of informal institutions (like trust) in change processes. The main suggestion for future research that emanates from this dissertation is that analyses of institutional change should give more attention to the interplay between leadership and informal institutions. However, complex measurement problems would have to be overcome before informal institutions can receive more prominence in such analyses.

OPSOMMING

Hierdie proefskrif gebruik ontwikkelingsteorie en beginsels van Nuwe Institusionele Ekonomie (NIE) as vertrekpunte om die rol van leierskap en ander aspekte van institusionele verandering in die geskiedenis van Rwanda te bestudeer. Alston, Melo, Mueller en Pereira (2016) se “critical transitions framework”, wat die rol van leierskap in institusionele verandering beklemtoon, dien as ŉ konsepsuele raamwerk vir die ontleding. Dié raamwerk identifiseer skokke in ekonomiese en politieke uitkomste as die bronne van geleenthede vir individue of groepe om leierskap te toon, die dominante netwerk en hul oortuigings te verander, en institusionele verandering te implementeer.

Die studie pas die “critical transitions framework” op Rwanda se geskiedenis toe en identifiseer vyf epogge van institusionele verandering: (i) die “Goue Era” (voor-geskiedenis tot 1894); (ii) koloniale periode (1894-1961); (iii) Eerste Republiek (1961-1973); (iv) Tweede Republiek (1973-1994); en (v) die periode na die volksmoord (1994 en daarna). Die mees onlangse epog volg op die volksmoord in 1994 wat veroorsaak is deur ŉ herhalende tema in die land se geskiedenis, naamlik etniese spanning tussen die Hutu en Tutsi. Sedertdien het Rwanda een van die mees indrukwekkende periodes van heropbou ná konflik in menseheugenis beleef.

Een van Rwanda se prestasies was om deur die Wêreldbank se “Doing Business”-projek benoem te word as die land wat die afgelope anderhalfdekade die meeste verbeterings aan die sakeklimaat aangebring het. Hierdie proefskrif gebruik “Doing Business”-statistiek om besigheidsvriendelike institusionele verandering van 2002 tot 2013 te kwantifiseer. Dié keuse berus op die verwantskappe tussen die statistiek wat deur die “Doing Business”-projek ingesamel word en kernkonsepte binne die NIE, sowel as die teoretiese grondslae van die “Doing Business”-projek.

Hierdie proefskrif gebruik “fuzzy-set Qualitative Comparative Analysis” (fsQCA), ŉ versamelingsteoretiese tegniek wat ruimte vir ekwifinaliteit (verskeie roetes tot die uitkoms) laat, om die determinante van besigheidsvriendelike institusionele verandering in Rwanda en in Sub-Sahara Afrika in die algemeen te ontleed. Die ontleding poog om sodanige institusionele verandering te verklaar aan die hand van kombinasies van vyf oorsaaklike elemente” transaksionele leierskap, die risiko van staatsineenstorting, die toestand van die sakeklimaat voor die afskop van die hervormings, en die demokratiese en outokratiese eienskappe van die regering.

Die uitslae vir Rwanda dui aan dat institusionele verandering vanaf 2002 tot 2013 deur effektiewe transaksionele leierskap, ‘n regeringstyl met min demokratiese en heelparty outokratiese elemente, asook ‘n reeds-ondersteunende sakeklimaat aan die begin van die periode beïnvloed is. Die land se leiers het strukture vir dialoog en skakeling met belanghebbendes buite die regerende party en vir koördinering van handelinge deur verskillende regeringsdepartemente en ander belanghebbendes geskep. Hulle het ook ‘n omgewing tot stand gebring waarin belanghebbendes tot die implementering van projekte en beleid verbind is.

Nsanzabaganwa (2012) se “connectedness model” verduidelik die beleidmakingsprosesse agter institusionele verandering in Rwanda. Dit beskryf beleidmaking in die land as ‘n produk van die interaksie tussen die politikus, beleidskenner, privaatsektor en veranderingsbestuurder. Politieke wetenskaplikes weet nou dat outokrasieë dikwels dieselfde ekonomiese instellings skep wat akademici tevore as tipiese kenmerke van ‘n demokratiese bestel beskou het. Die naasbestaan van ŉ

inklusiewe proses van beleidmaking en ŉ relatief outokratiese politieke bestel stem met dié verskynsel ooreen.

Hierdie proefskrif fokus sterk op verandering in formele instellings, maar plaas ook klem op die rol van informele instellings (soos vertroue) in veranderingsprosesse. Die vernaamste voorstel vir toekomstige navorsing wat uit hierdie proefskrif voortspruit, is dat ontledings van institusionele verandering meer aandag aan die wisselwerking tussen leierskap en informele instellings moet gee. Moeilike metingsprobleme sal egter eers oorkom moet word voor informele instellings groter prominensie in sulke ontledings kan verkry.

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To the academics and students at Stellenbosch University's Department of Economics that inspired me to love economics, thank you. It was during my second and third years of undergraduate study that my passion for the subject was ignited. People like Stan Du Plessis and Servaas van den Berg always stirred critical thinking. During my graduate studies, Sophia Du Plessis introduced me to New Institutional Economics (NIE), which combined my love for history with a passion for economics. Fellow students, especially during my graduate studies, also contributed to developing a passion for economics.

A special mention also to the staff and benefactors of the JS Gericke Library at Stellenbosch University. During all my years of study at the university, I have borrowed several thousand books from the facility, and some sourced far and wide via inter-library loans. This was an important element in completing especially my graduate studies. Also an acknowledgement to Christelle Woudberg for the linguistic and technical fixes that had to be made to this text near the end.

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ACET	African Centre for Economic Transformation
AfDB	African Development Bank
APRM	African Peer Review Mechanism
BBTG	Broad-Based Transitional Government
BC	Before Christ
BDP	Botswana Democratic Party
BMI	Business Monitor International
BTI	Bertelsmann Stiftung's Transformation Index
CAR	Central African Republic
CAST	Conflict Assessment System Tool
CDR	Coalition for the Defence of the Republic
CEDP	Competitiveness and Enterprise Development Project
CIP	Crop Intensification Programme
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
CSO	Civil society organisations
CSP	Centre for Systematic Peace
DRC	Democratic Republic of the Congo
DSK	Dvorak Simplified Keyboard
EAC	East Africa Community
ECCAS	Economic Community of Central African States
ECGLC	Economic Community of the Great Lakes Countries
EIU	Economist Intelligence Unit
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign direct investment
FFP	Fund for Peace
fsQCA	Fuzzy-set qualitative comparative analysis
FSI	Fragile States Index
FTAs	Free trade agreements
GDP	Gross domestic product
GNI	Gross national income
GNP	Gross national product
HDI	Human Development Index
HIPC	Highly-Indebted Poor Countries
ICOR	Incremental capital output ratio
ICT	Information and communication technology
ICTR	International Criminal Tribunal for Rwanda
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IPAR	Institute for Policy Analysis and Research
ISD	Institute for the Study of Diplomacy

MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MDR	Mouvement Démocratique Républicain
MDRI	Multilateral Debt Relief Initiative
MP	Member of Parliament
MRND	Mouvement Révolutionaire National pour le Développement (1975-1991), Mouvement Républicain National pour la Démocratie et le Développement (1991-1994)
MSM	Mouvement Social Muhutu
NDI	National Democratic Institute
NGO	Non-governmental organisation
NIE	New Institutional Economics
NRA	National Resistance Army
OAU	Organisation for African Unity
OIE	Old Institutional Economics
OLS	Ordinary least squares
PARMEHUTU	Parti du Mouvement de l'Emancipation Hutu
PDC	Parti Démocrate Centriste
PFP	Policy framework paper
PL	Parti Libéral
PRSP	Poverty Reduction Strategy Paper
PSD	Parti Social Démocrate
PSF	Private Sector Federation
QCA	Qualitative Comparative Analysis
RDB	Rwanda Development Board
RDF	Rwanda Defence
RECs	Regional economic communities
RGB	Rwanda Governance Board
RIEPA	Rwanda Investment and Export Promotion Agency
ROC	Republic of the Congo
RPF	Rwandan Patriotic Front
SADC	Southern African Development Community
SME	Small- and medium-sized enterprises
SPIN	Segmented, polycentric, integrated network
SPU	Strategy and Policy Unit
SSA	Sub-Saharan Africa
TCE	Transaction Cost Economics
UN	United Nations
UNAR	Union Nationale Rwandaise
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
WEAMU	West African Economic and Monetary Union
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WTO	World Trade Organisation
WVS	World Values Survey

CHAPTER 1: INTRODUCTION

"There is nothing more difficult to execute, more dubious of success, nor more dangerous to administer than to introduce a new order of things, for he who introduces it has all those who profit from the old order as his enemies, and has only lukewarm allies in all those who might profit from the new."

Machiavelli (1532 [1998]: 21)

1.1 Introduction and background

A globally publicised genocide in 1994 resulted in the death of up to 10% of the Rwandan population, with another 30% fleeing into exile. The fatality rate was the second-highest of all genocide events since 1950[1] (Diamond 2005: 313). The killing decimated Rwanda's political system: the majority of the ministers in the first post-conflict cabinet had no proper offices, administrative personnel, stationary or even electricity (Prunier 1995: 300). A lack of human resources severely undermined the quality of the judicial process. There were only 12 prosecutors and 244 judges left in the country by November 1994 compared to 70 prosecutors and 758 judges a year earlier (Brehm, Uggen and Gasanabo 2014: 335). Based on the Worldwide Governance Indicators (WGIs), the World Bank assessed the rule of law in 1996 as amongst the bottom decile of countries worldwide. International Monetary Fund (IMF) data indicate that Rwanda's real gross domestic product (GDP) practically halved during 1993-1994, while nominal government spending and the volume of merchandise exports both dropped by almost two-thirds. These factors illustrate how decades of post-independence progress in the small economy were wiped out in only two years (Kelsall 2013: 120).

However, the east African country's recovery after the genocide is considered to be one of the most impressive examples of post-conflict reconstruction in human history (Soudan 2015: iii). By 2015, almost 99% of the refugees that fled in 1994 and during armed clashes in 1997-1998 either had returned to Rwanda or were able to remain in a different capacity in their former countries of asylum (United Nations [UN] 2015. The Mo Ibrahim Foundation (2017) recently ranked the quality of overall governance as ninth on the continent, linked to a critical annual performance review of high ranking public officials (Alpert 2012). The judicial system showed a significant improvement in human resources and quality of service, with the rule of law assessed by the WGIs in the sixth decile in 2016. IMF data show that the collapse in real GDP during 1993-1994 was reversed by the year 2000. The size of the real economy had increased by a factor of three by 2014. The country's volume of merchandise exports increased by an average of 11% per annum over from 1995 to 2014. The Mo Ibrahim Foundation (2017) saw the country as providing one of the most supportive business environments for private enterprise on the continent.

Rwanda's post-genocide recovery stands in stark contrast to the economic deterioration in the years prior to the massacre. This contrast highlights the inability of imported policies to rectify the country's crisis in the early 1990s. Efforts by multilateral organisations (e.g. the IMF) to stabilise the country's economy and politics actually had the opposite effect, and Rwanda fell deeper into an economic crisis as 1994 approached. The cookie-cutter approach of multilateral development strategies – the plans

[1] The Cambodian genocide from 1975 to 1979 had the highest fatality rate (Diamond 2005: 313).

were not significantly customised to Rwanda's domestic conditions (Evans 2010: 37) – failed to yield the expected results. Rigid structural adjustment programmes (SAPs) based on a universal model for stabilisation and development were unsuccessful, and the associated economic and political instability contributed to the outbreak of conflict in Rwanda (Andersen 2000: 446-447). The country was an excellent example of how rigid SAPs in the 1980s that emphasised macroeconomic stabilisation, privatisation, and free market development were often flawed in their methods. The World Bank has admitted that the results of these programmes were mixed, and Easterly (2005: 20) found that SAPs generally did not achieve significant change in macroeconomic policy and growth outcomes.

Nsanzabaganwa (2012: 14) associated Rwanda's dramatic post-genocide economic turnaround with three factors, namely (i) the empowerment of local communities to plan and implement programmes with home-grown solutions; (ii) strong institutions and accountable leadership; and (iii) Rwandans' rejection of the notion of the poverty trap. Kigabo (2010: 86-92) added positive ideology and strict political will to the list. The ideology included the creation of structures, mechanisms and practices that encompassed the participation of citizens in public affairs like policymaking. Many of these features were context-specific and borne out of national leadership of Rwanda's success in creating the necessary conditions for economic recovery and development through the establishment of peace, security, unity, reconciliation, inclusion and strong institutions.

Both Kigabo (2010: 89) and Nsanzabaganwa (2012: 14) identified strong institutions as an important part of the post-genocide development success. Institutions became an important element of contemporary development theory as some of the ideas behind rigid SAPs fell into disrepute. There are currently three main streams of thought relevant to development theory and the construction of a modern developmental state, namely the 'institutional approach', 'new growth theory', and the 'capability approach'. The institutional approach emphasises the key role played by formal and informal societal institutions in fostering investment and innovation; in fact, it favours these elements over resource endowments and capital as sources of long-term growth. This approach uses historical analysis to understand determinants of long-term growth, and complements the other two streams (Evans 2010: 41-43).

The new growth theory sees ideas and the stock of human knowledge as instrumental to growth and development, as opposed to earlier theories that focussed on physical capital and labour. Using historical analysis, the institutional approach also emphasises the primacy of human knowledge over physical assets as a determinant of economic growth. The capability approach, in turn, originated at the intersection of philosophy and economics, and regards expansion of humans' functional capabilities (e.g. the ability to participate in political decision-making) as more important than income or wealth as a key driver of economic development. Despite its different intellectual roots, the institutional approach also acknowledges the capabilities of people within a society as a key driver of long-term development, and emphasises the importance of political and property rights in guaranteeing these capabilities (Evans 2010: 42-44).

Nsanzabaganwa (2012: 134) argued that the positive institutional and socio-economic changes in Rwanda since 1994 should be attributed to the leadership style in the country after the genocide. The emergence of a high-quality governance style in Rwanda, which was remarkable against the backdrop of the repeated mistakes of pre-genocide governments, centred predominantly on the leadership of one man: President Paul Kagame (Friedman 2012: 256). The president's policy ideas are aligned to newer forms of thinking about economic development that emphasise multifaceted, context-specific approaches. This is congruent with what Evans (2010: 37) referred to as "a continuously reflexive, 'learning by doing' process" of establishing a successful developmental state.

Under Kagame's leadership, Rwanda became the darling of many within the global aid community (Ansoms, Cassimon & Marysse 2006: 4). The 'Friends of the New Rwanda' include prominent advisors such as former British Prime Minister Tony Blair and former American President Bill Clinton, as well as the majority of international aid agencies (Reyntjens 2013: xiii). The significant international attention on developments in Rwanda under Kagame's leadership hides the fact that the world had little interest in the country before the genocide made international headlines in April 1994. Before this, knowledge of the country's ethnic, political, social and legal dynamics was generated by a limited number of scholars in Belgium[2] and, to a lesser extent, France and the United States (US) (Reyntjens 2013: xiv). With the genocide rooted in centuries-old ethnic, political and social divisions, and the country's governance also strongly influenced by these factors, the explosion of interest in Rwanda's past around the time of the genocide logically centred on these issues as well.

It is because of the nature of this discovery – through the lens of the genocide – that ethnic and governance issues still determine the way that Rwanda is seen today. The volumes of literature about post-genocide Rwanda focusses on ethnicity, politics, sociology and justice. These include, amongst many others, books by Clark and Kaufman (2008), Straus and Waldorf (2011), Kiwuwa (2012), and Reyntjens (2013), peer-reviewed articles by Zorbas (2004), Hintjens (2008) and Ingelaere (2014), and academic dissertations by Sahinkuye (2000), Du Toit (2009) and Huggins (2013). Economics has taken a backseat in the scholarly work on Rwanda, playing second fiddle to ethnicity, politics and justice. Research on the Rwandan economy is the focus of only a few scholars, most prominently An Ansoms and Philip Verwimp.[3] Ansoms focuses her economic research on rural agriculture, land rights and poverty, mostly at the micro level. Verwimp's economic research investigates factors such as healthcare, education and inequality, most often through the genocide lens. By comparison, much more research has been undertaken on the country's ethnic and political dynamics.

In addition, only a few academic studies on Rwanda studied issues emphasised by the institutional approach. The associated field of New Institutional Economics (NIE) combines elements of economics, politics, anthropology, psychology, sociology and law, amongst other social sciences, to understand how people behave (Hodgson 1998: 169). NIE theory offers tools to examine how institutions determine the choice sets of individuals and organisations and how institutional change modify the choice set. Institutions are defined as "regularities in repetitive interactions among individuals. They provide a framework within which people have some confidence as to how outcomes will be determined" (North 1986: 230-231). Together with demographic factors (including ethnicity) and a society's stock of knowledge, the institutional framework determines a society's

[2] Rwanda was a Belgian colony from 1916 to 1961.
[3] This claim is based on a literature search and correspondence with Rwanda scholars Filip Reyntjens and An Ansoms.

incentive structure. By implication, institutional change can result in changes to incentives and an economy's features (North 2005: 22).[4]

NIE focusses on the influence of human-made institutions on economic behaviour and outcomes. These factors are widely accepted in the field as important determinants of long-term economic development and prosperity. Acemoglu, Johnson and Robinson (2005: 402) found convincing empirical support that differences in institutions explain differences in countries' prosperity levels. They determined that economic and political institutions control incentives and constraints for individuals, organisations and the polity[5], thereby shaping economic and political outcomes. The Korean case study illustrates the importance of good economic and political institutions. The Korean peninsula was divided along the 38th parallel north in 1945 to form North Korea (Democratic People's Republic of Korea) and South Korea (Republic of Korea). The two countries shared ethnic, linguistic, cultural, geographic and economic homogeneity, with limited geographic distinctions.[6] However, the two countries' leaders chose remarkably different institutional paths that provided the deep determinants of growth.[7] North Korea followed a socialist model and abolished private property rights, with economic and political decisions determined by the state. South Korea, in turn, maintained a system of private property and attempted to use markets and private incentives to develop the economy (Acemoglu, Johnson and Robinson 2005: 405). By 2015, approximately 70 years after the split, the IMF calculated that nominal GDP per capita in US dollar terms was 21 times higher in the south than in the north.

Many key elements within the field of NIE are already present in Rwanda-related scholarship, including demographic factors (ethnicity), politics, sociology and law. Nsanzabaganwa (2012), for example, considered economic development policy in post-genocide Rwanda and combined insights from many of these key elements. Many aspects of the creation and implementation of economic policy are related to NIE. Nsanzabaganwa (2012: iii) stated that she applied NIE analysis to policymaking processes in Rwanda. The application of NIE theory was limited to the introductory chapter but served as a conduit for introducing the author's 'connectedness model' for explaining policymaking. The model served as a normative description of the 'how' of a successful policymaking process. Furthermore, it characterised the types of relationships (i.e. informal institutions) between actors that were necessary to achieve success.[8]

[4] A distinction must be made between institutions and organisations. According to the widely cited definition by North (2005: 22), organisations are the players of the game: "They are made up of groups of individuals held together by some common objectives. Economic organisations are firms, trade unions, cooperatives, etc.; political organisations are political parties, legislatures, regulatory bodies; educational organisations are universities, schools, vocational training centres. The immediate objective of organisations may be profit maximising (for firms) or improving re-election prospects (for political parties); but the ultimate objective is survival because all organisations live in a world of scarcity and hence competition."

[5] The polity is a de jure or de facto political entity providing governance.

[6] Leurquin (1963: 39-46) provided a detailed analysis of the countries' geography and climate.

[7] Proximate determinants of growth include investment, labour, and finance. Deep determinants include institutions, openness, and geography (Bhattacharyya 2004: 587).

[8] While early references to work by North (1990) and Acemoglu and Robinson (2010) identified the relevant institutional theory, Nsanzabaganwa (2012: 183-199) did not reference any publications focussed on institutions and institutional change in Rwanda. Although Nsanzabaganwa (2012) lacked the institutional foundation that the dissertation purports to have, the connectedness model remains important for understanding the process of policymaking and institutional change in Rwanda. For this reason, the model is used in Chapter 6 of this dissertation to gain deeper insight into the role of leadership and trust in changing formal institutions in Rwanda. The applications also contribute to the formulation of future research suggestions in Chapter 8.

Kiwuwa (2012) highlighted the importance of institutions in guiding political processes in countries such as Rwanda that have high levels of 'ethnic consciousness'. Specifically, institutions structure the political process to mitigate this consciousness, influence the behaviours of actors, and define the avenues to pursue interests. Kiwuwa (2012: 163) identified a skewed institutional bias under Rwanda's First Republic (during the period 1961-1973) and Second Republic (during 1973-1994) that resulted in "dysfunctional efforts to pursue democratic transition". This ultimately led to the failure of the Kayibanda and Habyarimana governments. By contrast, the Kagame government's institutions provide a unifying framework that was especially crucial in enhancing progress in the country's transition. According to Kiwuwa (2012), institutions and institutional change have been essential factors in political change in Rwanda for at least 60 years. However, a dearth of supporting literature prevented Kiwuwa (2012) from explaining this history in detail.

Macro-level studies on institutional change in Rwanda are rare. Ansoms and her co-researchers are the only authors with a clear focus on institutions, specifically regarding property rights. This includes research into the reorganisation, dispossession and administration of property rights to farmland and swampland (e.g. Ansoms 2013; Ansoms and Hilhorst 2014; and Ansoms, Murison, Wagemakers and Walker 2014). In turn, Glazova (2015) considered the contribution of informal practices, e.g. the Gacaca court system, to post-genocide rebuilding. Other studies on institutions in Rwanda were primarily static, i.e. not focussed on institutional change. This includes research into in-country inequality in property rights (Isaksson 2014), the influence of transaction costs on smallholder banana farmers (Jagwe, Machethe and Ouma 2010), and third-party enforcement mechanisms for maintaining peace after civil wars (Mukherjee 2006).

Ansoms and other researchers identified many problems with post-genocide leadership decisions regarding reforms to Rwanda's agricultural, rural and land rights policies and institutions. Leadership in this area was essential, because two-thirds of Rwandan workers were employed in agriculture, hunting, forestry and fishing. Leadership is also crucial for institutional change. Williamson (1994, quoted in Rodrik 1996: 32) reported on a meeting in which high-ranking technocrats were asked to evaluate a list of hypotheses on determinants of the feasibility and success of policy and institutional reform. Many ideas were debated and rejected, with the necessity for visionary leadership amongst the few that received strong support.[9] Leadership is recognised by the Austrian School in Economics but is primarily applied by its members to business organisations and not political organisations. In turn, political scientists elaborate on leadership, though mainly in the context of principal-agent models (Alston, Melo, Mueller & Pereira 2016: 233).

Leaders are important. Harberger (1993: 343) commented that not only history is significant in the formulation of economic policy, but also "the efforts of a key group of individuals, and within that group, one or two outstanding leaders" in directing policymaking. He drew on episodes of reform in Latin America[10] to "help readers see the process of reform from a different, perhaps more intimate perspective than our literature typically provides." Harberger's (1993: 343) core message was that reform processes would most likely have failed, or never got started, if not for the leadership shown by these individuals. More recent empirical evidence increasingly confirms the causal relevance of a national leader in shaping economic and political outcomes. Leaders who know how to change

[9] The other two elements were the need for a strong political base and a coherent economic team.
[10] These narratives included reviews of Brazil and Argentina, two countries that formed the basis of building and verifying, respectively, the critical transitions framework explored in Chapter 2 and applied in Chapter 3.

institutions can mould economic and political outcomes to align with their own beliefs and goals (Ahlquist and Levi 2011: 3, 7).

However, even though leadership is seen as important by many social scientists, institutional researchers have, until recently, not been paying enough attention to this topic.[11] Ahlquist and Levi (2011: 1) commented that interest amongst political scientists in leadership dynamics is cyclical in nature and that the subject has again come into fashion over the past decade. Alston et al. (2016: 186) found in their review of NIE literature that leadership "is a relatively absent concept in most frameworks of institutional change". This could be explained by the fact that, amongst social scientists, there is still dissensus about the exact meaning of the term 'leadership' (Ahlquist and Levi 2011: 5). By leadership, Alston et al. (2016: 186) mean that "certain individuals at certain moments in a country's history make a difference because of their actions".[12] Leadership entails three aspects: (i) identifying and understanding the problem facing a society; (ii) the ability to coordinate others in affecting the changes; and (iii) having the moral authority to make all stakeholders accept the change (Alston et al. 2016: 15). This is the kind of leadership associated with Kagame and other dynamic leaders. Of late, such leadership has inspired academics to study its importance for economic and political outcomes.

1.2 The research question and methods

Section 1.1 identified three key issues that warrant further investigation. Firstly, there is a dearth of research on institutional change in Rwanda at the macro level, despite the vital role of institutions in the country's political processes over time. Secondly, Kagame is credited with creating a leadership style in the country that resulted in a dramatic turnaround in its economic and political fortunes after the 1994 genocide. Thirdly, the role of leadership is mostly absent from frameworks for analysing institutional change despite its importance for affecting such change. Against this background, the main goal of this dissertation is to explain institutional change and the role that leadership plays in the process, with a specific focus on the experience of Rwanda. In order to achieve this goal, this dissertation aims to answer four questions:

1) <u>What framework that incorporates the role of leadership can be used to explain institutional change?</u> Institutions matter, as NIE scholars know. However, a growing body of research indicates that leadership also matters. This implies that institutional change cannot be viewed within a framework that ignores the role of leadership.
2) <u>Which periods of institutional change in Rwanda's history can be identified using such a framework?</u> Tools for analysing institutional change try to delineate periods of change. Once the first question has been answered (i.e. once a suitable framework has been identified), the available literature can be reviewed to determine epochs of institutional change in the history of Rwanda.
3) <u>Which qualitative and quantitative tools can be used to enhance understanding of recent institutional change?</u> This case study requires tools to quantify institutional change in Rwanda

[11] For example, the indexes of textbooks such as Brousseau and Glachant's (2008) 'New Institutional Economics: A Guidebook' and Groenewegen, Spithoven and Van den Berg's (2010) 'Institutional Economics: An Introduction' do not contain any references to leadership.
[12] This definition of leadership is important in several aspects in the remainder of this dissertation. However, the definition is not unique, and is echoed by Brady and Spence (2010: 4), amongst others.

from 2002 to 2013 and to identify causal conditions behind the change. The broad range of social sciences drawn upon by NIE scholars provides tools for case-based analysis.

4) Based on empirical results, what role did leadership play in institutional change after the genocide in Rwanda? The importance of leadership in institutional change in Rwanda's post-genocide period can be deduced from qualitative and quantitative information. Furthermore, which features have characterised the policymaking process that has effected institutional change in the country? The attempts to answer these questions will also point to topics for future research into institutions in Rwanda.

In answering these questions, this dissertation uses a mixed methods approach that combines both qualitative and quantitative tools. As discussed in Section 1.2, this includes Alston et al.'s (2016) critical transitions framework, a method known as fuzzy-set Qualitative Comparative Analysis (fsQCA), and Nsanzabaganwa's (2012) connectedness model, amongst other elements, all in the context of a case study-oriented approach. The mixed methods approach used here is rooted in the shortcomings of current models for explaining institutional change, which neglect the role of leadership in this process of change. Put differently, using an existing model for institutional change would be insufficient for understanding institutional change in Rwanda due to the lack of leadership components within these models. The tools used in this dissertation specifically incorporate the influence of leadership alongside other factors in institutional change. The mixed methods approach is also increasingly used in institutional research due to the field's post-disciplinary embracing of diverse tools for understanding human behaviour.

1.3 Structure of the dissertation

Chapter 2 provides theoretical perspectives from NIE on institutions and institutional change. The first part of the chapter (Section 2.2) explains how institutions influence economic outcomes and outlines four key aspects of institutional analysis: property rights, transaction costs, enforcement mechanisms, and informal institutions. The second part of the chapter (Section 2.3) examines theories of institutional change. The discussion of the forces resulting in change includes a review of external and internal influences, and consideration of path-dependent processes and purposefully designed adjustments – a complex mixture that has prevented consensus about the best method to analyse institutional change. The next part of the chapter (Section 2.4) outlines the critical transitions framework – a relatively new approach that is eminently suitable for studying institutional change in Rwanda. The final part of the chapter (Section 2.5) explains why case studies are appropriate for analysing institutional change.

Chapter 3 uses the critical transitions framework to delineate periods of institutional change in Rwanda since pre-history.[13] It identifies five epochs: The 'Golden Era' (pre-history to 1894); colonial period (1894-1961); First Republic (1961-1973); Second Republic (1973-1994); and the post-genocide period (1994 to the present). The framework emphasises two key factors in institutional change: windows of opportunity and the leadership showed by individuals to affect change. The analysis identifies changes to the country's leadership, their beliefs, constitutional-level institutions, as well as laws and enforcement. These changes resulted in new economic and political outcomes and brought the country back to 'autopilot' situations in which only incremental changes are made to

[13] Pre-history is broadly defined as the period predating written records. In the case of Rwanda, as in many African countries, the lack of written source material and archaeological evidence resulted in scarce historical data being available prior to the mid-19th century (Sellstrom and Wohlgemuth 1997: 21).

the institutional setup to maintain the status quo. This chapter builds on the theoretical considerations detailed in Chapter 2 and available historical literature about Rwanda.

Chapter 4 discusses two helpful tools for analysing institutional change in the period after the genocide in Rwanda. Section 4.2 focusses on the information published by the World Bank's Doing Business project on countries' business environments. It discusses links between Doing Business variables and critical concepts of NIE to argue that this dataset is suitable for analysing institutional change. Section 4.3 outlines the usefulness of fsQCA as a method to combine (qualitative) case study research with empirical analysis. More specifically, it explains why this method, which is seldom used in economic research, is ideal for the exploration of institutional change as studies in this dissertation.

Chapter 5 conducts a set-theoretic analysis of recent institutional change in SSA using the fsQCA method and Doing Business reforms as the outcome variable. The discussion of the data in Section 5.2 includes an explanation of the influence of the critical transitions framework on the selection of causal conditions such as leadership and economic and political outcomes. Section 5.2 also formulates four testable hypotheses about institutional change. Sections 5.3 and 5.4 presents the steps and results of the empirical analysis and identifies plausible explanations of recent institutional change in the sample of African countries. It also uses these explanations to evaluate the four hypotheses.

Chapter 6 interprets the reform experience in Rwanda by considering the four hypotheses and possible causes of the country's success. This kind of case study evaluates the plausibility of the fsQCA results and the possibility of omitted-variable bias. The chapter starts by examining the outcome variable (pro-business reforms) in Section 6.2 and then turns in Section 6.3 to the causal condition (state fragility) that did not feature in the country's pathway solution. Section 6.4 examines the causal conditions that do appear in Rwanda's pathway solution: the initial business environment, measures of autocracy and democracy, and leadership. These analyses focus on the data values for Rwanda, qualitative information relevant to this data, the extent of congruence between the narrative and the data values, and the implications of the results for the hypotheses. Section 6.5 discusses possible omitted causal conditions.

Chapter 7 considers aspects of recent institutional change in Burundi. The introduction to the chapter emphasises the many parallels between Burundi and Rwanda, including their business environment reform successes. The point of departure for this review is the reality that none of the pathway solutions identified in Section 5.4 explains Burundi's reform success. Section 7.2 provides a background of Burundi's economic and political history as a precursor to the examination in Section 7.3 of the country's data values, similar to that for Rwanda in Section 6.4. Section 7.4 examines the outcome variable and how reforms were achieved in order to explore the possibility of omitted-variable bias. Section 7.5 considers regional integration and supranational leadership as an omitted factor.

Chapter 8 summarises the findings of the preceding chapters, presents the most important conclusions about the research questions, and provides suggestions for further research.

CHAPTER 2: INSTITUTIONS AND INSTITUTIONAL CHANGE – ESTABLISHING A THEORETICAL FRAMEWORK

2.1 Introduction

The Korean experiment, as discussed in Section 1.1, was a case study about the significance of institutions. The different institutional paths followed by North and South Korea after their split in 1945 led to a significant disparity in the nominal GDP per capita in these countries. Another experiment in institutional differences, on a much larger scale, was the European colonisation of large parts of the world. The institutions employed in different areas of the colonial world were vastly different. The institutional approach explains major reversals of economic fortune by how colonial societies were managed within these institutional settings. For example, the Aztecs and Incas in the Americas were considered to have been amongst the world's most prosperous civilisations in the year 1500. In contrast, the countries that currently overlap the boundaries of these empires are only upper-middle-income countries. They include Mexico, which contains the Aztec territories, and Peru, in the centre of the former Inca Empire. In turn, countries that currently occupy the territories of less-developed civilisations that inhabited North America, Australia and New Zealand in 1500 are now much more prosperous than those of the descendants of the Aztecs and Incas (Acemoglu, Johnson & Robinson 2005: 404-407).

The basic premise behind the institutional approach is that economic reversal occurred where European colonisers introduced inclusive institutions (e.g. private property rights) in previously poor areas such as North America, Australia and New Zealand. In turn, colonisers introduced extractive institutions in some areas that were previously prosperous, for example the Aztec and Inca empires. These changes to the institutions resulted in changes in prosperity that cannot be explained by the unchanged physical environments. Inclusive institutions provided incentives and opportunities for investment and innovation, which, in turn, fostered growth and prosperity. Private property rights secured titleholder or similar rights for a broad section of society. The introduction of these rights in previously poor and sparsely populated areas enabled or induced Europeans to settle in large numbers in the poorer areas under more inclusive institutions, thus enabling investment and prosperity (Acemoglu, Johnson and Robinson 2002: 1232-1235).

Analysis of natural experiments such as the Korean peninsula and colonial 'reversals of fortune' underscore that understanding institutions and institutional change is a requirement for understanding long-term changes in countries' economic development and prosperity. Institutional economics is a century old, with Hamilton (1919) providing the first real manifesto of institutional economics (Rutherford 2001a: 16). The list of scholars in the field of Old Institutional Economics (OIE) include such notable names as Thorstein Veblen, John Commons[14] and John Kenneth Galbraith (Stanfield and Wrenn 2005: 25). OIE started incorporating more fields of study into the realm of economics. According to Frederick Mills, this moved institutionalist thinking to "a climate thoroughly opposed to the rationalistic tenets of classical economic thought" (Rutherford 2001b: 176). OIE specifically incorporated elements of psychology in order to better understand human behaviour, which is much more complex than suggested by the assumption of rational decision-making used in neoclassical economic thought (Rutherford 2001b: 175).

[14] Veblen and Commons were the founders of OIE (Groenewegen, Spithoven and Van Den Berg 2010: 87).

Institutional research was popular in the period between the First World War and Second World War, both in academia and in the US government, where it had significant influence on Franklin Roosevelt's New Deal. The field of study made significant contributions to, for example, the development of unemployment insurance, workers' compensation, labour legislation, social security, and support programmes for agricultural pricing. However, OIE fell out of favour from the 1950s due to many new developments in other more mainstream fields of economics. In turn, OIE failed to advance some of its key theoretical underpinnings beyond the stages reached by Veblen and Commons prior to the Second World War (Rutherford 2001b: 182-183). Institutional economics again became more popular during the 1980s in the guise of what is known as NIE (Hodgson 2000: 325). As discussed in more detail below, this field of study is characterised by an even wider multi-disciplinary analysis of economic phenomena that include not only elements of psychology but also political science, anthropology, sociology, history and law (Hodgson 1998: 169). This resulted in significant development of institutional theory since the 1980s, especially in comparison to the period of stagnation in the three decades after the Second World War.

Chapter 2 discusses key theoretical concepts from NIE relating to institutions and institutional change. This is required to analyse these features in the Rwandan context in later chapters. The remainder of Chapter 2 is structured as follows:

- Section 2.2 discusses property rights (examples of formal institutions), transaction costs, enforcement mechanisms and informal institutions.
- Section 2.3 outlines theories of institutional change,
- Section 2.4 summarises Alston et al.'s (2016) critical transitions framework and shows its usefulness as a tool for explaining institutional change,
- Section 2.5 considers whether case studies are appropriate tools for exploring institutional change,
- Section 2.6 concludes the chapter.

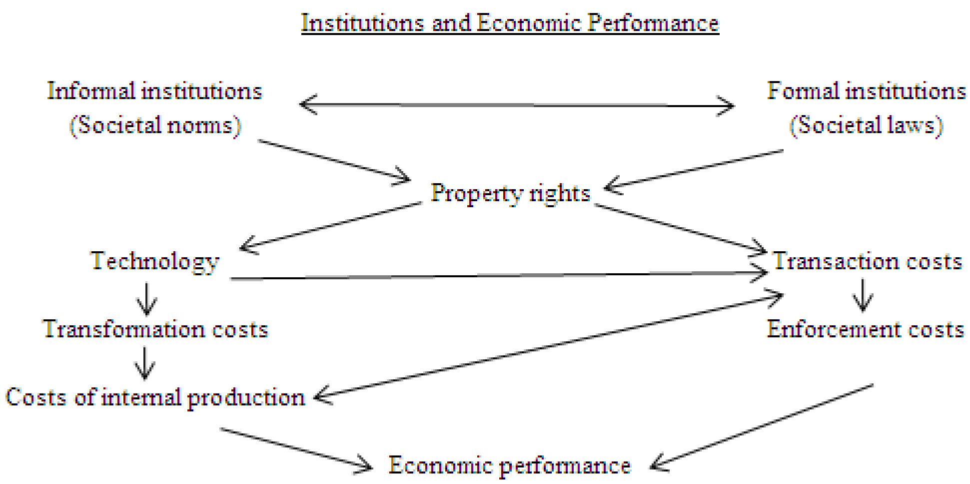
2.2 New Institutional Economics (NIE)

Research by Nobel laureates Douglass North and Ronald Coase is most often the starting point for studying NIE theory. North testified that modern institutional economics "should study man as he is", i.e. humans making choices that are not necessarily rational and utility-maximising. In this scenario, where humans display bounded rationality, North (1986: 230) argued that NIE theory offer tools to examine how institutions determine the choice set available to individuals and groups and how these institutions change over time and modify their choice set. Institutional economists accept that humans have bounded rationality, and reject the instrumental rationality assumption of neoclassical economics. Neoclassical economics postulate that societies are characterised by efficient economic and political markets. Institutions are unnecessary in such societies. In reality, economic agents have bounded rationality due to incomplete information and inadequate mental capacity to process this information. As a result, human societies develop regularised rules and norms to structure human exchange (North 1993; 159-160). In other words, societies created institutions.

Institutions are defined as "regularities in repetitive interactions among individuals". They provide a framework "within which people have some confidence as to how outcomes will be determined" (North 1986: 231). The institutional framework is the 'rules of the game' imposed on organisations or groups of individuals. Together with demographic factors and stock of knowledge, the institutional framework determines a society's incentive structure and shapes the features of the economy. By implication, changes to the rules of the game result in changes to incentives and therefore an economy's features and fortunes (North 2005: 22). Institutional frameworks consist of three elements: formal rules, informal constraints, and enforcement characteristics. These three factors can be explained with the aid of an example from recreational activity: formal rules determine what an athlete may and may not do during a sports game, while informal rules (e.g. team culture and sportsmanship) are associated with team behaviour that influences the degree to which players behave in a sportsmanlike manner. The referees are there to enforce the formal rules affecting how a game is played while team members enforce the informal rules (North 2003: 2). These three elements are defined more formally and in more detail in Sections 2.2.1-2.2.4.

Alston (2008a: 32-34) used a graphical representation, which is shown in adapted form in Figure 2.1, to explain how institutions determine the economic performance of organisations and countries. Figure 2.1 indicates that formal and informal institutions (societal laws and norms, respectively) determine the property rights assigned to individuals and organisations in an economy. These rights include the right to use, sell and bequeath assets. Property rights, in turn, shape innovation and technology. (Technology is therefore endogenous in this model and not exogenous as assumed by the standard neoclassical model.) The basic premise behind this connection is hat property rights allow transactions in technology and ownership of the productivity gains of technological progress by developers. Technology then determines an organisation or economy's transformation costs. These include the costs of combining inputs to generate outputs, that is, the costs of internal production in businesses. Both technology and internal production costs determine transaction costs. These costs are the costs associated with production and exchange, e.g. searching, negotiating, monitoring, logistics, and production coordination. Ultimately, these factors all influence the performance of the economy, including that of the private sector.

Figure 2.1: How institutions affect economic performance



Source: Adapted from Alston (2008a: 33)

The purpose of the remainder of Section 2.2 is to introduce salient concepts in NIE by providing definitions, summaries of roles and overviews of empirical evidence. These concepts are property rights, transaction costs, enforcement mechanisms, and informal institutions, and each subsection discusses relevant theoretical issues. Technology is not discussed here in any detail as it is an endogenous factor in the process of how institutions affect economic performance. The institutional hypothesis explains that these institutions determine countries' long-term economic prosperity. Considering the discussions in Chapters 3, 5, 6 and 7 on institutional change in African countries, it is tempting to broadly touch on these theoretical concepts in an African context. However, African countries are heterogeneous, and it would not be prudent to try and apply these NIE concepts in a broad stroke to the continent.

As an example of this complex situation, Chang (2011: 477-478) comments that institutional economists see the common-law legal system as more favourable in protecting investors than the civil-law legal system. However, due to the complexity of societies, this is not necessarily the case. People with dissimilar cultural values could experience different incentives within the same legal system, potentially making the common-law system less attractive than the civil-law system in such a context. A legal system or legal tool (e.g. property rights, as discussed in Section 2.2.1) could also have disparate incentives for growth and investment in different contexts. Local context, at a sub-national and community level, is very important. For example, Ensminger and Rutten (1991: 684-685) found that common property rules amongst the pastoralist Orma tribes of north-eastern Kenya was more conducive to long-term sustainable livestock farming than private property rights. NIE promotes private property rights, though in the case of the Orma, this led to overgrazing – a deterrent to long-term prosperity for livestock farmers. 'Better' institutions[15] like strong private property rights are often better attuned to the needs of urbanised, developed economies as opposed to developing countries with relatively large non-urban societies. As a result, institutions are only really 'better' if their development and implementation takes local contexts into account (Chang 2011: 474).[16]

2.2.1 Property rights

The construct of property rights is much more intricate for institutional economists than merely the right to use, sell and bequeath something, e.g. a building or a piece of land. This basic understanding of the right to use such a resource and exclude others from using it needs further expansion if it is to be approached scientifically. The solution can be found in Roman law, which differentiated between the right to use ('usos' in Latin) an asset, the right to transfer ('abusus') an asset and the right to the fruits ('fructus') of an asset (Segal and Whinston 2010: 2). More elements can be added to this definition of property rights by considering additional Latin phrases: 'de facto' and 'de jure'. The former involves the claiming of a property right by an individual or group while the latter involves bestowal of these rights by a government or similar authority (Alston, Harris and Mueller 2009: 2). More broadly defined then, property rights are a bundle of decision rights that encompasses the abovementioned ideas (Segal and Whinston 2010: 2). In this context, property rights can range from open access (unrestricted use of the asset) to commons arrangements (access limited to a select group) to private property (exclusion of all but a few or one individual) (Alston and Mueller 2005: 573).

Acknowledgement of the importance of property rights institutions to the success of economies have a long history, and can be traced at least as far as back as Adam Smith's (1776) thinking on economic development.[17] Levine (2005: 62) identified two views on the determinants of property rights regimes

[15] These institutions are often referred to as Global Standard Institutions (GSI), and are typically found in Anglo-American countries (Change 2011: 474).

[16] This context-specific perspective is underscored by the discussion in Chapter 6, which shows how relatively autocratic governance has supported effective transactional leadership in Rwanda after the genocide.

[17] Kim (2009) suggested that Smith's (1776) views on European economic development, from feudalism to capitalism, appear to be a precursor of North's work. The latter emphasised a complicated link between the polity and the economy in history.

in former colonial societies. Firstly, the law view traces cross-country difference in property rights protection to legal traditions which were formed centuries ago and spread via conquest and colonisation. Secondly, the endowment view stresses the roles of natural resources, climatic differences, indigenous populations[18] and disease dynamics. Both views were found by Levine (2005: 83) to be valid at a time when scholars were still undertaking comparative empirical testing. However, irrespective of how property rights institutions are formed, these constructs determine economic behaviour by creating incentives and disincentives. Because they define the costs and rewards of decision making, property rights establish the parameters within which decisions are made about the use of resources (Libecap 1986: 229).

Daron Acemoglu, Simon Johnson and James Robinson have individually and collectively delved deeply into the concept of property rights from an institutional perspective.[19] Their research has distinguished between contracting institutions (that support private contracts) and property rights institutions (that constrain the expropriation of property by governments and elites) – two concepts not often explored individually but instead within a cluster of institutions. The three authors' empirical analysis of former European colonies revealed strong and distinct relationships between contracting institutions and property rights institutions. However, while property rights institutions had a significant influence on long-term economic growth, investment decisions and financial development, contracting institutions were found to have had a more limited impact (Acemoglu and Johnson 2005: 950).

2.2.2 Enforcement mechanisms

Property rights can be enforced via legal and extra-legal mechanisms. Legal mechanisms involve the use of sanctions by states to force compliance with property rights, while extra-legal mechanisms range from informal dispute resolution in the shadow of the law to parties' reputations for upholding contracts. Such reputation-based processes can be alternative to formal mechanisms. The formal and informal mechanisms of enforcement comprise the institutions that underpin the rule of law and form a backdrop for all legal transactions (Hadfield and Weingast 2011: 3-4). The availability of recourse to law and the courts is a safeguard for market participants involved in various transactions (Alston 2008a: 34). The World Justice Project (2018) identified several essential characteristics of such a system. These include that all public and private entities are accountable to the law, that legislation is transparent and applied evenly, that laws are enforced reasonably, and that justice is delivered timely by a competent judiciary.

Private property rights are not a natural occurrence in biology or ecology and are the result of human societies' choices and social institutions. Thus, there is a need for the human polity to administer such rules. This requires a powerful enough government to protect property rights yet refrain from the associated capacity to expropriate such rights. Because the state has a comparative advantage in coercive power, it is necessary to have a constitution that places restrictions on the power of the state (North and Weingast 1989: 805-806). In theory, an independent judiciary enables the implementation of formal institutions (such as constitutions) and enforcement mechanisms without prejudice or favour (Levine 2005: 61). Most economists agree that the enforceability of formal contracts and agreements support economic development (Nelson and Sampat 2001: 40). Understanding how,

[18] Common property, for example, develops around pre-existing kinship relations (Fitzpatrick 2006: 1028).
[19] Their most prominent publication is arguably the 2001 paper 'The Colonial Origins of Comparative Development: An Empirical Investigation', one of the most cited economics articles of the past two decades.

when and why states enforce or violate property rights and contracts are among the essential tasks for institutional economists. Related factors include understanding of the influence of polities on transactional environments, and understanding of the interaction between economic and political markets (Menard and Shirley 2005: 4-5).

Nobel laureate Elinor Ostrom (2004: 8) contributed significantly to the understanding of various public and private enforcement mechanisms, stating that formal rules have to be monitored and enforced by the participants, officials or both in order to be effective and change behaviour. Her statement was related to ecological systems and common resource usage but is relevant to many economic settings. Ostrom was mindful of North's (1984) view of a perfect world. North (1984: 257-258) stated that there would be no opportunism, shirking and cheating if a neutral third party impartially evaluated disputes and awarded compensation to the party injured as a result of contract violation. He further stated that such a world does not exist. Instead, an impersonal judiciary with the power to enforce judgments is needed to enforce the rules. The state is an enforcer of contracts and property rights, among other things. Political scientists postulate that robust third-party enforcement of laws is a prerequisite for economic development. Based on this, Olson (1996: 22) argued that the difference between rich and poor countries is that the wealthier economies have a third-party enforcer of complex contracts.

Ideally, the third-party enforcer is a formal entity tasked with this job. Where such a state entity is unable to perform the task, informal institutions provide proxies for these functions. A plural system involving both formal and informal mechanisms is common (Fitzpatrick 2006: 1038-1039). The enforcement of property rights, for example, allows an individual or organisation to enter into a contract that enables the transfer of ownership of a physical or intellectual good to another agent. However, these contracts are generally constrained by incompleteness due to individuals having imperfect information and communication and calculation skills (i.e. bounded rationality). This results in the occurrence of transaction costs to implement such a contract given that all potential contingencies involved in the agreement cannot be anticipated. The incompleteness necessitates regulation to reduce uncertainty in the case of various contingencies (Furubotn and Richter 2008: 17-18). Hence, the critical issue is that enforcement mechanisms established by the state or the agents themselves must be in place to protect formal institutions. Furthermore, this determines the cost and incentives of doing business in an economy. The cost of enforcement increases when formal and informal institutions clash (Pejovich 1999).

2.2.3 Transaction costs

Nobel laureate Oliver Williamson created the term New Institutional Economics (NIE) in 1975 and was a pioneer in developing the approach known as Transaction Cost Economics (TCE) (Furubotn and Richter 2008: 16). TCE is a theory of organisations and considers, amongst other factors, how organisations exist and operate to minimise costs. The Williamson approach built upon the earlier work of Coase (1960: 15), who pointed out that it is unrealistic to assume that market transactions are costless and argued that transaction costs are ubiquitous. Transaction costs result from the steps necessary to find a counterparty, convey an interest to deal with them, negotiate, reach an accord, and ensure that all the terms of the contract are observed. Dahlman (1979: 147-148) formulated the following three-step definition based on the phases of the transaction process:

- Search and information costs due to imperfect information between transacting parties.
- Bargaining and decision cost to determine a counter party's desire to trade under certain conditions.
- Policing and enforcement costs to ensure that one or more parties do not violate the conditions of the transaction.

A more trusting relationship between parties – an issue related to informal institutions – naturally reduces the need for complex contracts and increase information sharing (Chu and Dyer 2003: 57). This will invariably reduce the cost of transactions, as defined by Dahlman (1979) and North (1984). Indeed, a higher level of trust will reduce search and contracting costs (those steps needed to find and negotiate with a partner) as well as monitoring and enforcement costs (those steps related to policing the agreement). Regarding the last point, enforcement becomes increasingly important in the transaction process as humans move from personal exchange (amongst family, friends and long-standing business relationships, with high levels of trust) to impersonal exchange (which is more prevalent in developed economies and relies less on trust). Impersonal exchange in the absence of third-party enforcement exists only where one party has overwhelming coercive power relative to the other party, as in serfdom and slavery (North 1984: 258-259).

Transaction costs are also at play when private parties interact with the polity on a direct basis (e.g. the supply of public services) and a third-party basis (e.g. enforcement of law). Uncertainty arises because the public entity lacks knowledge of the characteristics of every individual or organisation and because high levels of trust between such actors are far from guaranteed. For example, there cannot be certainty on the part of the government about the intent of the business, quality of physical capital, trustworthiness in direct property trading property with other private entities, full disclosure of tax obligations, compliance with cross-border trade laws, etc. To address the resulting asymmetrical information, public entities require disclosure via paperwork and inspections and provide documentation to certify information (Dahlman 1979: 147-148). The private party is liable to pay certain explicit and implicit costs when transacting with the public entity. These include direct monetary payments for transactions or exchanges, and indirect payments to fund public sector activity (e.g. taxes).

In global trade and other areas, the costs involved in search, information sharing, monitoring and enforcement are real concerns for public entities responsible for the public good. To reduce uncertainties in international trade and other forms of transacting between private parties, public entities require companies to provide relevant information for collection in a public registry, submit their activities to regulatory scrutiny, and obtain certification that such steps were taken. These actions by the government reduce private transaction costs. Spending money, either explicitly or implicitly, to fund search, decision-making, policing, and enforcement processes is part and parcel of the institutional environment in which private entities operate. In the case of African stock exchanges, for example, investors are enticed by high returns, but face high dealing and settlement costs.

2.2.4 Informal institutions

Formal enforcement mechanisms are associated with constitutions and courts of law, while informal enforcement is associated with societal and religious conventions, among other things. Informal constraints are norms, conventions, and internally held beliefs (North 2005: 27). These informal institutions include societal and religious processes like codes of conduct, taboos and standards of behaviour that humans use to explain and evaluate the world around them (North 1989: 1322). Informal institutions emanate from socially transmitted information and are part of human heritage. These institutions are the parts of a community's heritage that can be identified as culture (Pejovich 1999: 166) and which determine the way people process and use information (North 1990: 42).

Social scientists' understanding of the impact of culture on economic outcomes has come a long way in a short time. As recently as the 1980s, economic analysis was unable to incorporate socio-cultural phenomena such as trust and confidence beyond two-way interactions between individuals (Coleman 1984: 85). Even at the turn of the millennium, economists were reluctant to rely on concepts like culture as a possible determinant of economic phenomena (Guiso, Sapienza and Zingales 2006: 23). Less than a decade later, however, a comprehensive review by Alesina and Giuliano (2013: 2) showed that specific cultural variables determine many economic choices, and even affect the speed of development and the wealth of nations. Cultural factors change very slowly due to their social embeddedness (Williamson 2000: 596-597). Such inertia is due to the evolutionary nature of these conventions, which do not allow for quick change in their long-lasting grip on society and the conduct of individuals. The term 'institutional stickiness' describes situations in which new institutional arrangements cannot take hold due to cultural factors (Boettke, Coyne and Leeson 2008: 332).

It can be argued that attempts to understand the influence of social variables on economic outcomes should consider information from social sciences other than economics. In a study focussed on the contributions of sociologists to this question, Granovetter (2005: 33) listed three channels by which social structure and networks affect economic outcomes: these systems affect the flow and quality of information, act as a source of reward and punishment, and determine confidence that others will do the 'right' things. Sahlins (1972) used an example of changing levels of trust and confidence in a system of tribal trading with distant markets to argue that social structure determines the flexibility of the economic system. In turn, Fernandez (2010) adopted an epidemiological approach from the biological sciences to study the impact of culture on economic outcomes. Her method studied differences in economic outcomes for individuals who share institutional settings but differ with regards to cultural backgrounds (e.g. several groups of immigrants in a new country).

Broadly speaking, economists use two definitions of culture. The first emphasises social conventions and individual beliefs, while the second focusses on individual values and preferences. The latter is consistent with cultural models in the fields of sociology and anthropology. The two definitions are not mutually exclusive, though (Alesina and Giuliano 2013: 5). Many empirical researchers prefer the definition by Guiso, Sapienza and Zingales (2006: 23), who described culture as "customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation".[20] The cultural traits that receive most attention in empirical literature on trade and commerce are (i) trust towards others, (ii) individualistic and collectivist orientations, (iii) the relevance of family ties in society, (iv) the extent of cooperative behaviour, (v) attitudes towards work, and (vi) religion and religiosity (Alesina and Giuliano 2013: 6-16). While the impact of culture on economic outcomes is clear, international comparisons are complicated by the reality that individual surveys and laboratory experiments within particular population settings are the sources of measures of informal institutions. Religious beliefs and values, for example, are multifaceted and cannot be reduced to one or a few quantitative variables. These challenges are further explored in Chapter 8.

[20] Guiso, Sapienza and Zingales (2006: 24) admitted that this definition is not comprehensive. However, it does capture for this dissertation the dimensions of culture, which can affect economic outcomes.

2.3 Theories about institutional change

Interest in institutional change grew significantly in the 1980s as scholars started studying the emergence and historical evolution of institutional variation in economic systems (Campbell 2011: 89). Endeavouring to understand institutional change is essential for further progress in the social sciences in general and economics in particular (North 1994: 1). Instances of institutional change were at the heart of most significant historical developments over the past millennium. Khawaja and Khan (2009: 250-255) listed several historical experiences in institutional differences and changes that helped map the present-day dynamics of global economic prowess and political power. These include the divergent institutional paths during the late 17th century of, on the one hand, Britain and The Netherlands and, on the other hand, Spain and France. This was due to the beneficial impact of international trade on British and Dutch commercial interests. Another example was the rapid industrialisation of Britain and Germany during the 19th century compared to the slower progress in Austria-Hungary and Russia, where smaller benefits weakened incentives for elites. Finally, more favourable attitudes among policymaking elites to commercial freedom allowed North American states to industrialise more quickly than Latin American and Caribbean ones did during the 19th century.

Easterly (2008: 99) pointed out that historical evidence, contemporary research and common sense suggest that institutional change is gradual in the vast majority of cases. Khawaja and Khan (2009) also denied the existence of quick-fix solutions for weak institutions. Williamson (2000: 596-597) differentiated between four types of institutions, based on the frequency at which they change:

- Embedded culture and norms that change over centuries and millennia
- High-level formal rules like constitutions that change over decades and centuries
- Governance rules that govern day-to-day interactions and can adjust over years
- Prices and quantities in individual contracts that adjust continuously.

History obviously matters (North 1990: vii). A society's formal and informal institutions are the products of historical evolution. The reality that institutions evolve into their present-day form from a recognisable structure in the past makes them the carriers of history. As implied by the notion of path dependence, institutions may be unable to shake off the effects of past events in the absence of significant shocks. Institutions tend to be sticky and slow to change and may carry remembrances of the past for a long time. David (1994: 205-206) commented that Aristotle's teleological method "links the present state of arrangements with some originating context or set of circumstances and interpolates some sequence of connecting events that allow the hand of the past to exert a continuing influence upon the shape of the present". Put differently, arrangements such as institutions have their origins in distant history, and it is the long-term interaction between institutions and organisations that determine institutional change.

David (1985) was the first to highlight the issue of path dependence in economic history by reviewing the history of the QWERTY keyboard. The layout had its origins with the mechanical typewriter, designed in 1873 to minimise the clashing of the type bars that imprinted letters on pages. Modern personal computers still use the same standardised keyboard layout even though clashing type bars no longer hinder typing. Moreover, more efficient layouts exist, including the Dvorak Simplified Keyboard (DSK) that allows the user to type 20%-40% faster. The embeddedness of QWERTY reflects three factors, namely (i) the technical interrelatedness between keyboard hardware and the human user's software skills and experience; (ii) economies of scale as the rollout of QWERTY encouraged further adoption of the layout; and (iii) the rising cost of switching from QWERTY to, for example, the DSK. As a result, and despite technological changes, the less efficient QWERTY keyboard remains the dominant layout. It began a path towards contemporary keyboard usage that could not be swayed by a more efficient alternative. The value of David's (1985) analysis of path dependence is that it emphasises North's (1990: vii) assertion that history matters.

Nonetheless, human social systems (institutions) change over time due to humans' creative capacities and problem-solving abilities. Humanity can question, abandon, change, and create new rules that distinguish the human social world from those of many other social animals. Creative cognitive capacities help explain the complexity of human institutions, the emergence of opportunities for new variation, and the likely rates of institutional change. It might initially appear that Lewis and Steinmo's (2012: 317) discussion of the role of intellect in institutional change would prompt a view of quick rather than gradual institutional change, considering that humans are the most intelligent social animals and therefore able to apply their creative capacities and problem-solving abilities quickly. Since institutions are part of the intergenerational transfer of norms and behaviour, they cannot be expected to easily change from one generation to the next. Even when humans apply their creative and reasoning skills they rarely recalculate and rationally reassess all possible choices. As a result, evolutionary institutional change has been subject to significant path dependence, which has made institutions sticky.

To be sure, the Darwinist perspective is not the only theory about institutional change. Caballero and Kingston (2009: 153) distinguished between the evolutionary processes discussed above and changes that are purposefully designed and implemented.[21] They found three possible derivatives of the centralised process of rulemaking that determine the process of change. Firstly, institutional change can be a product of supply and demand dynamics, with constituents demanding change from their political suppliers. This entails a process of bargaining. Secondly, authorities can have a more independent role when the demands of their constituents are not the only considerations in rulemaking. Politicians' interests can be at play as well, which makes the bargaining process less efficient. (Here the judiciary plays a role in mediating the creation of new rules.) Thirdly, political actors can have a more autonomous role in driving institutional change – the extreme cases being dictatorships in which the rulers' subjects are hardly involved (Caballero and Kingston 2009: 157-158). In such cases, citizens could opt for revolutionary action to secure change.

Considering then that some institutional change can be attributed to path-dependent processes and others to purposefully designed adjustments (the 'how'), it is also important to consider the impact of exogenous shocks and endogenous triggers on the institutional framework (the 'why'). North (2005: 22) saw room for both endogenous and exogenous influences on institutional change as this added considerations of space to the earlier thinking linked to time. While exogenous change (e.g. revolution) can be seen as more dramatic than endogenous (evolutionary) change, gradual change can be of great significance in itself. Slowly unfolding changes may be very significant as causes of other outcomes (Mahoney and Thelen 2010: 3). As a result, this dissertation neglects neither exogenous nor endogenous factors when discussing the process of institutional change.

[21] Hargrave and Van de Ven (2004: 262) pointed to continuous and evolutionary change, as opposed to discontinuous and revolutionary change.

The continuous interaction between institutions and organisations is the key to both deliberate and evolutionary institutional change. This can be due to external as well as internal developments. North (2005: 22) stated that new or altered opportunities could be interpreted as resulting from exogenous changes that change relative prices to organisations, or from endogenous competition among the organisations in the polity and the economy. There is scope for both sets of influences. Acknowledging that institutions can be determined by the forces of history or by forces outside of the current economy also makes it easier to understand the effect of institutions on societies (Engerman and Sokoloff 2005: 649). Such exogenous factors include military conflict and the discontinuous change brought by the introduction of new technology. These developments fall outside of the existing institutional preferences operating and competing within a society. Caballero and Kingston (2009: 171-172) suggested that these exogenously caused shifts in institutions do not rely on one part of society implementing a change for reasons of self-interest (as would be the case with endogenous change), but involve individuals and organisations in a coordinated shift in the beliefs and strategies of many players.

Acemoglu, Johnson and Robinson (2005: 390) stated that economic institutions are endogenous in their origin and determined by the collective choices of societies. However, there is no guarantee that all individuals and groups will prefer the same set of economic institutions because different economic institutions lead to different distributions of resources. Hence, competition among groups, organisations and individuals is almost inevitable. According to them, the entity that eventually wins the competition and determines the economic institutions is the faction with most political power. The distribution of political power is also endogenous and is determined by political institutions. To be clear: political power is the ability to enforce a set of chosen economic institutions, either by legal (de jure) bestowment of this right or by extra-judicial (de facto) processes not specified by a constitution or other formal rules. Poorly allocated political power can constrain the competition between different forces within a society. This goes to the core of why some societies chose economic institutions that were not good for them. The majority did not have the political power to undo the institutional choices by the minority with political power.

More extensive discussion of exogenous and endogenous change is not required in this study, as it does not attempt to rank the different approaches. In fact, there is no broad consensus yet on conceptualising institutional change. Some researchers find the evolutionary approach relevant to their case studies while others focus on the design-based argument because it suits their subject matter better. The question naturally arises as to how to integrate these theories. Caballero and Kingston (2009: 167) explored the interaction between automatic and deliberate mechanisms of institutional change and the circumstances in which each applies. This dissertation adopts the so-called equilibrium view of institutional change in which deliberate and evolutionary changes to institutions are possible because of endogenous and exogenous influences on the status quo. Put differently, the equilibrium view of institutional change accommodates slow and fast-moving changes stemming from internal and external sources. This was a viable departure point for using the critical transition framework proposed by Alston et al. (2016) (see Section 2.4).

A significant challenge to social science is to understand why a society moves from one institutional equilibrium to another. Moreover, the biggest challenge for NIE researchers is choosing a framework or toolset for analysing such institutional change. There is not yet a consensus amongst institutional researchers about the best method to attempt such a feat. Caballero and Kingston (2009) reviewed different theoretical approaches to conceptualising institutional change, which was borne out of the dilemmas they faced in being confronted with different theories of institutional change. Their study did not endeavour to resolve the problem but instead attempted to map out areas of confusion. This was seen as a necessary first step towards achieving consensus or at least understanding (Caballero and Kingston 2009: 152). In providing an updated overview of approaches to institutional change, Caballero (2013: 4) reiterated that an all-encompassing theory of institutional change is yet to be produced and that different theories can be useful in the analysis of different processes of institutional change. More recently, Bedock (2014: 358) stated that many theoretical challenges remain when it comes to the 'how' and 'why' of institutional reforms.

2.4 Alston et al.'s (2016) 'critical transitions framework'

While social scientists have developed powerful analytical tools to understand the outcomes of diverse institutional systems, the majority of these toolkits are calibrated towards analysing static worlds, while the real world is, in fact, forever changing. To address this issue, an effective framework for institutional change needs to make room for deliberate and evolutionary changes to institutions, provide tools for analysing dynamic situations, and include structural variables present in all institutional arrangements. Also, as discussed in Section 2.2.4, such a model needs to accommodate the fact that unintended change, evolutionary processes, and intentional design are at work in many real-world examples of institutional change (Basurto and Ostrom 2011: 317). These various forces are often challenging to separate. Ostrom (2011: 9) stated that an institutional framework should identify the major structural variables that are present in all institutional arrangements, but whose values differed from one type of arrangement to another. Such a diagnostic tool should be based on the premise that institutions are different configurations of written and unwritten rules that shape human interactions (Basurto and Ostrom 2011: 318).

A relatively new approach to understanding institutional change from Alston et al. (2016) is a viable option for answering the research questions in Section 1.2 whilst conforming to the requirements set out in the preceding paragraph. Alston et al. (2016: 171) set out to explain economic and political developments in Brazil in their book entitled 'Beliefs, Leadership, and Critical Transitions: Brazil, 1964-2014'. Consequently, they developed a framework that can explain how countries transition from unsustainable to sustainable institutional structures. They argued that, while institutional researchers can identify sustainable trajectories of economic and political development, there is no universal strategy for making the change from less sustainable towards more sustainable institutions. In other words, there is no perfect recipe for countries to make such transitions.

Alston et al. (2016: 169) did not set out to define a formula for change. Instead, they focused on creating a general inductive framework for understanding critical transitions that is reflective and not prescriptive as a recipe would be. They argued that the general lessons from institutional change in Brazil enable the creation of the 'critical transition framework' that can be generalised to understand institutional change in other countries. Indeed, once the critical transition framework was fleshed out, the authors offered a similar, albeit much shorter, assessment of institutional change in Argentina (Alston et al. 2016: 191-208) to verify the generalisability of the scheme.[22] Generalisability across different case studies is vital for the robustness of a qualitative conceptual framework. A case is generalisable if it is informative about a general phenomenon and broadly applicable beyond the specific site, population, time, and circumstances studied (Mabry 2009: 222). Alston et al. (2016)

[22] Alston (2017: 360-366) provided a similar application to the US during the late 18th century.

motivated the generalisability of the structure by constructing their critical transition framework as a tool to help understand other episodes of institutional change and also testing its usefulness in the Argentinian context.[23] The critical transitions framework is best understood from the schematic in Figure 2.2.

Alston et al. (2016: 14) start their institutional scenario with the so-called autopilot position in which institutions are more or less stable.[24] Here, institutions change only at the margin instead of fundamentally. Those in political power put in place formal rules that suit their needs and expected economic and political outcomes. Attempts to disrupt the status quo will produce few gains and at a high cost. The dominant network[25] within the institutional setting comprise organisations with economic, political, religious, or social motives and operations. Their power within the network is based on the ability to influence and shape institutions. In a highly democratic society, for instance, this network would include representatives of ordinary citizens. In a repressive society, the dominant network is limited to elites from the political, economic and religious organisations, depending on the individual context. The dominant network structures their institutional environment according to their beliefs. Alston et al. (2016: 226-227) cited a definition from North (2005) indicating that beliefs are the subjective perceptions of actors and organisations about how the world works. In the autopilot scenario, the beliefs of the elite are consistent with institutions. Hence, institutions are structured according to what the dominant network believes is most accommodative to their desired outcomes.

The autopilot scenario includes constitutional-level institutions that can refer to a country's codified constitution or other laws that fundamentally influence incentives within society (Alston et al. 2016: 26). Examples include laws governing elections and the separation of powers. These high-level institutions underpin laws and enforcement, and broadly corresponds to the notions of formal 'rules of the game' and third-party enforcement (Alston et al. 2016: 179 & 189). Laws and rules are underpinned by certain core beliefs amongst the dominant elite and, quite often, other organisations and actors (Alston et al. 2016: 189). Stability in the autopilot scenario is dependent on incremental changes to the 'rules of the game', which are much more commonplace than large-scale constitutional-level changes. These adjustments are needed to achieve realignment after minor changes in either beliefs or outcomes (Alston et al. 2016: 171, 191).[26] With continued incremental adjustments, the dominant network's beliefs continue to match their expected economic and political outcomes. These are the results of the cause-and-effect beliefs held by the dominant network. The members of the network expect to derive specific incentives and rewards from their actions and base their activities and institutional formation on their understanding of the cause-and-effect structure (Alston et al. 2016: 190).

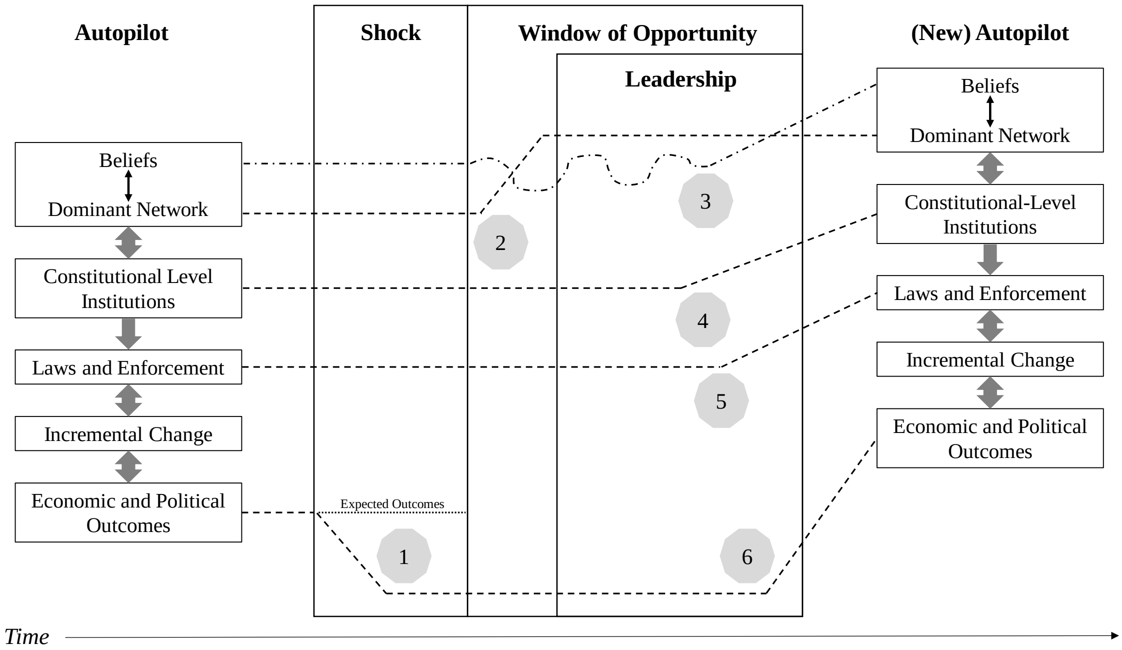
[23] The greater goal of their endeavour is summarised well in the preface to North's (2005: vii) 'Understanding the Process of Economic Change': "[I]f we can achieve an understanding of the underlying process of change then we can develop somewhat more limited hypotheses about change that can enormously improve the usefulness of social science theory in confronting human problems."

[24] Underlined text highlights the key components of the critical transitions framework as identified by Figure 2.2.

[25] As indicated in Section 1.1, Harberger (1993: 343) argued that these individuals are instrumental in giving direction to policymaking.

[26] The constitutional level institutions, laws and enforcement mechanisms, and incremental change identified by Alston et al. (2016) broadly align with the second, third and fourth types of institutions identified by Williamson (2000: 596-597) and listed in Section 2.2.4. The first component is embedded culture and norms (informal institutions) that take centuries and millennia to change.

Figure 2.2: Autopilot and critical transitions



Source: Based on Alston et al. (2016: 191)

A critical factor in moving from the autopilot situation into a period of institutional change is the deviation between actual and expected economic and political outcomes (point 1 in Figure 2.2). This arises when incremental changes to the institutional design can no longer compensate for differences between beliefs (which include expected outcomes) and actual outcomes. This is caused by an endogenous or exogenous shock to the system that significantly divides actual from expected outcomes. The shock is also a break between one epoch and the next. The tremor can come from diverse sources, for example economic factors, political factors, climate change, military action, disease or famine. These jolts can bring the core beliefs of the dominant network into question. It can also cause actors or organisations to enter into or exit from the dominant network. This happens because consensus among the members of the network about required changes to institutions breaks down when beliefs became malleable (Alston et al. 2016: 25).

At this point, Alston et al. (2016: 176) identify a window of opportunity for changes in a country's economic and political outcomes by a significant adjustment in beliefs and institutions. This is not the same as Acemoglu and Robinson's (2013: 431) critical junctures, which refer to moments in time when significant events or the confluence of factors result in disruptions of economic or political power. A critical juncture implies a point in time when change happens. Alston et al.'s (2016: 176) window of opportunity is not a point in time, but rather a series of opportunities for change that, if seized upon successfully, ends in a modification of the dominant core belief. The possible series of changes may be frequent, but the execution of all these changes in the correct sequence is rare. A window of opportunity can arise from several factors, for example, changes in rents, incentives or rewards received by the dominant network; the entrance of a new actor or organisation into the dominant network; and changes in the beliefs of the dominant network.

A transformation of the dominant network (point 2 in Figure 2.2) and its beliefs provides an opportunity for leadership to emerge and make the necessary changes to the institutional setting (Alston et al. 2016: 176). Certain individuals emerge as game changers in these situations with the ability to make a unique difference to a country's institutional trajectory.[27] Such a game changer will hold beliefs (and associated views on appropriate institutions) that could place a country on a new trajectory, towards a new autopilot situation dependent on continued incremental change and enforcement. Most often, the beliefs held by such a leader are aligned with the beliefs of many others (Alston et al. 2016: 186-187).[28] Other requirements for a leader include the ability to identify a window of opportunity and be able to find a solution to the problems at hand (Alston et al. 2016: 188-189). Note, however, that the influence of leadership is not always benign; it can take a country in a negative direction as well.

Once leadership emerges, this person's first task is to realign the dominant network's beliefs (point 3 in Figure 2.2). This can be done by changing the dominant network's beliefs in the autopilot situation, and may take some time while elites within the dominant network jostle for power (Alston et al. 2016: 193). Once progress is made towards a new set of beliefs, changes to institutions are needed to align these new beliefs with a new set of economic and political outcomes. The constitutional-level and laws and enforcement components of the scenario can change if the dominant network can exercise cognitive (identifying) and coordinative roles and enact institutional deepening (which also includes incremental change)[29] (Alston et al. 2016: 194-195). The new rewards and incentives for actors and agents in the economy result in new economic and political outcomes, which are maintained through incremental change. This closes the book on the historical period that started with the original autopilot situation. If all goes according to the theoretical plan, a new set of outcomes will align with the new set of beliefs and move the dynamics to a new autopilot situation. In some societies, this will translate into a more open economic and political environment (Alston et al. 2016: 194). However, a better autopilot situation is not guaranteed – if one dictator replaces another, for example, change is not necessarily for the better.

The reality that institutional researchers are still far from agreeing on a specific model for institutional change makes it important to evaluate whether the critical transitions framework adheres to academic standards of good practice in case study research. Regarding the choice of framework, Hargrave and Van de Ven (2004 and 2006) set out criteria that categorise the four different types of models of institutional change available for selection. This is needed to determine whether the critical transitions framework qualifies as such a framework. Hargrave and Van de Ven (2004: 261) used the standard Northian definition for institutions and defined institutional change as the difference in an institution's form, quality, or state over time. To analyse this, it is necessary to compare the arrangement of institutions at two points in time to understand the difference. One of the options for understanding the move from the first to the second point is to consider concepts and variables about specific actions and activities – this is usually associated with 'variance theory' and is explained with the aid of econometric modelling. The second option is a narrative of how things change. This is associated with 'process theory', and it should be immediately apparent that the second option is more closely aligned with case study methodology (Hargrave and Van de Ven 2004: 262).

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[27] Schofield (2006) identified this as 'transformative' leadership; a catalyst for discontinuous change at a pivotal moment.
[28] On a similar note, Storr (2009) examined North's notion of an 'ideological entrepreneur' that plays a role in institutional change by changing minds and, in so doing, institutions. This can be seen as a precursor to the expanded concept of leadership in the critical transitions framework.
[29] Canes-Wrone (2006) identified this as 'transactional' leadership; a leader manages and attempts to implement policy within a larger economic, social and political context. This definition of leadership is further explored in Section 5.2.2.

Scholars have converged on four distinct perspectives on institutional change, and their writings provide insight into four different models: the institutional design model, the institutional adaptation model, the institutional diffusion model, and the collective action model. (The critical transitions framework emanates from the fourth model.) Each of the four models provides an internally consistent account of institutional change, but addresses different questions or aspects of change, and relies on a different generating mechanism to explain change (Hargrave and Van de Ven 2006: 866). Broadly speaking, these four models emerged in the order listed below. The institutional design model was favoured by theorists who regarded institutional change as the outcome of purposeful actions by individuals to maximise their own goals.[30] The institutional adaptation model gave more consideration to the pressure that the institutional environmental itself exerts on individuals and organisations to reshape institutions. Hence, this second model is perhaps a more societal view than the institutional design one, which emphasised individualistic reasons for change.[31]

Thirdly, the institutional diffusion model takes into account elements from both preceding models by considering how institutional arrangements are adopted and diffused amongst individuals and organisations. It also takes into account evolutionary process as well as formal and informal processes.[32] The fourth construct, the collective action model, is a contemporary model that supplements and extends the other three (Hargrave and Van de Ven 2006: 868). Of the four models, the collective action model is the closest in spirit to the critical transitions framework, and best serves the purposes of this dissertation as a model for understanding institutional change. In fact, with the already discussed critical transition framework in mind, the initial part of the following outline of the collective action model narrative is rather familiar. The key differences and improvements made by Alston et al. (2016) that should be highlighted are that the critical transitions framework incorporated two key concepts: windows of opportunity, and leadership.

Starting with the status quo institutional setup (earlier referred to as autopilot), the institutional scenario of the collective action model comprises networks of individuals, groups and organisations with a collective identity (beliefs) occupied with the drive for social change or social consistency. This network operates within a defined set of mobilising and political opportunity structures that determine how they can organise to generate change or maintain the status quo. In a democratic system, for example, this would be a representative government, while in a dictatorship this would be a small ruling elite. Indeed, there is scope for the structure to be that of a dominant network rather than a larger more representative group. The network's beliefs are shaped by shared understandings and interpretations of what the world is, how this departs from desired outcomes, and what actions could be taken to achieve those outcomes. This is determined by a frame of reference of issues and technologies shaped by opposing actors (Hargrave and Van de Ven 2004: 277-278). These frames are seldom cut from the same piece of cloth and can involve available selections (e.g. from other countries) and domestic cultural issues (Hargrave and Van de Ven 2006: 870).

This view of beliefs resonates with the notion that actual economic and political outcomes are not always congruent with everyone's expected or desired outcomes. In the collective action model, the institutional frame at a given point in time (i.e. autopilot) represents a temporary settlement between opposing political coalitions within the network. Hargrave and Van de Ven (2004: 279) cited Schon

[30] See, for example, Commons (1924 and 1950).
[31] See, for example, Scott (2001).
[32] See, for example, Kraatz and Moore (2002). For a much more detailed discussion on the first three models, see Hargrave and Van de Ven (2004: 264-277).

(1971) for elaborating on the process by means of which public policies emerge or change. This process includes a disruptive event (a shock, in the critical transitions framework) that triggers an appreciation for change and a reactive sequence of events. This creates an opportunity for networks to propel their ideas into the limelight for scrutiny and debate. Social movements play identical roles in reactive and proactive process models. The motivation for this role is to mobilise the resources needed to push and ride ideas into good currency, i.e. to win the battle over framing (Hargrave and Van de Ven 2004: 279). These ideas – either new of originating from the periphery – need to resonate at the highest political level.

Social movements have to struggle with entrenched interests within ruling networks to shape institutions (Hargrave and Van de Ven 2004: 281). This requires mobilisation of structures towards a bottom-up approach to enacting change. Hargrave and Van de Ven (2006: 873) offered a segmented, polycentric, integrated network (SPIN) structure as an example, in which diverse and networked groups did not follow a single leader but instead were united by a shared ideology. For example, mobilising campaigns aimed at legitimising a social innovation require the support of stakeholders (e.g. consumers) who implement such changes to convince politicians. Only then will cognitive legitimacy transpire in terms of which the innovation or change is considered a valid, viable and useful institution. The network of decision-makers will only be adopted after such legitimacy is achieved and, if successful, the resulting institutions will hold for as long as the dominant network remained in power (Hargrave and Van de Ven 2006: 875-876).

In spite of a shared foundation, the collective action model clearly deviates at some point from the critical transitions framework. While both contain essential elements of institutions, identity and beliefs, networks, and the outcomes of institutional change, Alston et al.'s (2016) critical transitions framework incorporated two key elements that the collective action model did not account for. These are windows of opportunity during which the beliefs of the dominant network are malleable, and the importance of a leader or leadership group in enacting top-down changed. Beliefs are made available to some extent during windows of opportunity, but little would happen unless someone seizes the opportunities. Leadership plays a role during these times (Alston et al. 2016: 15). Leaders are shaped in such situations by acting on problems facing their societies. This requires cognition of the problem, the ability to coordinate with others in the dominant network, and the moral authority to do so. In the critical transitions framework, the responsibility for change is in the hands of a person or persons in the dominant network.

Windows of opportunity are defined as series of opportunities for change that could end in changes in the dominant core beliefs. It is during these periods that the dominant networks – collectives that do not appear to vary much in the above four models of institutional change – are altered by the entry or exit of actors. Alston et al. (2016: 176-177) stated that such injections of new blood and the culling of old bones alter the beliefs sets of dominant networks and can make them more or less receptive towards the desires of social movements (The word ‘less’ confirms that windows of opportunity do not necessarily lead to institutional change). Following shocks, reformed dominant networks could opt for different institutional setups that do not necessarily surrender to the lobbying of social movements – if they consider these inputs at all. The critical transitions framework accommodates the notion that institutional change is compatible with minimalist and elite-dominated networks, as confirmed by the experiences of some dictatorships, monarchies and autocracies.

There are undoubtedly many windows of opportunity, but it is the interaction between windows of opportunity, beliefs, and leadership that matters. Alston et al. (2016: 177) indicated that windows of opportunity are not always windows for change, and that it is the actions of certain individuals at precise moments that make a meaningful difference. The point is that leaders do not necessarily step up to the challenges when windows of opportunity open after the occurrence of shocks. In the case of Argentina, Alston et al. (2016: 204) treated the long period from 1946 to the present as one epoch within the critical transitions framework, because of the inability of the country's leadership to complete and entrench the changes needed to effect a critical transition. When such a person does step up, the individual taking a leap of faith in the right direction can also be referred to as an 'institutional entrepreneur'. Some of the most dramatic and important institutional changes in history came about because of political entrepreneurs who eschewed reliance on established institutional mechanisms and successfully created new institutions (Greif 2006: 201-202). These leaders included Muhammad (who unified Arabia under Islam), Franklin Roosevelt (who created the US social security system) and Nelson Mandela (who helped end apartheid in South Africa).

Ahlquist and Levi (2011: 2-4) provided a review of research on leadership in the fields of political science, economics, and management studies. They indicated that an emphasis on the importance of leadership can be traced as far back as the writings of Machiavelli (1532) and that the topic is now back in fashion amongst political scientists. While academic literature still lacks consensus about the characteristics of leaders and leadership, the authors argued that the apparent discordance is mostly a product of scholars' attempts to appropriate the term for their own research purposes. Their review of the literature identified five characteristics of leadership that most scholars are likely to accept: (i) relational (leaders need followers), (ii) asymmetric (attention and information mainly flows in one direction), (iii) salient (attention and respect are commanded), (iv) domain-specific (a leader in one area can be a follower in another), and (v) instrumental (action is coordinated) (Ahlquist and Levi 2011: 5).

Alston et al. (2016: 193-199) underscored that the crucial role of leadership is the changing of beliefs of what economic and political outcomes should be, and for leaders to then enact institutional changes so that expected and actual outcomes are aligned. Also, leaders are required to work on institutional deepening if changes are to remain in place. They stated that recognising this role for leadership is a departure from the standard economic and political rational-choice models populated by representative agents. This suggests that members of dominant networks are no longer just agents representing median voters in countries, but that they have specific characteristics that make them leaders. While the collective action model is not an example of a rational choice model,[33] it seems to suggest that dominant networks are tools used by social movements to get their desired institutions in place. This does not make room for unique leadership qualities and the ability to swoop in during windows of opportunity to make significant institutional changes.

The critical transitions framework considered the foundation established by the collective action model and built upon this to create a more current framework for understanding institutional change by incorporating aspects of beliefs, leadership, and windows of opportunity. Alston et al. (2016: 186) found that leadership is a relatively absent concept in most frameworks of institutional change. By

[33] Scott (2001) argued that rational choice would preclude participation in collective action, as the personal benefit derived from such action would be distributed to all members of a certain grouping, irrespective of membership. For example, joining a labour union where benefits of collective bargaining are shared amongst all workers in an industry irrespective of union membership creates a free rider problem. Rational individuals would have no incentive to join the union as benefits can be accrued without membership.

improving upon the collective action model, their critical transitions framework provides a more developed structure for understanding institutional change. It also enables deeper analysis of specific components of the framework, based on their requirements. This dissertation selected the critical transitions framework over alternative frameworks for understanding institutional change because it assigns a key role to leadership in processes of institutional change.

2.5 Should case studies be used to understand institutional change?

Alston et al. (2016) was a case study in institutional change. The use of case studies is not the norm in contemporary academic economic research as the method often delivers too specific results, instead of the more generalised findings required to formulate economic theories. This dissertation makes use of case studies for the exact reason that Alston (2008b: 103) also advocated their use: the method allows researchers to isolate the impact of a theoretical concept in a more detailed and potentially more compelling manner. Case studies enable analysis of determinants and consequences of institutions and institutional change. They also provide building blocks for understanding institutional change and for moving closer to consensus on institutional change. Given the lack of an all-inclusive theory of institutional change, case studies form building blocks for researchers to create more solid theoretical and empirical fundamentals for a theory of the dynamics of institutional change (Alston 2008b: 104-105). The focus on Rwanda in this dissertation makes it an explanatory[34] case study that explicates the 'how' and 'why', in order to provide a rich description of the change in the country, as demanded from case studies by John and Rule (2011: 8, 29).

It is important to emphasise from the outset that neither qualitative nor quantitative approaches are inherently superior for understanding institutional change. After all, case studies are the bases of observance for enumerating data for quantitative research. A good example is a household census. While the quantification of households in a census provides a breadth of knowledge, individual case studies offer scope for much greater depth. Both dimensions are important for understanding complex social occurrences. Indeed, main purpose of case study research is to obtain in-depth understanding of particular instances of phenomena (Mabry 2009: 214).

Thorough investigation of a particular phenomenon can uncover new sources of data that are useful for quantitative research, which sometimes reduces information to data and statistics (Mabry 2009: 216). Another essential factor in qualitative research (and for institutional economists in particular) that can sometimes not be delivered by quantitative research is that cases often take different paths to reach similar destinations. The aim of many quantitative assessments is to obtain linear or other equations that fit set of data parameters, whereas qualitative assessments allow the generation of more than one equation. By focussing on one solution instead of multiple answers, the quantitative indicators are in essence disembodied and forced to yield a single result (Byrne 2009: 4).[35]

[34] By contrast, the book by Alston et al. (2016) is an example of an 'exploratory' case study. While institutional change in Brazil was well researched, the critical transitions framework was a new theoretical construct for explaining such changes. The generation of new theory is one of the potential outcomes of an exploratory case study with the other being the debut analysis of a previously unexplored case.

[35] Byrne (2009: 4) emphasised that he and Ragin – co-editors of Byrne and Ragin (2009) – do not discard the value of quantitative research in itself but reject the utility of causal modelling based on disembodied variables.

NIE scholars acknowledge the important issue of 'equifinality', defined by Goertz and Mahoney (2009: 314) as the study of multiple causal paths to one outcome.[36] The opportunity to understand multiple routes to a specific institutional setup should be advantageous to economists and political scientists given that reference was made before to the lack of a clear recipe for changing from unsustainable to sustainable institutions. For example, Moore (1966) identified three different routes to the modern world: (i) the capitalist democratic path (which produces parliamentary democracies), (ii) the capitalist-reactionary path (which creates fascist dictatorships), and (iii) the communist path (which results in communist dictatorships). Hicks, Misra, and Ng (1995) also found three separate paths to the establishment of a proto-welfare state.[37] Equifinality, also referred to as multiple conjunctural causation or multiple causation, plays an important role in many qualitative scholars' thinking about causal relationships. In contrast, discussions of multiple causations are mostly absent in quantitative work. The word 'equifinality' does not form part of the methodological vocabulary of large-N quantitative research. This is because large-N quantitative analysis seeks to provide generalised findings about individual causal effects. Hence, this methodology speaks about the sample as a whole instead of particular cases (Goertz and Mahoney 2006: 236-237).

Case studies are also particularly important for interdisciplinary studies at a time when social science is increasingly 'post-disciplinary', both in conceptualisation and in practical application (Byrne 2009: 6). It seems fitting to use case studies in the context of institutional economics considering the multidisciplinary approach of NIE. Institutional economists adapt useful concepts and methods from political science, sociology, law, anthropology, cognitive science, evolutionary biology, and other disciplines. This helps economists explain the rules, norms and beliefs that govern human interactions (Menard and Shirley 2005: 2). For guidance on a checklist to validate the applicability of the critical transition framework to case study work, economists such as Meyer (2001) and social scientists who contributed to the books edited by Byrne and Ragin (2009), Alasuutari, Bickman and Brannen (2009), and John and Rule (2011) provide insight into the range of decisions relevant to case study design.

While there are virtually no specific rules for constructing case studies, there are many useful strategies and insights available regarding good practice. This is both the strength and the weakness of the approach. It is a strength because it allows for tailoring of the design and data collection procedures to the research questions. On the other hand, the case study approach has resulted in many poor academic studies. This has left it open to criticism, especially from quantitative researchers (Cook and Campbell 1979). The fact that the case study is an open-ended design implies the need for a principled approach to key choices (Meyer 2001: 329). Using the critical transitions framework is already a step in the right direction given that case study methods allow for the use of conceptual frameworks in research. The following paragraphs refer to issues of casing, the number of units of analysis, the selection of cases, construct and internal validity, objectivity, inter-subjectivity, reliability, and generalisability. These concepts fall under the rubric of trustworthiness (Meyer 2001: 344).

[36] In his writings on general systems theory, Von Bertalanffy (1968) defined equifinality as the ability of an open system to reach the same final state from different initial conditions and in different ways. The concept of 'multifinality' refers to a system in which similar initial conditions and/or routing by different paths lead to dissimilar end-states. As such, it is the antithesis of equifinality.

[37] Several decades of research underscored that institutions are critical for economic development. However, this research also showed that there was no clear recipe for implementing institutional change towards producing better economic and political outcomes (Alston 2017: 354).

Casing – delimiting the case focal point – is an essential component of case studies. This requires identification of various dimensions of the bounded system that is a case study, namely the categorical (unit of analysis), spatial (geography), temporal (time and chronology) and thematic (the questions to be answered) (John and Rule 2011: 19-20). Making known the limits of the case study enables the reader to engage with the output in full knowledge of the boundaries. Researchers have to be upfront about these limits (Goertz and Mahoney 2009: 308). The limits for exploring Rwanda in further chapters are the focus on the country's formal institutions within the confines of its present-day geography. This limitation identification is cognisant of Newbury's (2009: 282) warning against treating African history as one of national units considering the sometimes fluid boundaries between states.

However, unlike many African states that are currently demarcated by borders determined during the colonial period, Rwanda has essentially existed in its current form for at least five centuries (Turner 2013: 12). This study of Rwanda covers the period from pre-history to the aftermath of the genocide. The focus on this long period is essential, because Rwanda's ethnic makeup before colonisation and the various changes in ethnic dynamics during the colonial and post-independence periods were at the core of institutional change in the country over the past 100 years. Even the most recent regime change, which established the Kagame administration after the 1994 genocide, had its roots in ethnic issues more than a century old.

Past economic and political outcomes therefore form an essential backdrop for any exploration of Rwanda's recent institutional dynamics. It should also be emphasised that Rwanda's genocide during 1994 will not be a focal point of this dissertation. Without diminishing the salience of the event,[38] on which much has been written (see e.g. Prunier 1995, Klinghoffer 1998 and Straus 2006), the genocide was an element of a shock to the autopilot situation and is treated as such in the critical transitions framework.[39] Lastly, there will be a limited focus on regional politics – such as conflict with the Democratic Republic of the Congo (DRC, the former Zaire) – beyond those factors that have influenced domestic institutions.

John and Rule (2011: 95) indicated that the theory generated by other research is essential for formulating new research questions. When considering the established theory, Meyer (2001: 345) suggested adhering to construct validity when evidence suggests that the theoretical framework used in a case study corresponds with the subject matter at hand. This influences the legitimacy of the application. It was asserted that the process of institutional change in Brazil, which underpinned the critical transitions framework, and be generalised to those in African states as well. Remaining with matters of legitimacy, internal validity focuses on the legitimacy of the suggested relationships among different concepts (Meyer 2001: 346-347). More formally, it is the accuracy of data and the reasonableness and warranties of data-based interpretations (Mabry 2009: 221).

Objectivity is a challenge for qualitative researchers because their sensitivity to specific subject matter is invaluable for illuminating small nuances that might not be observed in the absence of close personal attention. The term 'case study' suggests the objective and subjective aspects that constitute its meanings. The case is the object or unit under investigation while the 'study' points to the

[38] While UN population data indicate that the Rwandan population decreased by 18.5% from 1990 to 1995 while the population of Cambodia fell by only 11% from 1975 to 1980, the former experienced a significant outflow of refugees that inflated the extent of the drop in the population (Diamond 2005: 313).
[39] For deeper insight into the pre-colonial history of Rwanda, see Newbury (2009).

subjective side of the enquiry. Thus, a case study is as much about the case as about the researcher. An epidemic (the object or unit) can be viewed from a medical, economic or educational perspective, for example, and the discourse (language) of the study will be different depending on the background of the researcher (John and Rule 2011: 5-7).

A large volume of methodological literature on case studies focusses on the generalisability of this type of scholarship. Generalisability pertains to the appropriateness of transplanting the findings used for or yielded by one case to other case studies (Meyer 2001: 347). In the present context, the issue is the scope for generalising from Alston et al.'s (2016) narrative of Brazil to Rwanda. Put differently: generalisability pertains to the capacity of a case study to be informative about phenomena beyond the particular site (e.g. geography, population or time). Byrne (2009: 1) highlighted the importance of this feature by stating that the central project of any social science is the clarification of causes that extend beyond the unique specific instance. This accords with Amenta's (2009: 356) view that the sole purpose of a case study is not just to understand other cases better. The motivation for undertaking a case study may be the assumption that the sample case is representative of a larger population and capable of yielding useful information about the larger grouping. However, Byrne (2009: 1) also warned against 'universalisation', which happens when the limits set to the extent of generalisation are too broad.

Many social scientists believe that their methods may overwhelm the uniqueness of objects and events in the social world (Ragin 1992: 2). In case analysis, which is most often backward-looking in time (Kerper 1998: 356), the objects of investigation are considered similar enough to be treated as instances of the same broad historical phenomenon. This provides the basis for using methods of investigation as general theories for the analysis of similar objects. The generalisability of the critical transitions framework was evident in the Argentinian example offered by Alston et al. (2016: 199-208) after their analysis of Brazil. The success of the application to Rwanda will further enhance the generalisability of the framework to the African context. There are also lessons to be learned when it is not possible to generalise a theory to a particular case. Atypical cases that provide unexpected results, or prove incompatible with a theory challenge and assist theorists in improving their hypotheses and postulations (Mabry 2009: 217). This is the key factor behind a review in Chapter 7 of recent institutional change in Burundi.

2.6 Conclusions

Endeavouring to better understand institutional change is fundamental for progress in social sciences in general and economics in particular. There is, however, no consensus amongst social scientists about the best theoretical framework for analysing institutional change. This is partly attributable to the varied causes of institutional change, which include deliberate changes implemented at a given point in time as well as evolutionary changes in institutional design. Until the release of Alston et al.'s (2016) critical transitions framework, the collective action model was the most recent theoretical construct for analysing institutional change. However, Section 2.3 identified some shortcomings of this model and instead advocated the use of the critical transitions framework to explain the process of institutional change.

The critical transitions framework incorporates the key role of leadership in moving a country from unsustainable to sustainable institutions. The framework starts with a so-called autopilot situation in which a dominant network in a country has created institutions that match their view of how the world should work to generate their desired economic and political outcomes. Within this setting, a basket of institutions is periodically or continually adjusted at the margin but remains broadly intact and generates the economic and political outcomes desired by the political elite. Institutional change is set in motion in this framework by a shock that causes a deviation between expected and actual economic and political outcomes. This affects the composition of the dominant network as well as the members' beliefs about the how the world works and what institutions should be in place to reach their desired outcomes.

It is in this state of flux in beliefs that opportunities arise for leadership by an established or new member of the dominant network. Depending on the ability to perceive a window of opportunity for change and to harness the resources to do so, this leader can set the institutional setup on a path towards change by readjusting the dominant network's beliefs about how the world works. This will kick-start a top-down process of adjustments to constitutional-level rules followed by changes to other laws and enforcement mechanisms. In combination, the adjusted beliefs and reworked institutional matrix will produce new economic and political outcomes that are re-aligned with the dominant network's beliefs. If this process is successful, the country will return to a new equilibrium (autopilot) situation in which institutions are enforced and reformed at the margin to deepen the status quo.

Section 2.4 explained that institutional economists seldom use narrative-based case studies to enhance their understanding of institutional change. However, it also argued that such in-depth investigations of specific subjects or events are highly valuable and able to yield information that would have remained hidden if only econometric techniques were used. Various criteria (e.g. generalisability and objectivity) should be satisfied when undertaking a case study anchored in a theoretical framework. Section 2.4 also explained how this study meets these requirements.

CHAPTER 3: A HISTORY OF INSTITUTIONAL CHANGE IN RWANDA

3.1 Introduction

Alston et al.'s (2016) critical transitions framework is a relatively new tool for sketching a narrative of institutional change, based on the experiences of Brazil and Argentina. Former European colonies (such as Brazil, Argentina and Rwanda) have for some time been hotbeds for research on institutions and institutional change. Acemoglu, Johnson and Robinson (2001), for example, produced one of the most referenced economic papers over the past two decades[40] in which they showed that mortality rates in former colonies were driving forces behind the creation of different institutions. Regression results revealed a positive relationship between mortality rates amongst European clergy and armed forces stationed in the colonies between the seventeenth and nineteenth centuries, and the likelihood that colonisers established extractive institutions. They argued that these institutions endowed elites with unconstrained power and created incentives for infighting to control this power. Acemoglu and Robinson (2013: 344) listed 15 African countries – including Rwanda and Burundi – in which these power struggles resulted in bloody civil wars, economic ruin and state failure during the 20th century.

Power struggles, violence and ethnic nationalism have for centuries been at the centre of regime changes in Rwanda (Straus 2006: 182). In contrast, the period after the genocide in Rwanda has been one of the most impressive examples of post-conflict reconstruction in history as the Kagame government reformed the country's economy and politics. It is essential to understand the country's experience of institutional change to understand the current institutional trajectory. "History matters. It matters not just because we can learn from the past, but because the present and the future were connected to the past. Today's and tomorrow's choices were shaped by the past" (North 1990: vii). The dynamics that brought about the changes since 1994 have been present and influential in Rwanda for centuries, and the future of the country is rooted in this past.

To enhance understanding of Rwanda's current institutions, this chapter applies the critical transitions framework to identify five institutional epochs in the country's history:

- The so-called Golden Era, which stretched from the country's pre-history under successive kings until the arrival of the Germans in the late 1890s and the start of colonial rule.
- The Colonial era, which stretched from the beginning of German rule in 1896 and continued through Belgian rule (which began in 1922) to the country's independence in 1961.
- The First Republic under Gregoire Kayibanda that lasted from 1961 until 1973.
- The Second Republic under military leader Juvenal Habyarimana from 1973 until 1994.
- The Kagame regime from 1994 to date.[41]

The following five sections (3.2–3.6) contain narratives of each epoch in Rwanda. As per the elements of the critical transitions framework, these include information on the dominant network and their beliefs, constitutional-level institutions and laws and enforcement mechanisms to administer these, economic and political outcomes of these settings, as well as the incremental changes that sustained these setups. In this dissertation, the narrative of each epoch is not initiated with a discussion of the

[40] As of February 2019, the article had been cited more than 12,000 times since its release in December 2001.
[41] To put this in context, Alston et al. (2016) identified four epochs in Brazil since the 1960s and three in Argentina since 1912. There is no rule of thumb about the average length of an epoch.

dominant network, though. Because the primary focus of this dissertation is on institutional and economic issues, the starting points for each narrative are Rwanda's economic and political outcomes in the autopilot situation, with a broader focus on economic factors. As indicated in Section 1.1, economic and political institutions shape economic and political outcomes by determining incentives and constraints for individuals, organisations and the polity (Acemoglu, Johnson and Robinson 2005: 402). Economic outcomes are products of economic institutions that, in turn, are determined by political institutions (Acemoglu and Robinson 2013: 43).

Following this change to the standard layout of applications of the critical transitions framework, the content of Sections 3.2-3.6 is structured around the following nine elements:

A) Economic and political outcomes
B) Dominant network
C) Beliefs
D) Constitutional-level institutions
E) Laws and enforcement
F) Incremental changes
G) Shock
H) Deviated economic and political outcomes
I) Window of opportunity

Each of the narratives first determines the nature of the country's economics and politics during the period in question and then uses political and institutional perspectives to explain how this came to be. In accordance with Figure 2.2, each new epoch starts once a leader has taken the necessary steps to reform the dominant network and initiate a process of institutional change. The consistent use of the nine elements listed above serves several goals. These include:

- Verifying the generalisability of the critical transitions framework to geographic settings other than Brazil and Argentina
- Identifying the key factors associated with the country's economic development over time, as summarised in Table 3.1
- Highlighting the contrast between outcomes in the post-genocide period and the agriculture-dominated economic outcomes in earlier periods
- Confirming the core elements of the critical transitions framework that serve as theoretical underpinnings for the hypotheses in Section 5.2.

Table 3.1 summarises the key factors that influenced economic development in Rwanda during the identified periods of institutional change. The synopsis provides a broad picture of the historical trends that shaped the Rwandan economy, but also introduces the detailed analysis in Sections 3.2–3.6.

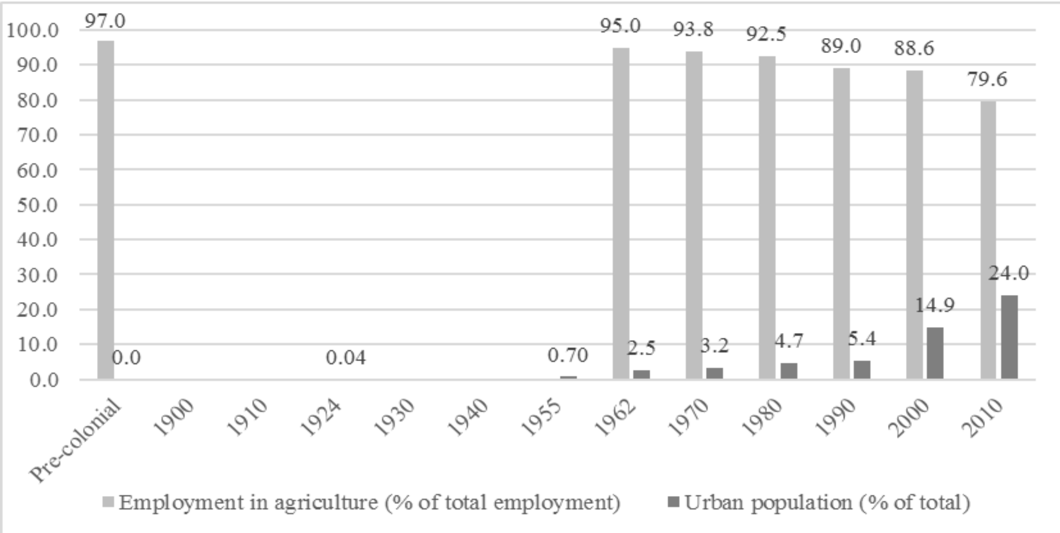
Table 3.1: Rwanda's development across five epochs of institutional change

	Golden Era (pre-history to 1894)	Colonial Period (1894-1961)	First Republic (1961-1973)	Second Republic (1973-1994)	Post-Genocide Rebuilding (1994 to present)
Economic and political outcomes	Subsistence agriculture; Tutsi-headed clientage system	Subsistence agriculture and the introduction of cash crops; clientage system phased out	Subsistence agriculture and a greater focus on cash crops; Hutu-controlled government	Subsistence agriculture and cash crops (especially coffee and tea); highly centralised government	Modernisation of farming and reduced economic dependence on agriculture; decentralised government administration
Dominant network	Nyiginya monarchy controlled Tutsi-led state, all education informal	Bakagaga monarchy and indirect rule from Germany and Belgium controlled Tutsi-led state, Catholic Church controlled religion and education	PARMEHUTU headed independent Hutu-led government, Catholic Church controlled religion and education	MRND headed one-party government, Catholic Church controlled religion and education	RPF leading a consociational government, education managed by national government
Beliefs	Kingship used to control Hutu majority to protect Tutsi minority	Indirect colonial rule reinforced Tutsi rule over Hutu	Hutu rule over Tutsi; church separated from state	Government legitimacy by empowering Hutu to farm for subsistence and cash	Non-ethnic ethos promoting economic development and agricultural modernisation
Constitutional-level institutions	No formal constitution, ubuhake agricultural system controlled access to cattle and social mobility	No formal constitution, indirect European rule; rules based on agriculture-based society	First formal constitution adopted in 1962 put limits on certain human rights; influence of Catholic Church still quite visible	31 articles of 1962 constitution suspended; pressure on freedom of expression, labour rights; new constitutions adopted in 1978 and 1991 with limited improvement	New constitution adopted in 1995 provided legal and practical framework for new political landscape
Laws and enforcement	Chiefs managed day-to-day processes; non-permanent Gacaca community courts used to resolve disputes	Traditional law remained most important, colonial law only used in exceptional cases; Gacaca courts became more frequent and formalised	Gacaca courts developed into extensive administrative system supporting formal judicial system	Gacaca courts increasingly integrated into the formal judicial system	Old-style Gacaca courts used to deal with most genocide crimes, rule of law entrenched in the formal judiciary

Source: Information in Sections 3.2-3.6

Table 3.1 shows that agriculture dominated the Rwandan economy for most of its history. Some 97% of Rwandans were employed in agriculture during the pre-colonial period and this portion had dropped only marginally to 95% at the time of independence (see Figure 3.1).[42] Agriculture, forestry and fishing accounted for 68.4% of GDP in 1959 (own calculations based on Leurquin 1963: 65). It was only in the 1990s that agricultural employment dropped below 90% of total employment. The importance of agriculture as a source of value added and jobs declined notably in the new millennium. Agricultural employment accounted for less than 80% of jobs by 2010, while farming activity accounted for only 30% of GDP. In that year, the most significant components of non-agricultural employment were wholesale and retail trade (21.6%), construction (15%) and manufacturing (11.6%) (National Institute of Statistics of Rwanda [NSIR] 2014: 50). This represented a notable change in economic outcomes in the country after the genocide.

Figure 3.1: Trends in agricultural employment and urbanisation



Sources: Belgian House of Representatives (1925: 14), Griffiths (1993: 122), Sahinkuye (2000: 19) Zahorik (2011: 159), NISR (2012: 41), Government of Rwanda (2015a: 5)

Hence, it is unsurprising that urbanisation rates were meagre for much of Rwanda's history. Families traditionally lived in isolation and urbanisation is a recent phenomenon. Figure 3.1 shows that this only changed during the second half of the colonial period when the first planned settlements were introduced and administrative posts evolved into urban areas (Government of Rwanda 2015a: 5). Only 2.6% of the population lived in urban areas by the time of independence. This number was so small that Leurquin (1963: 48) stated soon after independence that there were no villages in the country and that the population was scattered throughout the countryside. Attempts during the latter (Belgian) part of the colonial period to create settlements to improve public service provision were met with reluctance by Rwandans (Leurquin 1963: 64). Urbanisation did not accelerate until after the genocide, and by 2010 nearly a quarter of the population lived in towns and cities.

[42] It was almost impossible to conduct a census in Rwanda before the early 1920s because skilled personnel were not available and other acute priorities dominated. Population statistics became more precise from the 1940s as church records provided information about demographic changes (Zahorik 2011: 158-159). However, information about employment remained very limited. For example, the number of people employed in agriculture was not officially recorded until after independence. Records for earlier years simply showed the numbers of people residing in urban areas and under chiefs in rural areas. This reflected the minor role of non-agricultural, private sector employment in the country during the colonial period. Statisticians had little reason to track this small number of jobs.

3.2 The Golden Era: pre-history to 1894

The Twa (a pygmy race), who were the original inhabitants of Ruanda[43], thrived as hunter-gatherers in wooded areas in the west of the region. The Hutu[44] arrived during the 5th century in a Bantu expansion to the Great Lakes area from the savannahs of present-day Cameroon (Sellstrom and Wohlgemuth 1997: 21). Hutu focussed on small-scale crop cultivation and small animal husbandry and cleared the forests to cultivate the land. Some authors stated that the two groups coexisted in relative peace, while others (e.g. Pottier 2002: 12) suggested that the deforestation by the Hutu confined the Twa to areas much smaller than they were used to previously.[45]

The pastoralist Tutsi probably arrived from the north and east during the 15th century. Their arrival was described by some as an invasion, and Overdulve (1995: 3) suggested that it became increasingly military-like from the 16th century onwards. By contrast, many historians such as Gearon (2004: 1296) referred to sporadic waves of arrivals over several generations, and Reader (1998: 611) argued that these were in fact peaceful migrations. This included, for example, the arrival of a group of exiled Tutsi following a revolt "several hundred years ago" at the court of Bunyoro in Uganda (Leurquin 1963: 47). In part due to the orderly assimilation suggested by most sources and probably also in line with the theory of relatively peaceful co-existence, the groupings were not territorially segregated during the Middle Ages, and the Tutsi readily adopted the Hutu language and cultural traits (Klinghoffer 1998: 6). However, the Tutsi, who held pastoralist cultural values largely excluded the Hutu from their political structures on account of their agriculturalist values (Newbury 2009: 209).

A) *Economic and political outcomes*

By the 16th century, a Tutsi monarchy had taken power in Ruanda – their military forces were superior to that of the incumbents – with select Hutu chiefs in tow. Nonetheless, Hutu were allowed to join the ruling ranks and become Tutsi themselves through marriage, military promotion or upward economic mobility. By the 17th century, the distinction between Tutsi and Hutu had little to do with ethnicity and increasingly centred on economic and social status: in short, rulers were Tutsi, and peasants were Hutu (Gearon 2004: 1296). At that stage, kin-based units (clans) included people of different ethnicities (Newbury 2009: 189). The distinction between Hutu and Tutsi evolved in a complex manner that reflected elements of ethnicity, lineage, clan, and socio-economic status, all of which coalesced in differing ways in different parts of the Ruandan kings' territory (Jones 1999: 57).[46]

The agricultural organisation that accompanied this socio-political structure was a clientage system reminiscent of feudal Europe. The Tutsi elite (shebuya, or lords) granted land and cattle to Hutu (umugaragu, or clients) who were indentured to them for (in kind) taxes, farm labour, military service

[43] The area now known as Rwanda was for centuries designated as Ruanda. The spelling of the country's name was officially changed to Rwanda at independence on 1 July 1962. Hence, Sections 3.2 and 3.3 refer to Ruanda, while Sections 3.4 to 3.6 and all other parts of this dissertation) refer to the sovereign country of Rwanda.

[44] The plural forms of the country's ethnic names are not governed by fixed rules. Following the recommendations of Kinzer (2008: xi), this dissertation uses the more common forms "Twa", "Hutu" and "Tutsi", without placing an 's' at the end.

[45] Knowledge of earlier phases of Hutu civilisation is limited, because the arrival of the Tutsi all but erased it from living memory (Sahinkuye 2000: 10). This is one of the reasons for the claim that social and economic factors (rather than genetic ones) were the original basis for the differentiation of Hutu and Tutsi (Diamond 2005: 318).

[46] A more detailed discussion of the various theories about the relationship between the Hutu and the Tutsi falls outside the scope of this dissertation. The explanation provided here and subsequent references to ethnic factors – for example, Footnote 64 - serve to emphasise the complex and long-standing nature of ethnic issues in Rwanda.

(Stoecker 1986: 95), and the sharing of calves born from these cattle (Sahinkuye 2000: 22). The Hutu, who were pastoralists before the arrival of the Tutsi, were impressed with the quality of Tutsi cattle and preferred these animals to their historical stock (Newbury 2009: 294). Hutu were allowed to stay on parcels of land claimed by the mwami (king) as part of the uburetwa labour service arrangement. This system required farmers to work for the state on one or two out of every five days of the Ruandese calendar. In turn, the landlords were responsible for providing governance and military support (Pottier 2002: 13).

What differed from the European feudal system was that the peasants – cattle raising Hutu – attained the ability to build wealth and secure upward social and economic mobility (Stilwell 2002: 18). This was referred to as being 'dehutucised' and then 'tutsified' (Sahinkuye 2000: 22). Some authors suggest that mobility was common (e.g. Newbury 1988: 11) and that it was also possible for Tutsi to move down into the ranks of the Hutu if they lost their cattle (Dowden 2008: 228). The ubuhake agricultural system was inherited by the next generation and was firmly established in Ruandese culture by the start of the 19th century (Gearon 2004: 1296).[47] This pre-colonial economic and political scenario, which post-genocide leaders view as "something of a golden era, a state of so-called harmony" (Pottier 2002: 9), is identified here as the base autopilot situation.

B) Dominant network

By the start of the 19th century, the Great Lakes region had six large states: Ankole, Buganda, Bunyoro, Karagwe, Ruanda and Urundi,[48] each with a population of half a million or more. Kings and elaborate hierarchies ruled these territories (Atmore and Oliver 1994: 21).[49] The Nyiginya clan established themselves – by diplomacy and conflict – as a key element of Ruanda's dominant network and exercised power in local politics for several centuries. The clan was initially a Tutsi grouping but later contained Hutu as well (Jones 2001: 18). Their authority extended beyond the country's current borders[50] in the early 19th century but varied across time (De Lame 2004: 1297-1298). By the early 19th century, a centralised Nyiginya polity within a hierarchical society governed Ruanda. The centralised political and administrative structures ensured that the royal court could transfer its influence down to the lowest levels of society (Coupez and d'Hertefelt 2009: 233, 235) and maintained Tutsi loyalty by supporting the agricultural clientage system. The maturing domestic political scene in Ruanda, as well as the neighbouring Urundi, Buganda and Bunyoro, enabled these states to grow their administrative reach and economic prowess by wars of expansion. This enabled them to expand trading activities into networks centred on Lake Kivu and the shores of Lake Victoria (Cohen 2003: 102).

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[47] While it is correct to state that an ubuhake arrangement was a voluntary choice for the Hutu, it is important to note that the system was embedded in Ruandan culture.

[48] Ankole and Bunyoro are today located in south-western and western Uganda, respectively. Karagwe is one of six districts in the Kagera region of Tanzania. Urundi was the pre-independence name of present-day Burundi.

[49] The Great Lakes states had remained largely isolated from outside influence up until the 19th century. Over the course of several centuries, the territories evolved from clan-based societies into sizeable monarchies. Each of the kingdoms were ruled by elaborate hierarchies and exhibited high levels of cohesion, with subjects sharing common languages and religious traditions. In the highland states of Ankole, Ruanda and Urundi, cattle farming was the focal point of society (Meredith 2014: 290).

[50] Unlike many African states that are currently demarcated by borders determined during the colonial period, Rwanda and Burundi have existed largely in their current forms for at least five centuries (Turner 2013: 12).

C) Beliefs

Due to a large population imbalance in favour of the Hutu, the minority Tutsi always felt threatened unless they were able to rule society. Any representative system of rule (e.g. democracy) would have relegated the Tutsi to a subordinate position. As a result, the Tutsi went to great lengths to dominate the majority Hutu (Arnold 2005: 281). Kingship in this Ruandese context was thus less about divine right to rule and ancestral heritage and more about the ability to achieve self-security and mediate between the needs of various groupings (Coupez and d'Hertefelt 2009: 229-230). Based on their analysis of the Umuganura ritual,[51] Coupez and d'Hertefelt (2009: 235-238) explained that ecology, technology, culture and society were central to Ruandese and in particular Tutsi beliefs, and that the kingship mediated between these elements. Myth and legend, which grounded kings' roles as mediators among nature, culture and his people, tell that early monarchs provided food and fire to people of the land. The Umuganura ritual reinforced this practical relationship between the kingship and other Ruandans and underplayed the supreme importance of the king compared to what can generally be expected from royal rituals.[52] The dominant network used the ritual to reinforce on an annual basis the notion that the kingship plays a coordinating role between his people and nature.

D) Constitutional-level institutions

The members of the dominant network could not keep their privileges intact without exclusive control over the power that granted such prestige. In Ruanda, the basis of social power and prestige – and therefore the ability to mediate – was the effective management of cattle. The feudal-like system allowed the Tutsi to keep complete control of all Ruandan cattle, because a Tutsi lord could confiscate a Hutu client's livestock under any pretence. Moreover, outside the ubuhake structure, the king had the pre-eminent right to all Ruandan cattle. This perpetuated the notion that not all Ruandans were born equal (Sahinkuye 2000: 30). The clientship structure was an essential element of social cohesion and organisation, thus necessitating the need for the ubuhake (Maquet 1962: 138, 150). Another important factor in maintaining the ubuhake was the preservation of control from one generation to the next. These structures are grouped under the sphere of constitutional-level institutions, as they were the overarching framework determining societal incentives that enabled Tutsi to monopolise social and political power for several centuries. As was the case in many African societies at the time, there was no formal constitution in Ruanda.[53]

There was no formal education system either (Hilker 2010: 4). Education forms part of the constitutional-level institutions in a society, because teaching fundamentally influences incentives and decision-making. Education is the process of deliberately forming the minds and characters of

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[51] Coupez and d'Hertefelt (2009: 229-251) analysed the rituals surrounding the First Fruits ceremony (ritual VIII in the Ubwiiru code) that comprises 18 separate but interrelated rites. Spaced throughout the year, the rituals culminate during the time of the sorghum harvest in February and March. It counted amongst the most important social and ritualistic events in the kingdom, and Coupez and d'Hertefelt (2009: 234) pointed out that the ceremony "touches on very broad questions pertaining to the nature of [Ruandese] society in general."

[52] By contrast, the Hutu kings who governed small areas before the arrival of the Tutsi were absolutist. The institution of kingship was the focal point of politics, religion, legal and economic activity (Sahinkuye 2000: 13).

[53] Uncodified institutions can act as constitutional-level institutions. In essence, constitutions are the highest norms, laws and standards within a jurisdiction, and in pre-colonial Africa these unwritten hierarchies were undocumented products of political engagement within the dominant network. Institutions do not necessarily gain gravitas from formalisation as such. The United Kingdom, for example, still did not have a codified constitution at the start of the current millennium, but was considered to have had an unwritten constitution vested in peoples' consciousness and contained within their established customs, conventions and practices (Gutto 2003: 2).

individuals by transmitting accumulated knowledge, skills, and values from one generation to the next.[54] In pre-colonial Ruanda, education was informal in nature: village and family elders taught children moral and social values through stories, dance and other methods (Mafeza 2013: 2). This included the rituals surrounding the First Fruits ceremony, as outlined in Footnote 51.

E) Laws and enforcement

Effective control over a feudal-like society required the ability to extract resources (e.g. the taxes or calves due to the shebuya) and to regulate social relationships. This required laws and enforcement mechanisms to ensure social control. Indicators of social control include compliance in the form of desired behaviour, participation in actions allowed by the institutional setting, and acceptance of the legitimacy of the controller. In the case of Ruanda, the king employed a complex pyramid of political, cultural and economic relationships, with these three factors enmeshed. Each district – centred on a hill – was assigned chiefs to manage extraction and control.[55] The chiefs had various tasks: Sahinkuye (2000: 23-25) identified chiefs of land holdings, pastures and the army; Musoni (2004: 61) identified pasture, agriculture, military and hunting; and Dowden (2009: 229) identified chiefs of family matters, land disputes, and cattle management. More than 95% of these positions, which could be unified into one function (Zahorik 2012: 134), were held by Tutsi. Farming-related institutions are the primary concerns here in view of the overwhelmingly agrarian nature of the Ruandese economy.

The Gacaca[56] system of community courts was not a permanent feature of the judicial process in the pre-colonial period. Their application was limited to ad hoc assemblies that dealt with intra- or inter-family disputes or conflict in rural areas. The courts were based on unwritten laws and norms, and were administered by male household heads (women were only allowed as claimants and defendants). The aim of sanctioning a wrongdoer was reconciliation rather than punishment; hence, harsh sentences such as imprisonment were never imposed. Instead, appointed judges sought to remind transgressors of the societal view that membership of communities defines individuals. A guilty party's sanction would include restitution and restorative processes to enable the transgressor to regain his or her place in the community. Ideally, defendants would admit their mistakes to elders at the start of a Gacaca sitting. At the end of the 19th century, the Gacaca system was the main process to ensure social order in communities across Ruanda by dealing with uncomplicated cases involving livestock, damage to property, marriage and inheritance (Clark 2010: 51-53).

F) Incremental changes

The constitutional-level institutions, laws and enforcement mechanisms, as well as the abovementioned incremental changes implemented to the latter two, shaped the economic and political outcomes enjoyed by the elite. That an estimated 96% of pre-colonial Ruandans were peasants dependent on subsistence farming suggests that the desired economic outcome of riches for a select few was indeed achieved (Sahinkuye 2000: 19). The Tutsi clan enjoyed a gracious living that matched their social standing. Their success signalled a surplus generated by fruitful mediation between ecology, technology, culture and society. The broader Tutsi kingship desired a continuance of their dominance, and the longevity of their rule can be interpreted as a successful political outcome

[54] These elements align with empirical researchers, preferred definition of culture, as highlighted in Section 2.2.4.
[55] Rwanda is often called 'The Land of a Thousand Hills'.
[56] Derived from the Kinyarwanda word for 'grass' or 'lawn' to reflect the outdoor setting of most of these hearings (Clark 2009: 247).

(Sadin 1976: 37). While Newbury (2009: 252-276) raised questions over the quality of the available chronological details about the kingship, it is indisputable that the Nyiginya dynasty held on to power for more than a hundred years.[57] This era lasted until the end of King Rwogera's reign in the middle of the 1800s, when 87% of the population were Hutu, 12.5% Tutsi, and 0.5% Twa.

The renowned warrior king Rwabugiri, who ruled until his death in 1895, succeeded King Rwogera. Under Rwabugiri, the ubuhake system began to show its faults ever more clearly. He was a strict and sometimes draconian ruler who used his military might to enforce the country's feudal structures. During his reign, the Tutsi had to work harder and harder to remain in power due to growing resistance from peasants. As a result, the dominant network incrementally placed more extractive pressure on the bondage structure of the economy to subdue the restive Hutu. Towards the end of the 19th century the vast majority of Hutu peasants, if not all of them, had to sell their labour. Animosity between landlords also manifested in growing conflict among Tutsi families. They were faced with widening inequality within their domains as epidemics turned pastoralist Tutsi into cropping Hutu. There were also instances of Hutu slave capture to service the demand of non-African merchants on the country's doorstep (Sahinkuye 2000: 21).[58] In an example of incremental change necessary to fund the growing political costs of remaining within the dominant network, land, labour and cattle "were increasingly being used by the ruling [Tutsi] class to tighten their grip on [Hutu] farming lineages" (De Lame 2004: 1298). Formerly compliant Hutu were also increasingly resisting the excessive demands of the royals and moved residence to smaller towns, some of which even built up defences (Cohen 2003: 110).

G) Shock – deviated outcomes

By the 1890s the favourable economic and political outcomes associated with the mid-century might of the Nyiginya clan were fracturing. The golden era (autopilot) period detailed above came to an end in the mid-1890s when a combination of endogenous and exogenous events over a three-year period shocked the dominant network. These included:

- The sudden death from illness of Rwabugiri (the longest reigning mwami in at least 500 years) in 1894
- The assassination of his chosen successor Rutarindwa in 1896
- The crowning of the youthful king Musinga, who was not a Nyiginya, during the same year
- The arrival of the German colonisers in 1896

These factors, combined with famine, rinderpest and other epidemics (Reader 1998: 611), exercised a profound shock on the kingship towards the turn of the century and opened a window of opportunity for change.

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[57] Overdulve (1995) divided the pre-colonial monarchical era into two main periods: the period of Tutsi military expansion (1350-1800) and the period of socio-political strengthening under the Nyiginya dynasty (after 1800). The latter period is said to have been the start of gradually increasing ethnic tension between the Hutu and Tutsi due to the growing military power and land ownership of the Tutsi aligned to the royal family. These two paradigms are treated as one institutional epoch as the dominant network was relatively stable during the two periods.

[58] Compared to other kingdoms in the region, Ruanda and Urundi held out for a long time against intrusions from outside the Great Lakes area. Ruanda and Urundi withstood the military aggression of neighbouring states even when the latter acquired firearms through trade (Kimambo 2003: 94). Outside influence in the period from 1800 to 1884 came mainly from Swahili, Arab, Turkish and Egyptian cultures, and not from Europe (Atmore and Oliver 1994: 21).

H) Window of opportunity for leadership

The kingship in many interlacustrine countries did not have a precise system of succession or heirs apparent, and Rwabugiri designated his son Rutarindwa as successor some six years before his death (Reid 2009: 52). The royal court understood that Rwabugiri wanted an orderly transfer of power to keep the dominant network functioning as before, but also wanted to avoid the crowning of an underage successor. Hence, the succession process was set in motion with the anointment of Rutarindwa, who was in his mid-twenties at the time, as co-regnant alongside his father in 1889. However, while male kings were the norm in Ruanda, royal succession was related to matrilineal factors. Rutarindwa's mother died by execution before his crowning, and Rwabugiri appointed his favourite wife Kanjogera (of the Bega clan's Bakagaga lineage) as his adoptive mother. Rwabugiri ignored the rule that 'substitute mothers' were not supposed to have sons of their own who were eligible to rule: queen-mother-in-waiting Kanjogera desired that her own son Musinga should wear the crown (Des Forges 2011: 14-15).

By the end of the 19th century, a period marred by increasing violence against the populace and anarchy in the royal court, rivalries between powerful factions within the dominant network culminated in a coup d'état (De Lame 2004: 1298). One of the notables charged with the king's protection, military commander Bisangwa, was killed in a skirmish with German troops, and the Bakagaga siblings took the opportunity to eliminate the other two notables, Mugugu and Sehene, late in 1896. Rutarindwa was vulnerable to attack when he moved the royal court to Rucunshu in Marangara. During the construction of his new residence, and while staying in a modest house, the king was attacked by forces loyal to Kanjogera. The monarch's forces were outnumbered and soon deserted him, leaving the king and his loyal followers to commit suicide (Des Forges 2011: 15-17). Rwabugiri's expectations of a peaceful succession failed. Reality had deviated sharply from the dominant network's expectations of the country's future political outcomes. Rutarindwa ruled for less than a year, and the coup d'état that resulted in his suicide left no apparent heir.

3.3 The Colonial Period: 1894-1961

Ruanda was a European colony for more than six decades. At the Berlin Conference in the mid-1880s, the country was declared a part of the German sphere of influence in East Africa. With no haste to explore an area and kingship that Germans only had vague information on, the first official contact between Germany and the small state occurred fully ten years after the conference. Berlin maintained limited involvement in Ruanda's affairs and implemented indirect rule via the local Tutsi government. Belgium assumed control of Ruanda's administration after the First World War and maintained a similar indirect administration of the country. It was only from the late 1920s that the Belgians became more involved in Ruandan economic and political affairs. The Belgian authorities were aligned with the ruling Tutsi and widened the division between the Hutu and the Tutsi. Brussels further increased its control over Ruanda during the 1930s and 1940, and it was only in the late 1950s that the organisation of local political parties along ethnic lines threatened to destabilise the dominant network. Not long after, in 1961, Ruanda gained independence from Belgium.

A) Economic and political outcomes

The subsistence farming and barter economy of the pre-colonial period started transforming into a cash economy during the colonial period, and only the most isolated individuals could escape the need to earn money (Reader 1998: 615).[59] For the most part, the old agricultural clientship system became obsolete during the period (Klein-Arendt 2004: 1299), and laws limited the services that could be claimed by landlords. Especially from 1945 onwards, the authorities moved to suppress ubuhake contracts. By 1959, some 21,000 contracts that covered approximately 210,000 head of cattle – about a third of the livestock of Ruanda – had been dissolved. Nonetheless, as indicated in Figure 3.1, farming remained the dominant occupation, with 95% of workers employed in agriculture by the time of independence. Crop cultivation techniques remained simple, with only the simplest tools used, virtually no usage of draft animals, and limited reliance on irrigation (Leurquin 1963: 62, 76). Belgium supported the farming economy with agricultural research stations and support services (Leurquin 1963: 48). This enabled a notable rise in crop yields (except potatoes) towards the end of the colonial period, as shown in Table 3.2.

Table 3.2: Crop yields in selected years (kg per hectare)

Crop	**1940**	**1959**	**Percentage change**
Sorghum	990	1,200	+21.2
Eleusine (goose grass)	475	600	+26.3
Bea	500	750	+50.0
Peas	587	800	+36.3
Sweet potatoes	6,190	7,500	+21.2
Cassava	6,500	13,000	+100.0
Potatoes	7,855	7,000	-10.9
Arabica coffee	333	1,160	+248.3
Cotton	557	1,216	+118.3

Source: Leurquin (1963: 59), own calculations

As reflected in Table 3.3., crop and livestock raising accounted for 68.4% of Ruandan GDP in 1959.[60] While the pre-colonial Tutsi regime was focussed on domestic food security (which included barter trade) and the acquisition of external land via military campaigns, the post-Berlin Conference governments in Europe also desired development of export trade (Reader 1998: 604), and introduced the rupee currency into the local economy (Sahinkuye 2000: 45). The initial economic outcomes generated by the Belgians were quite favourable for the colonial overseers and local kingship. Coffee exports, for example, jumped from five tonnes in 1927 to 2,000 tonnes a decade later, as new colonial laws enabled chiefs to force their subjects into producing the crop. European powers were increasingly looking to African colonies for coffee supplies, because of concerns about Brazil's domination of world coffee production. This reinforced ethnic divisions between the Hutu and the Tutsi: under colonial laws aimed at stimulating production, the Hutu were almost always the workers that had to provide coffee-producing labour tribute to the Tutsi chiefs (Kamola 2007: 577-578).

Poverty and inequality remained rife amongst ordinary Rwandans due to the asymmetrical distribution of political and economic power. Another big problem was that the number of cattle in the country remained stationary for much of the latter part of the colonial period. This was associated with the five-fold increase in the head tax on cattle from 1940 onwards (Leurquin 1963: 80). A further challenge for a trade-driven development model was that Ruanda was dependent on costly and unreliable transit to the Indian Ocean through Tanzania, Uganda or Kenya, and to the Atlantic Ocean

[59] Apart from the import of salt, external trade was almost non-existent in pre-colonial Ruanda. Family units were geared towards self-sufficiency in their agricultural activities (Blankoff-Starr 1960: 24), with internal trade limited to Tutsi trading milk and meat for Hutu grains and vegetables (Dowden 2002: 229).

[60] This is the earliest estimate of Ruandan GDP.

through the then Zaire. The distances from landlocked Kigali to the Indian Ocean and to the Atlantic Ocean are 1,500 km and some 2,000 km, respectively (Sellstrom and Wohlgemuth 1997: 15).

Table 3.3: Breakdown of Ruandan GDP in 1959

Sector	Value (millions of Congolese francs)		% of total
Agriculture		6,850	62.5
Food crops	*5,700*		
Industrial crops (coffee & cotton)	*1,150*		
Stock raising		650	5.9
Meat	*480*		
Milk	*150*		
Hides	*20*		
Fishing		40	0.4
Mining and quarrying		180	1.6
Manufacturing		500	4.6
Construction		350	3.2
Transportation		130	1.2
Trade		850	7.8
Housing		160	1.5
Public administration		1,000	9.1
Other services		250	2.3
Total		10,960	100.0

Source: Leurquin (1963: 65), own calculations

B) Dominant network

A new dominant network formed in the late 1890s started the transformation of Ruanda's agricultural economy to cash cropping. Following Rutarindwa's suicide in 1895, some 15 months of strategic manoeuvring in a rapidly shifting political field by Kanjogera, her brothers Kabare and Ruhonankiko, and their respective allies, culminated in the crowing of the teenaged Musinga. The manoeuvring was not just diplomatic: the aftermath of the coup d'état was a violent period for the country. Musinga was enthroned in February 1897. Kanjogera and her brothers joined him at the top of the kingship hierarchy and formed the head of a reorganised dominant network.[61] However, the country was still in crisis, and big steps were needed to solidify the new dynasty. Des Forges (2011: xxiii-xxiv) pointed out that the queen mother stepped up during this time of peril to show political entrepreneurship akin to Alston et al.'s (2016) view of leadership. This should not be too surprising considering that interlacustrine women enjoyed a higher economic, political and cultural status than their counterparts in southern and western regions of Africa (Reid 2009: 52).

The famine and disease that hit Ruanda and Urundi in the late 1800s left these areas vulnerable to conquest when the Germans arrived to implement colonial rule (Reader 1998: 611). A few military skirmishes with the Germans from 1894 to 1896 convinced the dominant network that it would be difficult to match the firepower of the Europeans. When Captain Hans Von Ramsey of the German military entered the royal court in March 1897 to demand loyalty to Berlin in return for German protection of the kingship, the Ruandan queen was happy to accept (De Lame 2004: 1298). According to Des Forges (2011: 18), Ramsay's caravan "demonstrated wealth and power that the [royal] court realised could be useful in dealing with its enemies. The promise of German defence against the

[61] As queen mother, Kanjogera became the most important person in the kingdom, while her brother Kabare acted as a regent over the weak and irresolute Musinga (Prunier 1995: 24).

Belgians and their Congolese troops and any internal threat must have encouraged the [royal] court to accept graciously an arrangement it could not have refused."

The Berlin and Brussels conferences left Africa politically weak, and its great kingdoms faced a desperate situation as Europe colonised the continent. Combat and guerrilla warfare to resist colonisation had much the same result as the diplomatic outcomes of these conferences: conquest by the Europeans. Only a few states avoided violent colonisation by reaching negotiated colonisation settlements. These states included Ruanda, Urundi, Basutoland (Lesotho), Morocco, Swaziland and Tunisia, where rulers negotiated for incorporation into colonial domain and kept their states intact (Fetter 1979: 8).[62]

C) Beliefs

The Kanjogera-led dominant network identified a window of opportunity after the crowning of Musinga to establish a new set of beliefs amongst the kingship of how the royal leadership might thrive. This included the introduction of German colonial influence at the highest level of governance. During a "wobbly authority" (Prunier 1995: 25) following the coup, the indirect rule of the Germans[63] was a determining factor in reinforcing the kingship and the rule of the Tutsi over the Hutu. In turn, the Tutsi elite acted as intermediaries for the colonial administration, with the established political organisation in Ruanda enlisted to enact the indirect rule. In most of their colonisation campaigns, the Germans exploited ethnic rivalries: one grouping would join the Germans in fighting the other grouping with the hope of winning favour with the victorious Europeans (Stoecker 1986: 105). Germany saw differences in the physical characteristics and political organisation of the two groups and used this to justify their preference for the Tutsi (Stilwell 2002: 18). The Hutu were seen as the less imposing physical specimens amongst the two groups (Diamond 2005: 314), and the Germans (and later the Belgians) regarded the Tutsi's as superior to the Hutu because of their paler skin colour and taller stature (Stilwell 2002: 18). The German colonisers, in particular, are said to have identified with the "aristocratic demeanour" of the more politically organised Tutsi, which supplied all officials selected by the Germans to serve in the colonial administration (Reader 1998: 612).[64]

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[62] Ethiopia is the only African country that was never colonised.

[63] By 1914, there were only five German civil servants present in Rwanda (Sellstrom and Wohlgemuth 1997: 26).

[64] Written around the time of independence, the Belgian government text translated by Blankoff-Starr (1960: 19-20) provides an anthropologist's observations on the different physical characteristics of the 'Pygmoid Twa', 'Negroid Hutu', and 'Ethiopid Tutsi'. The Tutsi were said to have a slightly lighter skin colour and were on average taller than the other two groups. According to Klinghoffer (1998: 6-7), the 'Hamitic hypothesis' suggests that the Germans and Belgians believed the fairer skinned, tall-in-stature and politically more organised Tutsi migrated to Ruanda from southern Ethiopia. These Ethiopians, in turn, were racially linked to peoples in the Middle East and Europe, specifically descendants of the biblical figure Ham – the son of Noah. Some European proponents of the Hamitic hypothesis suggested that the Tutsi were black only in skin colour, and white in stature (Sellstrom and Wohlgemuth 1997: 26). This helped Europeans explain the presence of sophisticated tribal kingdoms in an area viewed from afar as savaged and uncivilised (Sahinkuye 2000: 55). Tutsi politics were seen by Europeans as culturally more advance (Scholz 2015: 4), with a hierarchical, orderly and sophisticated governance system (Straus 2006: 20). The idea of a conquering superior race of natural-born rulers as an explanation for such political organisation was first presented by British Indian Army officer and explorer John Hanning Speke (Sahinkuye 2000: 55), who in the 1850s spent time exploring Central Africa under sponsorship from the Royal Geographic Society (Allen 2004: 190). The Germans were the first to use this anthropological/sociological hypothesis in Ruanda (Scholz 2015: 4), thought the theory was used throughout the colonial period when European powers had to choose sides – for example, the case of Britain choosing sides with the Masai in Kenya (Jones 2001: 17). Scholz (2015: 4) referred to this as a variety of 'scientific racism': ostensibly using genetic and anthropological reasons for explaining the presence of certain political systems, and favouring a race with apparent Middle Eastern and European roots.

D) Constitutional-level institutions

While historians are correct in underscoring the limited direct presence of the Germans in Ruanda – only a few dozen soldiers were stationed there at any given time – the introduction of colonial influence in the dominant network had many other effects. The Germans brought to Ruanda many things that affected the constitutional-level institutions of the country to varying degrees. These included the establishment of missions by the Society of Missionaries of our Lady of Africa, also known as the 'White Fathers',[65] as part of the education system (Court 2016: 50). While the German and Belgian governments established public schools in Ruanda during their respective colonial tenures, Roman Catholic missionaries always dominated and to some extent even monopolised education (Sahinkuye 2000: 58-59). The Tutsi saw education as a tool for reinforcing their dominance within the colonial context and believed that a close-knit affiliation with the church would enhance their dominant position (Reader 1998: 628). In turn, the Catholic Church used this to take a leading role in shaping the ideology and mythology around ethnic identities.

School teachings in Ruanda were divisive. Missionaries used the curriculum to stress the differences between Hutu and Tutsi pupils. By categorising children inside the school, and letting these distinctions flow into the rest of their young lives, education reflected and intensified ethnic divisions (Mafeza 2013: 3). Specifically, the education system taught the superiority of the Tutsi over the Hutu. School attendance was paid for and not compulsory, meaning that the poor (Hutu) were largely excluded. This also meant that the wealthier minority Tutsi were disproportionately accommodated in the education system. It was also these Tutsi who – amongst the few Ruandans who finished primary school – continued on to secondary education. High schools taught a Europeanised form of Ruandan history to Tutsi children that used the Hamitic hypothesis to stress their superiority via the Hamitic hypothesis, as discussed in Footnote 64 (Moshman 2015: 2).

Apart from church and school operations, the White Fathers were also involved in politics. The international church's approach of fostering positive relationships with local political leaders complemented the approach of the Germans and later the Belgians. This, in turn, resulted in the church siding with the royal court over, for example, territorial matters and conflicts. This vision of evangelism made the church a close ally of the colonial state and the Tutsi-dominated royal court (Court: 2016: 55-56). While the Tutsi were wary of the missionaries and saw their role primarily as providers of education, the White Fathers entered everyday political life with the interactions they had with local chiefs. Furthermore, the Hutu became enamoured with the missionaries and saw them as protectors and patrons. A subsequent Tutsi uprising in 1904 against the White Fathers threatened the Germans' control over Ruanda. In response, Germany structured a tripartite ruling structure that consisted of its own representatives, the royal court, and missionaries. This formalised the Catholic Church's role in local politics (Court 2016: 57-58).

Other innovations by the Germans included opening the country up to external trade in cash crops (initially cotton, tobacco and rice, and later coffee), and the introduction of modern transportation with the construction of railways.[66] Initial progress was slow, however, and development plans were not fully implemented by the start of the First World War (Sahinkuye 2000: 45). As a result, it can

[65] French Cardinal Charles Lavigerie founded the society in 1868. At the time, Lavigerie was posted in Algiers at what was then called the Archdiocese of Carthage. His aim with establishing the White Fathers was to spread the gospel in Africa and to transform African people into French subjects. The methods employed by the organisation was to adapt their evangelisation to local ways. This included the courting of political leaders (Court 2016: 56).
[66] There were no organised transport networks in the country before colonisation (Leurquin 1963: 47).

be argued that the timeline of the critical transitions framework lingered around this point of constitutional-level change until the Belgians furthered institutional change that started with their the initiation of colonial practices by their German counterparts. The replacement of German rule with Belgian rule in 1916 is not identified as another shock or effective change in the dominant network, because indirect rule characterised the final years of the German period and the early ones of the Belgian period. Newbury (2009: 168) interpreted both periods as ones of minimal European influence, while Brown (2011: 180) interpreted the regimes as being similarly arbitrary in their regard for the rule of law.

At Versailles, in the wake of the First World War, the victorious Allied forces were not interested in granting independence to German colonies and were even less interested in returning these territories to the defeated Germans. Hence, the winners divided the spoils, and the Belgians received Ruanda and Urundi (Reid 2009: 197). The League of Nations entrusted former German colonies such as Ruanda to other European powers with the premise that they should be governed until the colonial economies and polities were able to stand on their own feet (Reader 1998: 605). Brussels had little interest in quickly digging its heels into Ruandan territory, because it had than enough land and responsibilities in the Congo.[67] Some historians (e.g. Reader 1998: 613) suggest that Belgian political leaders did not want possession of Ruanda as it would have added to the complexity of their established colonial portfolio. Sahinkuye (2000: 46) stated that the initial occupation of Ruanda in April 1916 was intended to provide Brussels with a bargaining chip during the post-war negotiations: "for use as a pawn in negotiations," said Belgian Minister of Colonies Jules Renkin during 1916. London even rubberstamped the idea. The Belgians were hoping for a three-way deal with Britain and Portugal that would see Brussels acquire a portion of Angola adjacent to the Congo River. However, the Portuguese could not be persuaded to trade a piece of Angola for a piece of German East Africa (Reader 1998: 613-614).

The Belgians continued the German tradition of indirect rule that allowed the Tutsi to rule their land on condition that the areas remained peaceful (Van Dijk 2006: 194-195). Belgium was instructed by the Treaty of Versailles to maintain the German way of governance in the interest of proper administration, and only 205 Europeans were resident in the country by 1945 (Leurquin 1963: 48). After an effective ten years of this wait-and-see approach, the Belgians started making meaningful policy (constitutional-level) changes between 1926 and 1931 (Punier 1995: 26). In the case of Ruanda, these top-level changes were still associated with anything influencing incentives in agriculture: in 1960, some 95% of Ruandese were involved in farming, and this number was still as high as 90% by 1990 (Griffiths 1993: 122).

Belgium established its own form of indentured labour that was reminiscent of the pre-colonial practice of Ruandese working a set number of days for the state. Some 2% of able-bodied males were employed in Congolese mines, and the remainder of the male workforce was liable for one month of compulsory unpaid labour to cultivate crops. Their output of beans, cassava, potatoes and sweet potatoes were for consumption in the Congo, which was a greater priority for the colonial authorities than Ruanda and Urundi were (Reader 1998: 615). Brussels also reintroduced coffee and required each chief (and, by implication, the people under his command) to plant a half acre of the crop.[68]

[67] A focus on the Congo was amongst the Belgian priorities that kept it from doing population surveys in Ruanda.
[68] Coffee was introduced following the discovery of a variety of wild coffee tree in the Congo-Nile watershed (Leurquin 1963: 47).

With these measures, the indirect rule of the colonial administration transformed the agricultural way of life of the Rwandese people.

E) Laws and enforcement

Compared to earlier eras, colonial governments accepted more responsibility for their territories during the early 1900s and, especially, in the interwar period. This redefined the continent: "The constantly changing institutions of non-literate societies were set in the written word of law; origin myths were transformed into tribal histories; socio-economic distinctions made one tribe better than another." More formal judicial systems and civil administrations were created based on European models (Reader 1998: 603-604).

In the early phases of Belgian rule, Ruandese judicial processes were preoccupied with customary law, while colonial law was applied only in exceptional civil and criminal cases. The Gacaca system became more institutionalised during the colonial period, but was at the same time used and abused by the Tutsi elite to reinforce their dominance over the Hutu (Sahinkuye 2000: 65-66). Belgian-appointed Tutsi administrators were given the responsibility of selecting the elders and judges overseeing Gacaca courts. The local courts were still operating by unwritten laws, but their activities became more frequent as the administrators arranged for politically appointed judges to hold weekly sessions (Clark 2010: 53). Following increasing success in maintaining social order under the politicised Gacaca, the Belgians launched a hybrid legal system in the early 1940s by recognising the community court system as a legitimate judicial mechanism. Colonial authorities encouraged Ruandans to compare the speed and convenience of Gacaca with the greater sophistication of official courts when choosing where to have their cases heard. Unsurprisingly, rural Ruandans with more straightforward issues – e.g. land rights issues, inheritance and personal disputes – opted for the Gacaca while urbanites with more complex cases – e.g. work contracts – favoured the official courts (Clark 2010: 53-54).

With the help of the Belgians, the Tutsi also made several notable changes to traditional land rights (Klein-Arendt 2004: 1299). The traditional ubuhake system was transformed into a structure more reminiscent of feudal France during the 1700s as western capitalism entered the Tutsi culture. Previously, ubuhake took on several forms that reflected the Tutsi's aim of obtaining labour, military recruits and tithes, among other things, from the Hutu (Prunier 1995: 28-30). Under Belgian influence, grazing land rights moved towards private property for the Tutsi, which limited opportunities for social mobility for the Hutu. This ubuhake-a-l'europeene derivative enforced a social pyramid structure that the Belgians believed existed in the country (Overdulve 1995: 9).[69] Another form of political alienation of the Hutu was the decision in 1929 to abolish the system of having separate incumbents for the three chiefly functions. Hutu previously had some influence in chiefly matters as Hutu were often the chiefs of land holdings. When three jobs fused into one, around 19 out of 20 were given to Tutsi (Prunier 1995: 26-28).

[69] The Belgians had intentions during the 1920s and 1930s to improve the living standards of the Hutu. However, the Tutsi, whose political administration Brussels was dependent on to manage Ruanda, opposed this. Good intentions therefore came to naught (Overdulve 1995: 12-13).

F) Incremental changes

The Belgians and Catholic missionaries were far from fond of the king and his mother, and after several years of slowly eroding support for Musinga amongst the elite, were able to lobby for his replacement by prince Rudahigwa (who ruled as Mutara) in 1931. Musinga was offered the opportunity to resign and designate a successor from amongst his sons but lacked faith in all of them (Des Forges 2011: 216). Mutara was a much better fit with the European values that were then being accepted more broadly amongst the country's elite (practicing monogamy and Christianity, for example). Hence, he was crowned without much fanfare. His ascension to the throne was not accompanied by the usual rites, which led to many Ruandese seeing Mutara as the king of the white people and not theirs. This was part of a process of incremental change that the Belgians – who were already included in the dominant network – implemented to mould Ruandese society into a more European one.

Being Christian was a prerequisite for membership of the new Ruandese elite that the Belgians was creating. Tutsi flocked to the Catholic Church, which assumed an even more important role in the political reorganisation in Ruanda – Catholicism became the quasi-official religion (Prunier 1995: 30-31). The missionaries' personal relationship with Mutara and other high-ranking officials cemented the church's role in Ruandan politics. By the early 1930s, the Catholic missions were considered the country's state church (Court 2016: 62) – there was no formal constitution to enshrine this. The enthroning of Mutara and the growing strength of the church in everyday politics also marked the start of a gradual strengthening of Belgian control in the country. Conversely, the mwami became less powerful. Mutara undoubtedly had several windows of opportunity to show leadership towards rolling back the influence of the Belgians, but failed to do so (Sahinkuye 2000: 80).

The Belgians also wrought another key incremental change to institutions: progressive hardening of dividing lines between the broad concepts of belonging to the Tutsi and Hutu groupings. While the Germans favoured the Tutsi based on the Hamitic hypothesis, they did not tinker too much with the pre-colonial practice of allowing social and economic mobility. In practice, this meant scope for Tutsi and Hutu to move from one classification to the other. The Belgians, however, simplified the distinction between Tutsi and Hutu in intellectual and administrative terms. Their beliefs in Tutsi superiority and their dependence on the kingship to administer the colony required guarantees to the Tutsi elite of continued preferential treatment and exclusion of Hutu.

The introduction of identity cards in the early 1930s supported a system of internal discrimination (Jones 2001: 18-19). A decade earlier, the Belgians started registering adult men in order to collect taxes. The system was expanded in 1931 to include women and children. This process, which recorded a total of 3.45 million people, was the basis for the issuance of identity cards (Blankoff-Starr 1960: 33-34). The cards specified which tribe the holder belonged to according to appearance and proof of ancestry – lacking this, all men who owned more than ten cattle were classified as Tutsi (Reader 1998: 615-616). This resulted in a marked sharpening of the ethnic distinction that limited the scope for upward social mobility. The adjustment to rights based on tribal classification made it possible for both the Ruandan and Belgian components of the dominant network to retain their supremacy by enforcing the rights of the elite Tutsi (Diamond 2005: 316).

The creation of new chief-like titles and associated powers by the Europeans further marginalised the Hutu as these hereditary positions were allocated exclusively to Tutsi (Gahamanyi 2003: 278). The economic and political outcomes created by this institutional setup enriched the Tutsi-Belgian elite leading into the 1940s and encouraged continued incremental change to uphold the system. At the time, the Belgians had made tribal identity the defining feature of ordinary life in Ruanda (Meredith 2014: 519). By the time the Second World War erupted in Europe, the increasing friction between Hutu and Tutsi was a ticking time bomb, with the only question being when it would happen (Sahinkuye 2000: 80).

However, the post-war period heralded a change in Europe. Belgian society adopted new ideas about political governance and egalitarianism during the Second World War. In Ruanda, the Belgian administration started to open government doors to Hutu, resulting in the creation of an emerging modern elite among Hutu during the 1940s and 1950s (Jones 2001: 19). This increased the political representation of Hutu in the Belgian Trusteeship Territory of Ruanda-Urundi (Straus 2006: 21). Belgium took the task given to it during the Berlin Conference, namely to guide Ruanda to independence by managing its economic, political and social development (Blankoff-Starr 1960: 73), much more seriously than it did before the war. However, Belgium was burning bridges with the Tutsi elite by increasingly leaning towards the Hutu majority. It was the former that lobbied in the mid- to late-1950s for Ruanda's independence from Belgium, motivated by the desire to salvage what they could of their eroding political influence (Gahamanyi 2003: 252). To stem the tide against them, the ubuhake and uburetwa systems were slowly rolled back in order to appear more accommodative to Hutu dignity (Overdulve 1995: 13).

During this time, the missionary-educated Hutu elite formed the Parti du Mouvement de l'Emancipation Hutu (PARMEHUTU) with the backing of the Catholic Church (Overdulve 1995: 14).[70] The Hutu had gained growing support from the church since the Second World War. The post-war period witnessed the arrival of a new generation of missionaries who were troubled by the poverty of the Hutu. These new arrivals used the networking system of the church to encourage the formation of a new Hutu elite-in-waiting. White Father missionaries would typically develop their own networks of clientage relationships as a method of being involved in political life outside of the central government. These pro-Hutu networks were often in competition with the Tutsi royal court and colonial administrators (Court 2016: 61-62). The church's growing support for the Hutu was confirmed in 1956 when the White Fathers started to donate land to Hutu to establish and expand the coffee cooperative Trafipro. Hutu businessman Gregoire Kayibanda became the head of the cooperative in 1957 and from this basis launched the Mouvement Social Muhutu (MSM) – a precursor to PARMEHUTU (Kamola 2007: 579).

The Tutsi, in turn, formed the Union Nationale Rwandaise (UNAR) to campaign for independence (Gahamanyi 2003: 278). This political organisation suggested a new dominant network (and associated beliefs) in waiting, pending sufficient change to ruling structures. Of course, the Belgians aimed to maintain their colonial rule. In a belated response to a March 1957 manifesto by Hutu intellectuals seeking political equality for all Ruandese, Brussels suggested in December 1958 that the identity card system should be scrapped. However, at that time the Hutu were already contemplating their own political future and had come to view the classification of Tutsi and Hutu in a positive light: the view was that an identifiable majority ethnicity amongst them would mobilise political support (Meredith 2014: 578). The high point of growing ethnic tension was during the 1950s when Hutu membership of the elite expanded markedly. Once politically organised, they used Tutsi

[70] So strong was the influence of the church that Sellstrom and Wohlgemuth (1997: 17) suggested that "it would be more appropriate to characterise the colonisation of Ruanda as a venture by the … White Fathers than by the German Empire".

dominance as a rallying cry. By rejecting the proposed elimination of the identity cards, the Hutu emboldened their campaign to abolish the Tutsi monarchy – who opposed the scrapping of the cards – and establish a republic. The desire for such a form of statehood was shared between the Hutu and Tutsi, because both groups expected it to solve some of their respective problems (Jones 1999: 57).

G) Shock – deviated outcomes

It was during the violent late 1950s and early 1960s that four shocks to the country's economic and political outcomes fundamentally disrupted the autopilot situation and created a window of opportunity for leadership. Firstly, Brussels bowed to pressure from the UN and effectively switched allegiance from the Tutsi minority to the Hutu majority (Pottier 2002: 15).[71] Despite Tutsi opposition to democracy and Hutu emancipation (Overdulve 1995: 15), the latter quickly secured significant political power on the back of support from the colonial power and the international community as well as new regulations that allowed for increased political organisation and more democratic practices. Brussels favoured a step-wise move towards independence that would have included democratic voting. However, the Belgians were also aware that the Hutu would soon have secured a political majority if this was implemented, and chose to switch allegiance to the majority. Several books on this period (e.g. Reader 1998: 665) cited the following statement by a Belgian officer to his superiors: "Because of the force of circumstances, we have to take sides. We cannot remain neutral and passive." Turning words into action, Brussels started dismissing Tutsi chiefs in early 1960 and replaced them with Hutu. This reformed the dominant network so that the country's political elite contained a significantly larger Hutu complement.

A second factor was the chaos created by a short period of bloody uprisings against the Tutsi monarchy that continued until the Belgians switched sides (Reid 2009: 271). The combative relationship between the Hutu and Tutsi elite resulted in the Rwandan Revolution, also known as the Social Revolution. This process included violent clashes to determine who would control the process of decolonisation. Modern historians agree that violent tactics were seen on both sides of the conflict and that the bloodshed emanated from UNAR plans to crush the emergent Hutu elite (Jones 2001: 20). The strategy was doomed to failure as it soon became apparent that Belgium – that had switched sides – would not support the campaign. The threatened Hutu retaliated and killed thousands of Tutsi in the capital and caused many thousands more to flee to neighbouring countries.[72] This violence continued for some months after independence (Klinghoffer 1998: 8).

The third shock factor was Mutara's death in July 1959, which has been attributed to more than one cause (De Lame 2004: 1301).[73] With no direct heirs, the king was replaced (without consultation with Belgium) by his young half-brother Jean-Baptiste Ndahindurwa, who ruled as Kigeri V (Prunier 1995: 54). However, the country's last monarch ruled for only a year and a half. He was exiled to

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[71] Most historical writings on this change suggest an abrupt switch in allegiance. However, Straus (2006: 183) warned against this perspective and suggested a more gradual shift. Belgium was said to have supported economic and political change, which UNAR opposed. These and other acts eroded Belgium's support for the Tutsi and gradually shifted loyalty to the Hutu.

[72] According to Van Dijk (2006: 195), two million Hutu peasants rose up against the 300,000 Tutsi living in the country. In "an orgy of violence" the peasants set alight the homes of their former masters and killed their cattle, murdered at least 50,000 Tutsi and forced another 50,000 to flee the country to avoid death. However, Diamond (2005: 314) warned that the exact numbers of deaths and refugees are uncertain. Klinghoffer (1998: 8) put the number of refugees at the time of independence at 120,000, while Overdulve (1995: 15) stated that it exceeded 150,000.

[73] Possible causes that have been mentioned have included suicide, poisoning, an adverse reaction to medication, and murder (Straus 2006: 177).

Uganda in January 1961 as a post-colonial government assumed control and brought an end to four centuries of royal rule (Klinghoffer 1998: 8).

The fourth important factor that shocked the established political outcome was the country's first-ever local government elections in June-July 1960. Fully 211 out of the 229 elected town mayors were Hutu (Sellstrom and Wohlgemuth 1997: 29). This was a significant departure from the political outcomes in previous eras. PARMEHUTU secured about three-quarters of the votes and formed a new government in October 1960 with six Hutu and two Belgian ministers. However, Brussels reneged just weeks ahead of the poll date on a pledge to hold elections on 28 January 1961. In response, Hutu political parties and 25,000 of their followers met at Gatarama in the Southern Province on the election day to dispose of Kigeri V, establish a republic without Belgian control, and call a national referendum for later that year to decide on the fate of the mwami (M'bokolo 2003: 212-214). Collectively, Belgium's allegiance change, violent ethnically-driven conflict, the crowning and disposition of Kigeri V, local government elections, and the declaration of a free republic combined to entirely transform the country's political outcomes. Viewed from the perspective of the critical transitions framework, this created a new political outcome that deviated significantly from the established norm.

H) Window of opportunity for leadership

When the Belgian book translated by Blankoff-Starr (1960: 33) was published a year after the revolution, the influence of the Tutsi over the Hutu was said to be "non-existent". This state of affairs contrasted starkly with that of the preceding 300 years, during which Tutsi influence was overwhelming. According to Reader (1998: 666), official statistics showed that only 9% of the population were Tutsi, while others such as Overdulve (1995) and De Lame (2004: 1301) referred to a higher figure of 15%. With the country's governance now in the hands of the Hutu, a leader was needed to develop the new republic and to avoid further bloodshed – Kigeri V and other Tutsi were plotting in exile for their return. The dominant network had already changed, and the beliefs held by the majority Hutu were in force. The critical transitions framework suggests that the situation required the identification of a leader to complete the process of institutional change. PARMEHUTU Chairman Kayibanda, who belonged to the Hutu elite before independence, took this torch (Pottier 2002: 123). Born in Gitarama, he was at the helm of the meeting that declared the sovereign Republic of Rwanda (Reader 1998: 666).

3.4 The First Republic: 1961-1973

A) Economic and political outcomes

According to Reader (1993: 626), only 2.4% of Rwanda's population resided in urban areas when the First Republic came into being; Blankoff-Starr (1960: 40 & 49) suggested that the proportion may have been even lower. Agriculture was therefore still the dominant form of economic activity at the time of independence. However, the political revolution of 1959-1961 was also the start of a socio-economic revolution. The result was an altered economic outcome to coincide with the new political outcome. The socio-economic revolution liberated the majority of the population from a regime that had increasingly resorted to suppression and exploitation. The revolution and subsequent independence from Belgium largely eliminated the suppressive factors that were the reasons for structural poverty. For example, the Hutu government liquidated all pastoral serfdom contracts in 1959 (Huggins 2013: 189).

Yet these same policies have also been interpreted as a pro-Hutu affirmative action campaign that effectively side-lined the Tutsi. One historian even referred to these measures as a “quasi-apartheid system of decimation” that excluded the Tutsi from employment, public life, and political as well as military power (De Lame 2004: 1302). This forced educated Tutsi – many of whom had lost their land – to join foreign-owned companies or to start new businesses, sometimes with international support. This, in turn, influenced trade and commerce in the rural areas: while most shop owners in the rural areas were now Hutu, importers and wholesalers were Tutsi. Ironically, while the economic and political outcomes for the Hutu were better after independence, they still felt that they were disadvantaged compared to the Tutsi (Overdulve 1995: 17-18).

Nonetheless, poverty remained rife. In Kayibanda’s “land of virtue”, hard-working peasants “toiled the land without asking too many questions,” and poverty was “borne with dignity, according to the president” (Prunier 1995: 59). While labour was no longer indentured to chiefs and landlords, the government remained hamstrung by the small tax base and forced Rwandans to work on road construction, reforestation, and other state-organised projects (Leurquin 1963: 87). A lack of broad-based economic development during the first decade after independence resulted in 93.8% of the population still being dependent on farm employment by 1970. Only 3.2% of the population were living in urban areas at the time. As in many other newly independent countries in SSA, economic development was slow. Rwanda faced the same challenges as its neighbours: limited physical infrastructure, weak capacity amongst those employed by the state, significant dependence on agriculture for employment, and weak adjacent economies. Nonetheless, some members of the Hutu elite benefitted greatly in financial terms from incorporation into the new dominant network.

B) Dominant network

PARMEHUTU embraced the idea that the Hutu were not indirectly oppressed by Belgium but directly by the Tutsi (De Lame 2004: 1302). As a result, the new dominant network of the first post-independence regime was made up of Hutu elites, mainly from the southern parts of Rwanda where Kayibanda hailed from, with the president surrounding himself with trusted allies. The patronage system in the dominant network of the First Republic was therefore not dissimilar in nature from those in many other African governance structures (Jones 2001: 25). Kayibanda was by no means a liberator; in fact, he established a regime “of such stifling authoritarianism that even its primary beneficiaries, the Hutu elite, found cause for complaint” (Reader 1998: 667). Brown (2011: 108) also criticised his authoritarian rule, while the UN stated that “[a]n oppressive system has been replaced by another one” (Prunier 1995: 53).

C) Beliefs

The beliefs of the new elite were the exact opposite of those of their Tutsi predecessors: while pre-independence client-patron relationships were based on the Tutsi's need to dominate the Hutu in order to lessen the perceived threat of the group's minority status, the Kayibanda regime believed that the majority should rule over the minority group. However, the dominant network was aware of the strife in other post-colonial countries and the internal conflict caused by the exit of European powers. Kayibanda believed that multiple political parties distracted the population and hampered progress

(Sahinkuye 2000: 106). Hence, his regime used negotiation, intimidation, and violence in the years after independence to eliminate other parties. The final demise of the UNAR in 1963, for example, coincided with the arrest and execution of some of its top leaders. The country became a de facto one-party state in 1965 (Klinghoffer 1983: 8). While this was never formalised in law, PARMEHUTU referred to itself as the 'national' party. In fact, PARMEHUTU was the only political grouping of the 13 that had existed at independence that took part in the 1965 elections. It secured more than 98% of the vote – the remaining votes were cast for individuals.

D) Constitutional-level institutions

The country's first formal constitution, which was adopted in November 1962, abolished the monarchy. The constitution enshrined the power of the people by establishing a representative parliament but also limited certain human rights. While the UN Universal Declaration of Human Rights[74] was recognised, the exercising of individual rights was limited by Rwandan law and regulations. Thus, authorities were able to abuse internationally-recognised human rights by means of local decrees. Freedoms of assembly, expression, and from discrimination were violated. Notably, the violation of rights affected Hutu and Tutsi alike (Sahinkuye 2000: 102-103).

The Catholic Church's influence over politics and society was also quite visible. Kayibanda was a former editor of the influential Catholic newspaper Kinyamateka and a one-time personal secretary to the Archbishop of Kabgayi.[75] Collaboration between the state and church was found at all levels of the governing hierarchy, from local councils to the formulation of development programmes for the entire country. The Catholic Church also continued its ethnic politics by supporting the Hutu government instead of challenging the ethnic divisiveness of Ruandan politics. This proved to be an internal challenge for the church: while the international Catholic Church supported the Hutu-run government, the majority of the church's missions served Tutsi converted during the colonial period. This resulted in ethnic tensions within local communities, sometimes resulting in ethnically-driven attacks on church schools and lower ranking clergy (Court 2016: 62-63).

The education system changed abruptly after independence, yet in many ways remained the same. While access to schooling for Hutu improved significantly, Tutsi access to secondary education was limited. Kayibanda prioritised education in the southern regions, to the detriment of other areas. Pupils from Gikongoro were clearly favoured in the late 1960s when the incumbent minister of education was a native of that area. Similar benefits accrued to those from Gitarama in the early 1970s on account of it having been the birthplace of his successor. The history curriculum portrayed the Tutsi as immigrants from Ethiopia who oppressed the Hutu. Fictitious historical narratives were even drafted and incorporated into the educational curriculum, although it should be said that the Tutsi did this too before independence (Mafeza 2013: 3-4). Children were sorted and seated along ethnic lines in classes. While there was a reversal of the order in the colonial doctrine in favour of the Hutu, children were still being taught that one group was good and the other bad (Moshman 2015: 2-3).

E) Laws and enforcement

Laws and enforcement under the one-party state were authoritarian. The Kayibanda regime instilled a quota system (also referred to as 'ethnic proportionality') within schools and the civil service to

[74] Adopted in 1948, this declaration formed the basis of international human rights law.
[75] Carney (2012: 86) argued that Kayibanda was a prominent example of a seminarian turned journalist turned politician.

limit the numbers of Tutsi employees to the groups' population share. This so-called purification campaign was vigorously enforced in urban areas (Straus 2006: 190). The result was a large increase in the numbers of refugees – some claimed hundreds of thousands, while Diamond (2005: 314) suggested a million – that left Rwanda for Burundi[76], Tanzania and Uganda. Especially the border areas witnessed continued skirmishes between the state and Tutsi militia that eventually led to Kayibanda's downfall (Reader 1998: 667-668).

After independence, the Gacaca developed into a system with more extensive administrative duties. This happened because Rwandans developed a better understanding of judicial processes. Defendants increasingly turned to superior administrative officials to appeal Gacaca sanctions. When elders of a cell (the smallest administrative unit within local government, overseeing on average 800 people) decided on a punishment, these defendants then turned to a mayor or prefect who presided over up to ten cells for a more authoritative view on the matter. This eventually resulted in elected judges using the Gacaca as evidence collecting processes in order to hand down formal judgements (Clark 2010: 53-54). The formalisation of the community court system continued as a result of official intervention.

F) Incremental changes

Returning to political matters, tinkering became necessary to maintain the dominance of the concentrated power base built by Kayibanda by the mid-1960s. From the late-1960s, the concentration of power within PARMEHUTU increased little by little as a result of internal conflicts and divisions. By 1972, a small group of politicians from Kayibanda's home region had usurped power, marginalising Hutu from the northern and central parts of the country (Sahinkuye 2000: 109-110). The side-lined politicians grew isolated from the president and distant from the economic and political power he controlled (De Lame 2004: 1302). Arguably, Kayibanda ruled with the same style of leadership and remoteness as a mwami. His control over the public administration grew to such an extent that he decided on all appointments within the government – even at the lowest levels –.by the early 1970s He also worked hard to mobilise international support for his regime in order to legitimise his actions. Prunier (1995: 57-59) indicated that the country's "egalitarian racial ideology" buttressed an "elitist and secretive authoritarian government" that found support among Christian Democrats in Germany and Belgium.

The chink in Kayibanda's one-party armour was his inability to retain control over the military. Control was in the hands of the Minister of Defence, Major General Habyarimana, and his allies in the northern and western parts of the country (De Lame 2004: 1302). As political power became increasingly concentrated in the hands of southern politicians in PARMEHUTU, northerners became more organised in opposing political exclusion (Overdulve 1995: 19). Increasing domestic unrest in the early 1970s, which stemmed from the conflict between the state and Tutsi insurgents, eroded the power of the Kayibanda administration by emboldening its growing opposition. Northerners were also exposed to attacks from Tutsi refugees based in Uganda (Prunier 1995: 54). Politicians and citizens alike turned to army strongman Habyarimana for protection as Kayibanda failed to act decisively on the turmoil he had caused (Van Dijk 2006: 195). This divided the previously united Hutu people and enabled Habyarimana to build a power base for his friends, family and other allies from the Gisenyi region in the northwest.

[76] The name was changed from Urundi to Burundi at independence on 1 July 1962.

G) Shock – deviated outcomes

While little has been written in most history books about the spark behind the eventual uprising by Habyarimana and his supporters, it has been well-documented that the killings of Hutu in Burundi during April 1972 triggered ethnic violence in Rwanda's schools, universities, public administration and private enterprise during 1973 (Sahinkuye 2000: 110). The emotional impact of these killings was a final rallying cry for Kayibanda who organised vigilante committees to scrutinise the public and private sectors for the implementation of racial quotas. Ethnically-motivated expulsions were the chosen strategy for the government; Kayibanda was trying to rid the country of Tutsi as a way of quelling his unpopularity in the north (Prunier 1995: 60). This policy was not well thought through, and the country was moving into a state of chaos in which state control became precarious. Rwanda had descended into a situation in which northerners were attacking southerners; the poor were attacking the rich, and politicians were in fear of being killed (Sahinkuye 2000: 110).

H) Window of opportunity for leadership

Rwandans in the north were conspiring how to replace the Kayibanda regime due to the apparent inability of the president to protect them from cross-border Tutsi attacks. The northerners claimed that the Kayibanda regime was unable to protect Rwanda from attacks by bands of exiles or to guarantee peace and stability in a climate of "sectarian revenge" within its borders (De Lame 2004: 1302). The country was in a deep crisis. This descent into chaos[77] was the shock to Rwandan society's autopilot situation that opened a window of opportunity for Habyarimana to show the leadership required for institutional change. Indeed, after a bloodless coup d'état by Habyarimana during July 1973, Kayibanda was placed under house arrest, and he died in 1976. Some 55 members of his dominant network were executed in an "extermination of the southern political elite" (Gasana 2002: 29).

3.5 The Second Republic: 1973-1994

A) Economic and political outcomes

The initial period of Habyarimana's rule was noted among historians as one of calm, prosperity, and relative tolerance between ethnic groups (Jones 2001: 25). Rwanda prospered for 15 years after the 1973 coup d'état and the country became a favoured destination for aid from overseas donors. The donors, in turn, could claim that their support benefitted a peaceful country with improving health, education, and economic indicators (Diamond 2005: 315). The president's self-proclaimed selfless commitment to public administration (so that his people could farm) was indeed successful and raised questions about the necessity of democracy for economic growth (see sub-section C below).[78] The country improved its formerly very low position in international GDP per capita rankings, secondary and tertiary activities grew from 20% of gross national product (GNP) in the mid-1960s to more than 50% in the mid-1980s, and indicators of health, hygiene and education improved dramatically despite rapid population growth. Compared to neighbouring Burundi, Uganda, Zaire and Tanzania, Rwanda was portrayed as a comparatively stable destination for donor aid.[79] The country was soon labelled

[77] This was similar in character to the 1994 genocide, according to Straus (2006: 175).
[78] Sahinkuye (2000: 123) was emphatic that the system was undemocratic.
[79] Bilateral and multilateral donor aid accounted for 22% of GNP and 60% of government development expenditures, which was higher than SSA averages (Sellstrom and Wohlgemuth 1997: 37).

the 'Switzerland of Africa' – admittedly in part because of its small size and mountainous terrain (Prunier 1995: 78-79). It had one of the lowest public debt burdens (as a percentage of GDP) on the continent. The country's currency was relatively stable and served as a unit of exchange in neighbouring countries as well (Sellstrom and Wohlgemuth 1997: 34).

Rwanda and several other African countries sharply increased their food production in aggregate and per capita terms between 1960 and 1980 (Owusu 2003: 332). Calculations based on data from the Food and Agricultural Organisation (FAO) indicate that green coffee production was 10,000 tonnes (3.3 kg per capita) in the year of independence, had risen to 15,000 tonnes (3.9 kg per capita) in 1971 and was almost 20,000 tonnes (4.9 kg per capita) in the year of the bloodless coup. Coffee output then spiked to nearly 30,000 tonnes (5.6 kg per capita) in 1981 and peaked at 43,000 tonnes (7.1 kg per capita) in 1985. Apart from a shock to international coffee prices in late 1970, which the country was able to compensate for with increased tin exports, the economic outcomes during the first decade of the Habyarimana regime were very favourable for the average Rwandan peasant. All arable land outside of national parks was under cultivation by the middle of the 1980s (Diamond 2005: 320).

For the akusa, the grouping at the apex of Rwanda's dominant network, the political outcomes were favourable. The ruling elite made money from coffee, tea and tin exports, as well as some pilfering of donor aid. With the economy briefly in trouble during the late-1970s and the dominant network pressured by lower earnings, former security chief Theoneste Lizinde mounted an unsuccessful coup d'état in April 1980. This was the only unsavoury episode from 1973 to 1988 (Prunier 1995: 84). Apart from this event, the Habyarimana regime kept a tight rein on power. This close control of the economic and political space kept Rwandans in the fields – cultivating crops that enriched leaders of the Mouvement Républicain National pour la Démocratie et el Développement (MRND) –and helped build a society with improving economic and social indicators. Habyarimana quickly side-lined anyone in the ruling structures of the country that did not align with his political philosophy (Overdulve 1995: 20). This reinforced the akusa's power although the one-party system failed to build national unity despite being more accommodative to Tutsi than the First Republic was (Sahinkuye 2000: 123).

Rwanda joined the International Coffee Agreement (ICA) in 1962, which enabled it to partake in a much more controlled global coffee economy. However, the coffee-focused agricultural system also reinforced ethnic divisions. Rising international coffee prices encouraged the akusa to gain greater control over the industry. Consequently, coffee cooperative Trafipro was turned into a state-run monopoly marketing board. By 1966, the marketing entity had 27 national shops and 70 coffee purchasing points that favoured coffee production by Hutu. In its new guise, Trafipro fostered "regional bias, corruption and [a] climate of terror" as the organisation became "the backbone of an authoritarian [Hutu] regime" (Kamola 2007: 581).

B) Dominant network

It can be argued that Habyarimana was already a member of the country's dominant network under Kayibanda because he had control of Rwanda's military and a top government job. However, the political spectrum changed entirely with the new regime. At the start of the Second Republic, the new dominant network comprised Habyarimana, his wife and their close family members, who henceforth controlled the ruling party as well as state finances and security. They were referred to as the akusa, or 'small house' (Overdulve 1995: 19), and surrounded themselves with a political retinue (Bates

2008: 51 & 72). The one-party system continued: in fact, Habyarimana soon declared all citizens members of MRND from birth (Van Dijk 2006: 195), which meant that babies and the elderly became liable for membership fees (Overdulve 1995: 20). The akusa's leadership during the first decade of the rule was mild compared to that of the First Republic, though (Prunier 1995: 75).

C) Beliefs

The Habyarimana elite believed, as did the Kayibanda, Musinga and Tutsi regimes before them, that state power should be concentrated in a small circle of allies. In turning the tables on the Kayibanda government, political power was moved away from the southern and central areas to the north. Cadres from Gisenyi filled most key positions in the cabinet, public administration, church and the military and security services; furthermore, they gained access to many lucrative economic opportunities (Meredith 2014: 639). By 1980, some 80% of command positions in the armed forces were filled with members of Habyarimana's clan (Jones 2001: 26). The president declared that he and his comrades would carry the burden of public administration and that they would manage the country's politics so that ordinary Rwandans could devote themselves entirely to agricultural activity. Peasants "were hard-working, clean living and suitably thankful for their social superiors" who helped them (Prunier 1995: 81). The Habyarimana regime used this economic and political structure to build legitimacy in the wake of the bloodless coup d'état that replaced a democratically elected government.

D) Constitutional-level institutions

The Habyarimana government suspended 31 articles of the 1962 constitution, including provisions for the creation and amendment of laws. This made presidential decrees the only form of legislative activity – a situation reminiscent of the power of the mwami. A new constitution was only adopted in December 1978 and was certainly not progressive. The significant differences from the 1962 constitution were the inclusion of legislative provisions for a one-party state, a nearly complete absence of mechanisms for holding the president accountable, and the introduction of unlimited consecutive terms of re-election for the head of state. Human rights were again weakened with the elimination of direct application of the Universal Declaration of Human Rights in domestic law (Gahamanyi 2003: 254). Some political scientists argue that the 1978 constitution was influenced by the Zairian model of governance, which is not farfetched considering that Zairian President Mobutu Sese Seko is seen as Habyarimana's mentor. However, the reality that the president ruled by decree meant that the constitution was not as important in day-to-day life as his speeches and MRND bylaws. The racial quota system, for example, was not stipulated in any formal law but was encapsulated in a presidential address and MRND bylaw (Gahamanyi 2003: 256). While the quota policy was maintained it was only loosely enforced for as long as Tutsi refrained from interfering in Hutu politics (Prunier 1995: 75).

For the Tutsi, de jure membership of the MRND restored some rights that were void during the First Republic. Allegiance to the ruling party could bring economic success, which meant that everyday life under the Habyarimana regime being "quite tolerable" for the Tutsi (Van Dijk 2006: 195). Some Tutsi businessmen had amassed fortunes and were on good terms with the ruling regime (Prunier 1995: 76). Nonetheless, administrative control of everyday life was "probably the tightest in the world under non-communist countries". Everything was "carefully controlled, clean and in good order" (Prunier (1995: 77 & 81). An assessment by Sahinkuye (2000: 123-153) of the impact of the one-party state on democracy, political rights and civil society found the following features of the polity:

- Presidential elections were held to affirm, and not potentially replace, the incumbent
- The president appointed members of MRND's Central Committee and the country's National Congress
- Campaigning for parliamentary seats was strictly controlled
- Freedom of expression was under pressure, both in public and within government
- Restrictive bylaws marred constitutionally-enshrined freedoms of association and assembly
- Labour strikes were nearly impossible
- Freedom of the press existed only in theory
- Academic freedom was absent

The reforms brought by the Public Education Law of 1978 changed the education system, though not for the better. The legislation added further administrative measures to the divisive force of the education system. The law determined that progression from primary to secondary education was determined not only by examination results and continuous assessment, but also by ethnic and regional considerations. The system lacked transparency and was used to discriminate against Tutsi pupils (Mafeza 2013: 3). Teachers reported that brilliant students would fail exams simply because they had to include their ethnicity in their submissions. This strategy systematically reduced the percentage of pupils from Tutsi origins from 36% in 1962 to 12% in 1981 (Ntirenganya 2016).

The discriminatory policy in the education system reinforced divisionism and hatred among Rwandans of different ethnic groups (Mafeza 2013: 4). This was also reinforced by religious factors. The Catholic Church welcomed the formation of the Second Republic and moved the seat of its archbishop to Kigali in 1976 to facilitate cooperation between the church and government. Under Habyarimana, the state and church strengthened their mutually reinforcing relationship of power and authority. The state and church's respective patronage networks continued, based on a shared ethnic solidarity that reinforced ethnic divisions between the Hutu and the Tutsi (Court 2016: 63-64).

E) Laws and enforcement

The Gacaca system was becoming less important as a forum for community-based dispute resolution and was increasingly a formalised structure integrated into the formal judicial process (Clark 2010: 54). To be clear, settling local disputes was still a vital function of the Gacaca system, but this was then subject to review by formal courts (Schabas 2008: 222). The Gacaca were also still hearing the same kinds of cases as during the First Republic and were far from unimportant. The system continued to thrive throughout the 1980s, with over 90% of cases in rural areas being heard in Gacaca courts (O'Reilly and Zhang 2015: 4). However, the formal judiciary faced many challenges. For example, political disagreements led to periodic closures of the Ministry of Justice, which weighed heavily on judicial independence.[80] For the same reasons, the 1979 Constitution abolished the Supreme Court and replaced it with four separate courts. The Supreme Court was only reintroduced around the time of the genocide (The Judiciary of Rwanda 1991: 1).

[80] Rule of law and judicial independence support economic development. When citizens believe that the court system can resolve their disputes fairly and impartially, and that these decisions are enforced by the state, the citizens are more inclined to obey the law. In such a system, there is no incentive for citizens that are unhappy with government to take the law into their own hands and thus disturb the peace. In turn, peace and political stability encourages investment and innovation, and hence economic development (Rugege 2007: 414-415).

F) Incremental changes

It was not until later in the 1980s that the Habyarimana government felt any real social and political pressure to effect change. The dominant network was doing well in financial and political terms as long as international coffee prices supported their belief that prosperous farmers would guarantee their continued rule. Coffee production had become increasingly important to Rwandan farmers due to coercive and non-coercive incentives that encouraged cultivation of the crop. During the coffee boom of the 1970s and early 1980s, the state provided a substantial boost to household incomes by increasing prices paid to farmers for coffee beans. Combined with laws restricting the use of fertiliser to coffee and tea production, as well as rules restricting multi-cropping, Rwandan farmers had little reason not to adopt a coffee-oriented production system (Kamola 2007: 581-582). By 1986, coffee accounted for 82% of Rwanda's export earnings (Andersen 2000: 447).

Coffee prices declined notably during the late 1980s and the total value of the crop fell from RwF14 billion in 1986 to RwF5 billion in 1987. This resulted in a large drop in household incomes accompanied by a decreased volume of domestic food production. In 1989-1990, the country was hit by the combined effect of falling coffee prices and a local drought. In the absence of sufficient food reserves, this resulted in the deadly ruriganiza famine that killed hundreds and forced more than 10,000 (mostly Tutsi) refugees to Burundi and Tanzania. The drought was concentrated in the southern Gikongoro prefecture that was seen as a stronghold for the Rwandan Patriotic Front (RPF). As a result, Habyarimana withheld food aid to the region and retained supplies for his army in case the RPF invaded from Burundi (Kamola 2007: 582-583).

The informal agreements between northern clans that enabled their benefactor Habyarimana to rule as long as coffee profits were available, began to unravel as competition increased for the only other secure form of income: donor aid.[81] To benefit from this, an individual had to be a major player in government circles. Hence, with power struggles erupted (Prunier 1995: 84). By the mid-1980s, the country’s economic and political outcomes were starting to diverge from the dominant network’s expected results, and, by 1988, the skimming of donor funds was the only viable source of revenue for the dominant network. The country was also hit by severe droughts in 1989-1990, 1991 and 1993, with diseases affecting staple crops like cassava and sweet potatoes (Sellstrom and Wohlgemuth 1997: 37).

However, while a window of opportunity was undoubtedly opening in the late 1980s, no one showed effective leadership to initiate political change. Some historians highlight the death of Colonel Stanislas Mayuya in April 1988 as the spark that kindled conflict among northern clans. Mayuya was rumoured to have been selected by Habyarimana as his eventual successor. This did not sit well with the latter’s wife, Agathe. She was from the influential Kanzinga family (a northern Hutu lineage that ruled independent territories well into the 1920s), and her network provided legitimacy to the rule of Habyarimana who did not descend from a prominent lineage. Agathe’s close family and allies – whom the president relied on as his eyes and ears – orchestrated Mayuya’s death in order to maintain their positions in the upper echelons of government. The first lady was nicknamed Kanjogera after the former queen mother.[82] Agathe’s circle of allies became more influential within the dominant network while the economy weakened. This further buttressed the ruling elite (Prunier 1995: 84-86).

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[81] There was very little surplus value that could be extracted from the Rwandan economy due to the large role played by peasant subsistence farming. World Bank data indicated that agriculture accounted for 40% of GDP in 1985.
[82] She was the real power behind Musinga’s throne earlier in the century

The MRND was hard at work in the late-1980s and early 1990s to make incremental changes to its governing style in order to prevent a further widening of the disparity between expected and actual economic and political outcomes in the wake of the coffee price decline. Despite progress since independence, Rwanda was still amongst the poorest countries in the world, with a vulnerable, socially strained, and environmentally destitute economy that also had to cope with the highest population density in the world.[83] Another decline in coffee prices during 1989 and drought-induced food shortages during 1989-1990 could not entice back donor agencies who by the late 1980s had rolled back their support for the oppressive government (Jones 2001: 27). The MRND became more and more ruthless as it attempted to "make up through moralistic hypocrisy for what it lost regarding blood and financial scandals". This included the creation of re-education camps for unemployed youth (Prunier 1995: 88-89). More seriously, dissent was sometimes silenced by violent means. The country was "close to collapse" by the late 1980s (Reader 1998: 668), and the political scene fell into a "deep and pervasive crisis" in early 1990 (Prunier 1995: 90). The Habyarimana regime called in the World Bank and IMF to help with the country's strained financial situation. Habyarimana even went as far as acknowledging the need for a multi-party state early in 1990.

At this stage, the post-coup d'état dominant network was still in place. The turbulent late 1980s did not deliver a new leader or leadership in the country as the political climate was too constrained – nobody was able to utilise the window of opportunity. The change had to come from another external shock. The Burundi-based RPF, created in 1987 by Tutsi refugees, was informed in 1990 by dissidents from Kigali that the Habyarimana government was on the verge of collapse, and that a strong push from abroad could complete its demise (Prunier 1995: 90). Both the Rwandan and Burundian governments were aware of the RPF's military preparations and the support it was receiving from the Ugandan military, though its leaders in the capitals Bujumbura and Kampala did not officially endorse this campaign (Klinghoffer 1998: 15). Other foreign governments offered financing and military training, albeit unofficially (Overdulve 1995: 22).

Under Paul Kagame (then a major-general[84]) the RPF crossed the northern border in October 1990 in an attempt to gain control over some of the Rwandan land area. Although the Habyarimana regime deflected the poorly supplied initial onslaught towards Kigali with the aid of a few thousand French, Belgian and Zairian troops, sporadic fighting continued during 1991-1993. According to Jones (2001: 28), the violence had three immediate and notable impacts on the country beyond the apparent outbreak of what was primarily a civil war:

- The economic situation deteriorated further and drained the government's coffers
- Social order was placed under further strain
- The country's once-positive international image degraded and stimulated international pressure for reform

[83] The only reason why Rwanda could support such a dense population is the fertility of its rich volcanic soils (Griffiths 1993: 124). Mountainous areas were also natural fortresses against hostile intruders – e.g. 19th century Swahili slave traders from the Indian Ocean coast (Sellstrom and Wohlgemuth 1997: 16).

[84] Kagame gained his military experience in the Ugandan bush war (1981-1986) and was the counter-intelligence chief of the country's National Resistance Army (NRA). His experiences in Uganda facilitated the development of the RPF into a military power.

The civil war in Rwanda from 1990 to 1994 received much less attention abroad than the 1994 genocide did.[85] However, the impact of the RPF invasion was nontrivial since it was the precursor to a change in local politics in the run-up to the genocide. Notably, it contributed to increased external political pressure: with the end of the cold war, Western governments were no longer willing to support one-party African states (Jones 1999: 53-55). The Habyarimana regime had to intensify its incremental changes to retain power.

External pressure (led by the French government) forced Habyarimana to formally end the MRND's monopoly on political power in 1991. While a commission was established in September 1990 to investigate this issue, and was given a two-year mandate to do so, the attack by the RPF less than a month later pushed Habyarimana to allow multiple political parties in November of that year. This immediately resulted in the establishment of a robust Hutu opposition movement. The Republican-Democratic Movement (RMD) was formed as a successor to PARMEHUTU. The MRND also created a new party constitution in June 1991, and changed its name to the Mouvement Républicain National pour la Démocratie et le Développement to formalise the shift from a one-party to a multi-party state. Habyarimana quickly organised elections, but opposition parties boycotted this in the belief that the timeframe favoured the incumbent. Protests followed in November 1991 and January 1992. Eventually, in the face of a political attack from the opposition parties emanating from the south, a recurring military onslaught from the north, and escalating external diplomatic pressure, MRND formed a coalition government in April 1992 with all opposition parties (Sahinkuye 2000: 159-161).

On face value, this could be interpreted as a change in the dominant network and a subsequent change to constitutional-level institutions, as envisaged in the critical transitions framework. However, this interpretation would be incorrect. While a more open political space increased the nominal representativeness of the Rwandan government, the coalition government was established with a mere 12-month lifetime. In addition, while the post of prime minister was created and given to an opposition leader, Habyarimana still wielded almost all the power – including the authority to veto decisions by the prime minister (Klinghoffer 1998: 20). Habyarimana's move to create a new coalition government was only a tactic to bide time until he could resolve the RPF threat. Most of the provisions in the 1991 document were similar to those of the one-party constitution adopted in 1978 (Sahinkuye 2000: 160). This implies that the nominal changes in the country's laws masked the extent to which the dominant network remained a MRND-dominated group with established beliefs about appropriate economic and political outcomes. The developments in June 1991 and April 1992 were therefore only a start to (and not a complete period of) change in the dominant network and constitutional-level institutions.

G) Shock – deviated outcomes

With so many challenges to the country's economic and political outcomes since the mid-1980s, the dominant network (and its beliefs) entered a period of flux during 1992 that would not see any real resolution until 1994. At the start, there was the MRND-only government. This was followed by the coalition government that nominally included opposition parties. The akusa still manoeuvred to hold on to power during this second period as they were not willing to relinquish the rents that they were able to secure under the previous system (Straus 2006: 25). Stoking racial hatred was part of their tactics: uniting local Hutu against the Tutsi-led RPF was a rallying cry for the MRND to try to retain

[85] Prunier (1995) and Jones (1999) provided detailed overviews of the war.

its power. Limited success with this propaganda and a military stalemate against the RPF convinced the Habyarimana regime to enter into peace talks after a ceasefire was agreed to by both parties. International mediation sought to include the RPF in the coalition government (and by implication the dominant network). Many international observers attended the talks, which began in August 1992 in Arusha, Tanzania (Sahinkuye 2000: 161-163). An African peacekeeping force was deployed under the control of the Organisation for African Unity (OAU). The country was at that stage afflicted by a widening trade deficit, weakening exchange rate, rising consumer price inflation, and dwindling foreign reserves (Prunier 1995: 159-160).

The Arusha negotiations took over a year to conclude. During this period, the Rwandan government was in varying degrees of shambles, with no explicit dominant grouping. Habyarimana struggled to balance the demands of his loyalists, opposition groupings, renegade northern groupings previously loyal to the MRND, the RPF and international stakeholders. Rwandan politicians opposed the transitional government proposed in the Arusha Peace Agreement (Klinghoffer 1998: 26-29). The 13-month negotiating process witnessed the signing of six highly detailed agreements between Kigali and the RPF that became known as the Arusha Peace Agreement (or Arusha Accords) when concluded in August 1993. These included agreements on ceasefires, the rule of law, repatriation of refugees, and integration of armed forces. The Arusha Peace Agreement superseded many articles in the 1991 constitution dealing with government (Gahamanyi 2003: 257-258).

The future makeup of the dominant network would be directly affected by the protocol agreement on broad-based power sharing – the longest of all the protocols – signed in January 1993. The negotiations around this pact were surprisingly smooth (Prunier 1995: 166). The protocol stipulated reduced presidential powers and increased powers for the prime minister and Council of Ministers (Gahamanyi 2003: 260-261). Importantly, the new Council of Ministers would make decisions by consensus. The 21-member council would include the following role players:

- five representatives from MRND,
- five from the RPF,
- four from the Mouvement Démocratique Républicain (MDR),
- three from the Parti Social Démocrate (PSD),
- three from the Parti Libéral (PL), and
- one from the Parti Démocrate Centriste (PDC).

Under another protocol, RPF members were integrated into the national military. The respective Arusha protocols would have realigned the political system and structure in Kigali, i.e. the dominant network (Jones 1999: 68). However, the protocol was not fully implemented, with Sahinkuye (2000: 163-170) identifying several reasons:

- RPF unhappiness with the inclusion of French troops in a Kigali-based international peace force
- Divisions in the MDR made it impossible for the party to provide its three ministers
- The PL split into two factions
- The RPF refused to sit next to the Coalition for the Defence of the Republic (CDR) delegate due to ethnic issues
- More ethnic tension stirred by the assassination of Burundian President Melchior Ndadaye (a Hutu) in October 1993

Although several ministers were appointed, the Broad-Based Transitional Government (BBTG) was not fully constituted, the inauguration of the new parliament never took place, and political violence continued during late 1993 and early 1994.[86] A nominal coalition government existed in which the opposition held key portfolios; in reality, however, there was a major political impasse. In other words, the dominant network had still not stabilised, the public sector was paralysed (Straus 2006: 31), and the economy was in shambles. Multilateral organisations attempted to resolve the country's economic and political problems with Structural Adjustment Programmes, a multiparty democratisation process, and peace negotiations. All three strategies were intended to contribute to the restoration of stability and to serve as bases for further development in the country (Andresen 2000: 446).

The multilateral efforts spearheaded by the World Bank and United Nations Development Programme (UNDP) failed, however, and actually caused the country to plunge into deeper disarray. Andersen (2000) showed that the three strategies had contradictory and mutually conflicting effects. Firstly, economic SAPs and multiparty democratisation clashed from a policy-making perspective. Adjustment strategies were imposed from outside the country and not through internal democratic processes. Thus, one part of the international community wanted to impose stabilisation policies while the other called for democratisation and indigenous decision-making. Secondly, adjustment programmes and peace processes divided the beliefs of the dominant network. The reality that disbursement of finances associated with adjustment programmes was tied to the implementation of the Arusha Accords left Habyarimana torn between the donor aid-hungry akusa and the need to find other forms of external financing to stabilise the country. Thirdly, multiparty democratisation and peace processes undermined each other. The aims of multiparty democratisation included fragmentation of the existing political groupings and stimulation of electoral competition, while peace processes involved unification of and cooperation between political fractions (Andersen 2000: 446).

Andersen (2000: 446-447) found that these three strategies jointly contributed to a weakening of the akusa, and made it impossible for Habyarimana to comply with the repeated demands of the UN to implement the Arusha Accords. As a result, there was a growing sense of insecurity among the elite that stoked further conflict. In the early part of 1994, the peak of what Rwandans refer to as the period of "hesitation and uncertainty" (Prunier 1995: 210), an external solution to Rwanda's problems remained elusive, while armed conflict escalated. The spark that lit the genocide fuse was the death of Habyarimana – the biggest player in Rwanda's dominant network – in a plane crash on 6 April 1994. Within hours of the plane being shot down by unknown attackers[87], presidential guards and militia in the capital were killing people deemed to oppose the MRND rule. This included the prime

[86] The UN was supposed to ensure that the BBTG became and remained operational. The international peacekeeping force that deployed in Kigali was smaller than pledged by international stakeholders, arrived later than the unrealistic timelines demanded, and had to redeploy some members to Burundi following the assassination of Ndadaye (Jones 1999: 72-73).

[87] Habyarimana and Burundian President Cyprien Ntaryamira shared an aircraft home following a regional political gathering in Dar-es-Salaam. A French-piloted, four-year old Dassault Falcon 50 intended to drop Habyarimana in Kigali and continue with Ntaryamira to Bujumbara. On approach to Kigali International Airport, two missiles fired from just outside the airport's perimeter struck the aircraft. The plane crashed in the garden of Habyarimana's house and both presidents were killed (Prunier 1995: 231-232). The wreckage was not thoroughly investigated (Klinghoffer 1998: 41) and the attackers never claimed responsibility. Speculation about the identity of the attackers continues to this day. It was thought at the time of the event that elements within the akusa were responsible (Overdulve 1995: 27). Some blamed the Presidential Guard for the act, for example, ostensibly because of fears that that the unit might be dissolved (Sellstrom and Wohlgemuth 1997: 50).

minister (and his Belgian guards), the president of the constitutional court, as well as several other former and serving ministers and their families. Both Hutu and Tutsi were killed.

Journalists, priests and business people who were not known to be MRND supporters were also targeted. The FAR, in turn, took up arms to try to stop the killings (Prunier 1995: 29-32). The dominant network was being slaughtered to make way for a new ruling elite. By April 9, military colonels Theoneste Bagosora and Pierre-Celestin Rwagafilita declared a new cabinet – the so-called Crisis Committee – with the MRND, MDR, PSD, PDC and PL represented at the executive level. The ageing akusa heavyweight Theodore Sindikubwabo took over as interim president, but was widely seen as a puppet of the military leaders. The opposition parties were represented in the new cabinet by delegates favouring the so-called "final solution" of Tutsi killings. The more moderate ministers did not express any opposition (Prunier 1995: 29-33).

The genocide started in the second week of April and continued for three months. Only 100,000 bodies were officially counted and buried in the Rwandan capital and western Uganda (the neighbouring country counted the bodies that floated across Lake Victoria). The UN estimated that 500,000 Rwandans were killed, though estimates based on census data, refugee centre records and population growth trends suggest that up to 850,000 Tutsi and 30,000 Hutu were killed (Reader 1998: 670 & 672). These numbers imply that seven out of every eight Tutsi were killed in 100 days. Some 10% of the population died from this conflict while another 30% went into exile.[88] Straus (2006: 222) listed five principal sources of state power in the country that enabled mass civilian mobilisation during the genocide:

- A high degree of institutional continuity over the preceding century
- The persistence of pre-colonial collective labour mobilisation into the post-colonial period
- Dense human settlement
- Human and physical geography that enabled close monitoring of people
- The high cost of disobedience

Immediate international response to the genocide was virtually non-existent (Jones 1999: 77). The OAU tried to organise a ceasefire between the groups during June 1994, but it was never implemented. The new government's headquarters in Gitarama fell to the RPF on June 13, and the cabinet fled to a new installation at Gisenyi near the Zaire border. The RPF seized Kigali on July 4 while the Gisenyi facility was secured on July 17 (Klinghoffer 1998: 58-59). At times during this period, more than 10,000 people per hour crossed the north-eastern border of Rwanda into Zaire (Wagner 2004: 1306).

H) Window of opportunity for leadership

The civil war was won by combat and certainly not through resolutions or negotiations: Although Western governments were aware of the extent of killing between April and July 1994, they failed to take adequate steps to prevent it. The genocide stopped only when a Tutsi army led by Kagame fought its way through northern Rwanda to the capital and captured other extremist strongholds (Meredith 2014: 640). A new government ostensibly based on the Arusha Peace Agreement – the Broad-Based

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[88] Refugee numbers were not precise. However, different sources – the UN, US government and Medicines Sans Frontieres (MSF) – suggested that some 60% fled to Zaire. Other destinations included Burundi, Tanzania and Uganda, while an additional 1.3 million Rwandans were displaced within the country (Prunier 1995: 312).

Government of National Unity – was declared on July 18. A five-party coalition formed a new cabinet that excluded the MRND and CDR and included several Hutu ministers. The portfolio allocations adhered to the specification in the Arusha Accords. However, the cabinet was far from efficient. Only two out of the 22 ministers had previously held cabinet or similar level posts. Furthermore, most of the ministers lacked proper offices, administrative personnel, basic stationery and electricity (Prunier 1995: 300),

The top leadership of the RPF, who deviated from the Arusha Peace Agreement by taking up the cabinet positions that the accords allocated to the MRND, was firmly in the driving seat (Gahamanyi 2003: 264). Nonetheless, the new government was certainly exclusively Tutsi, as was suggested by some international media outlets at the time. Many top positions were held by Hutu and opposition party members (Gahamanyi 2003: 285). Vice President Kagame produced the kind of leadership required by the critical transitions framework during windows of opportunity to establish a meaningful change in the structure of government. For example, he guided the protocol agreement between political parties that confirmed a partnership between the RPF and most other political parties (Gahamanyi 2003: 264).

3.6 Post-Genocide Rebuilding: 1994 onwards

A) Economic and political outcomes

The new government faced daunting economic challenges. The conflict that began in 1990 and ended in 1994 destroyed the physical and institutional infrastructure necessary for development in modern, market-based economies. Almost all economic sectors in Rwanda collapsed in the year of the genocide (Kimanuka 2009: 12, 45).[89] World Bank data indicate that real activity (measured at factor cost) in the crucial agricultural sector dropped by a cumulative 43% during 1993-1994 as death ripped through the country's rural areas.[90] The small manufacturing sector contracted by almost 63% during the two-year period while industrial activity as a whole declined by more than 70%. The output of the tertiary sector dropped by more than 56% as government services shut down and private sector professionals fled the country. On aggregate, IMF data indicate that real GDP practically halved during 1993-1994, while government spending and the volume of merchandise exports both dropped by almost two-thirds. The fiscal deficit jumped to more than 10% of GDP in 1994[91] and consumer price inflation reached nearly 50% on a year-on-year basis by December of that year. It is therefore not surprising to read Kelsall (2013: 120) claim that decades of progress in the small economy were wiped out by the end of the genocide.

However, it must be stressed that the genocide was also a watershed moment for the country's economy after an already challenging period during the 1980s and early 1990s. IMF data indicate that the loss in real economic activity (as measured in constant local currency prices) during 1993-1994 was recovered by 2000. Real GDP increased by an average of 17% p.a. from 1995 to 1997 followed

[89] Using econometric methods, Kaberuka, Ocaya and Ruranga (2014) found a structural break in key macroeconomic data between the pre- and post-genocide periods.
[90] The drop in food production severely affected nutrition. By 1993, one in three Rwandans were consuming less than 1,000 calories per day compared to 15% some five years earlier (Sellstrom and Wohlgemuth 1997: 37).
[91] This was also due in part to a quadrupling in military spending (as percentage of GDP) between 1989 and 1992 (Sellstrom and Wohlgemuth 1997: 39).

by an average of 7.5% p.a. from 1998 to 2015[92], from a mean of just 1.7% p.a. from 1980 to 1992. The economic recovery was exceptional (Ansoms 2011: 241). Importantly, the country's economic prospects remained bright even after the 1995-2000 catch-up period following the 1990-1994 war. Data from the African Centre for Economic Transformation (ACET) for the period from 2000 to 2010 indicate that Rwanda recorded the largest diversification of domestic production and exports amongst 21 African countries surveyed. It also recorded the most significant increase in productivity amongst these states and the second-largest improvement in technological capability (ACET 2014: 196). Against the background of the destruction from the genocide and the post-war resource constraints, Rwanda is a case study of success in post-conflict reconstruction. As indicated in Section 1.1, the country is considered to have displayed one of the most impressive examples of post-conflict reconstruction in human history. Invigorated by its leadership's ability to guide national development, Rwanda has made great strides in improving the business environment for private enterprises.

For the average Rwandan, the post-genocide period has also meant a transformation of socio-economic conditions. Data collected by the UN as part of its Millennium Development Goals (MDGs) campaign indicate that the share of underweight children dropped from 24.3% in 1992 to 11.7% some 18 years later as the share of the population classified as undernourished dropped from 53.9% before the genocide to 37.3% in 2010. Mortality of children under the age of five jumped from 170 per 1,000 live births in 1992-1993 to an average of 230 during 1994-1999 before gradually declining to just 50 by 2015. Infant mortality displayed a similar trend. The proportion of the urban population living in slums declined from 87.9% immediately after the genocide to 53.2% in 2014. Real private final consumption (i.e. inflation-adjusted household spending) increased by an average of 7.1% p.a. from 2000 to 2014, according to data from Business Monitor International (BMI).

To be sure, some socio-economic indicators have not shown marked improvements in the post-genocide period. Literacy rates amongst young adults and the share of women in wage employment in the non-agricultural sector, for example, have changed little. Still, from a socio-economic perspective, Kagame's high approval ratings do not appear farfetched given his successes. A 2014 study by the Institute for Policy Analysis and Research (IPAR) Rwanda found that the president had an approval rating of 98.7% (Rutayisire 2014). Even critics like Reyntjens (2013: 97) believe that Kagame should be congratulated on his goal of improving social and economic indicators as a strategy to add legitimacy to its rule.

Agricultural production in the country has benefitted from the increased use of fertiliser and improved seeds, amongst other reforms. Nonetheless, in reaching socio-economic goals, Kagame has been reducing the country's dependence on agriculture, specifically subsistence farming. This resulted in agricultural jobs declining from 89% of employment before the genocide to 79.6% in 2010. Furthermore, urbanisation increased from 5.4% to 24% over the same period. The government has made many good decisions to support the development of a diversified, market-based and competitive economy. These have included the implementation of robust anti-corruption measures, removal of bureaucratic barriers for private business, growing regional integration, liberalisation of trade, and respect for property rights (Bertelsmann Stiftung 2014a: 14). Because of the country's limited natural resources (apart from fertile soils and hydroelectric potential), the RPF has focused on technologically-driven development for the country. The UN (2011) acknowledged that thoughtful policies were transforming the country from an agrarian-based society into a knowledge-based

[92] This was the fifth-highest average for the period amongst SSA economies after Sierra Leone, Angola, Ethiopia and Mozambique.

economy. These policies – including the aim of transforming the country into a regional technology hub – were stimulating entrepreneurial activity.

On the fiscal front, the central government recorded an average budget deficit equal to only 0.05% of GDP during the 2002-2013 period – the finance ministry strives for a balanced budget – compared to a SSA average shortfall of 1.3% of GDP (IMF 2016). This was achieved through financial control as well as the mobilisation of substantial international donor assistance – in the 2009/10 fiscal budget, for example, receipts from abroad accounted for just over half of the total revenue (Kelsall 2013: 142). This enabled the country to limit gross government debt to an average of 46.6% of GDP during 2002-2013 compared to the SSA average of 67.1% of GDP. The country secured significant debt relief under the Highly-Indebted Poor Countries (HIPC) programme and Multilateral Debt Relief Initiative (MDRI), with gross government debt dropping from more than 100% of GDP in 2002-2003 to less than 30% of GDP by 2006 – and maintained below this level until 2013 (IMF 2016). The effective use of state resources has extended to effective anti-corruption processes. The Rwandan government was recognised for its fight against corruption, with some state workers removed from office because of possible involvement in corruption (Bertelsmann Stiftung 2016a: 39-40).

By 2014, the country's economic indicators looked robust, its political stability was unrivalled in a regional context, and international goodwill has not diminished significantly. While anxiety, pessimism and uncertainty persist both locally and abroad, the regime's determination and resolve are unshaken. The Kagame administration is "convinced in its almost biblical call to lead its people out of the political abyss" (Kiwuwa 2012: 138). Many of the RPF's actions have been directed by the desire to continue this 'biblical call'. At the helm of this political machine has been long-serving Kagame. Following the genocide, he moulded state machinery with a decentralised distribution of management power by expanding the responsibilities given to district governments during the era of the Second Republic. A key aim of the decentralisation philosophy has been to enable district governments to have a greater involvement in and control over agricultural modernisation (Bertelsmann Stiftung 2012a: 24). The longevity of the RPF's de facto one-party rule has been heavily dependent on maintaining Kagame's direct control over this decentralised state. The greatest enigma to those who wonder about Rwanda's prospects has been Kagame himself – a visionary endowed with enormous energy and ambition. Because he so totally dominates Rwandan life, his choices are decisively shaping the country's future (Kinzer 2008: 4-5).

B) Dominant network

The RPF was the only source of real power in the country at the start of this epoch, with Alexis Kanyargwenge as its leader and mouthpiece (Prunier 1995: 300). However, Kagame immediately became the most important person in the new government and the mastermind of RPF economic policy (Overdulve 1995: 28). A position of vice president was created for Kagame in order to place him in a position of general oversight and control of the government without making him president. The latter title went to Pasteur Bizimungu; a Hutu businessman and figurehead for the RPF regime whose primary job was to execute decisions made by other state organs. Kagame was the real leader: he was now the de facto head of the ruling party, the head of the army, defence minister, and deputy president as well. The position of deputy president was also not answerable to the country's new legislature, according to the July 17 declaration (Sahinkuye 2000: 282-283). In Kagame's own words, he was a leader "[n]ot by design, however, more by default." He still believes that people were under the impression that he was the country's leader and that he could not change this perspective. Even when foreign ministers and diplomats arrived, they asked to speak to him and not the president. Kagame, the leader of the revolution, did not envision this system when he chose to not take the post of a national leader (Soudan 2015: 76-77).

Kagame's dominant network consisted of the RPF Political Bureau; this body of political heavyweights appointed the president who, in turn, could dismiss the cabinet and prime minister (Gahamanyi 2003: 264). The grouping was able to function without disruption when Bizimungu resigned in 2000. The RPF Political Bureau's monopoly over the country's political system consolidated quickly (Clark 2010: 22). Even though there were some changes in the cabinet due to infighting in the ruling party, including resignations by the president, prime minister and speaker, Kagame and his core network remained in charge. This remained the case when political and military leaders from the Habyarimana regime joined the regime in the early 2000s (Kelsall 2013: 123). At the helm remained Kagame and his RPF Political Bureau.

The new government was not stagnant in its governance style during the first decade of its rule and experienced a period of transition that culminated in the 2003 presidential and parliamentary elections (Clark 2010: 19). The Transitional National Assembly was, as suggested by its name, responsible for managing the country until multiparty elections could be held. The RPF elite tightly controlled the process, and the communal elections held in 1999 and regional elections in 2001 were elements of an effort to identify support bases for different parties in order to manage the outcome of the national elections in 2003. As a result, Kagame easily won this communal and regional poll with 95% of the vote as well as the national elections in 2010 with 93% of the vote (Daley 2009: 176-177). Reyntjens (2013: 55-56) claims that every election in Rwanda in the new millennium has been "deeply flawed" and that the government, Rwandan citizens and the international donor community are well aware of this. Nonetheless, Kagame's approval ratings have been exceptionally high, as was indicated above.

While Kagame's electoral successes might be tainted, his endorsement by the electorate reflects "more than anything else, an appreciation of the peace, security and broad social and economic progress that has accompanied his rule" (Kelsall 2013: 123). While tight legislative and political control may have undermined the depth of democracy, the elections legitimised the RPF's political strategy over the preceding nine years (Kiwuwa 2012: 158). It must also be stressed that, despite the approval given to the ruling party, the country's post-election governments have not been winners-take-all affairs dominated by the RPF. Ministerial posts – which cannot be held by Members of Parliament (MPs) – are shared between the ruling and opposition parties on a proportional basis. Opposition representatives also occupy the positions of prime minister and speaker. Essentially, post-2003 governments have been coalition-style outfits similar to the post-1994 unity government. This made governance more inclusive and allowed political parties to work towards long-term goals (Kelsall 2013: 124). The presidency regards it as consensus rule rather than majority rule (Kiwuwa 2012: 117).

C) Beliefs

The Kagame regime believes that a non-ethnic ethos is needed for a prosperous future. The RPF wants the words 'Hutu' and 'Tutsi' relegated to the past, and questions about someone's ethnicity are seen as being "divisionist" (Dowden 2008: 252). In a wide-ranging self-assessment as part of the African Peer Review Mechanism (APRM), the government declined to comment at all on ethnic relations in post-genocide Rwanda (Gruzd and Herbert 2008: 228). Instead, it has focused on fostering a new ‘Banyarwanda’ identity (Kiwuwa 2012: 119). The post-genocide government “has promoted an idealised, socially harmonious vision” of pre-colonial Ruanda while preferring the term “cultural communities” when speaking of ethnic groupings (Daley 2009: 169).[93] The Kagame government has also rejected the previous regime’s style of public management in favour of a style that has accommodated more input from citizens about things that affect their day-to-day lives. A people-focussed system with broad-based participation by the public is seen as a requirement for economic development in the 21st century. In addition, the RPF believes that a vibrant economic climate with private sector growth and increased rural economic activity is needed to strengthen the process of national reconciliation (Kimanuka 2009: 13, 15).

The new government has also favoured a decentralised administration – through the devolution of decision-making to the five subnational governments – to achieve its economic and political outcomes. This has contrasted with the centralised decision-making that authorities maintained for several centuries before that. Nevertheless, this should not come as a surprise: under the old order, accountability in the public sector was towards the top leadership of the country, and not to the citizens as Kagame desired. In addition, the highly centralised nature of the previous government was said to have been at the core of the organisational ability that enabled it to plan and implement the genocide. The decentralised structure, therefore, has played a critical role in the country’s economic, political and social transformation (Kimanuka 2009: 43, 49-50).

Nonetheless, the scope for decision-making in the civil service and public entities has been limited by a system of performance targets and related contracts determined by the RPF. This has meant that the dominant network has been able to coerce lower levels of government to address the issues that they deem important (Kelsall 2013: 126). The state has had a “top-down developmental agenda” of reshaping the rural environment to move the country to ‘medium human development’ status (Ansoms 2011: 240, 248). This has left very little room for bottom-up feedback mechanisms.

D) Constitutional-level institutions

The Transitional National Assembly approved the next constitution on 5 May 1995. Known as the Basic Act, the legislation consisted of the previous constitution (1991), the Arusha Peace Agreement (finalised in 1993), the RPF Declaration on the Establishment of Institutions (July 1994), the Protocol Agreement Between the Political Powers (November 1994), and the Fundamental Law of the Rwandan Republic (1995). The new legislature also introduced some amendments to these texts, in the form of the Basic Act Revision (January 1996), to adapt constitutional-level institutions to the realities of the country. Officially, the latest text prevailed whenever there were instances of conflict between these documents (Gahamanyi 2003: 257 & 264). In reality, the RPF declaration was considered the apex of the hierarchy of constitutional documents (Sahinkuye 2000: 282). The 1995 constitution provided “a legal and practical framework to a new political landscape that aimed at healing Rwanda’s divided past and stitching its shredded social tapestry back together” (Kiwuwa 2012: 133).

[93] While the Rwandan government has constrained meaningful debate on ethnicity with this strategy, the state cannot erase the discussion and can only send it underground. Kiwuwa (2012: 161-162) warned that repression of personal voices was a dangerous path to take, as these voices may temporarily disappear only to reappear at some point in time with much more intensity and rigor. The reason behind this is simple: “To many, ethnicity and ethnic identification is not just felt or seasonal, it defines their everyday life chances. It determines who gets what, when and where, in short, it defines and determines their very existence” (Kiwuwa 2012: 161-162).

Early in 2003, some 93% of Rwandans voted in a referendum to accept a new and more people-centred constitution. The document provided a clear demarcation of the powers held by the executive, legislature and judiciary (Kiwuwa 2012: 134). The new constitution was adopted in May 2003 and was followed by multiparty parliamentary and presidential elections in August and September, respectively (Kimanuka 2009: 41). In keeping with the RPF's beliefs, the new constitution prohibited political mobilisation based on race, ethnic group (e.g. tribe or clan), region, religion, or any other division which may give rise to discrimination (Du Toit 2009: 32). The constitution institutionalised RPF dominance (Reyntjens 2010: 16) to such an extent that the country was deemed under authoritarian rule (Longman 2011: 27). While acknowledging that the 2003 document is an imperfect manifestation of the democratic ethos, Kiwuwa (2012: 137) explained that it represents an innovative solution to the challenges of modern-day Rwanda. He believed that opportunities may arise for constitutional adjustment that could eventually align the document with generally recognised democratic parameters. At the very least, the 2003 constitution restored electoral democracy, which was missing under Habyarimana.

Regarding other top-level incentive structures, the Kagame regime viewed private-sector-led economic growth and development as critical for the country's future, and implemented a hybrid approach to investment promotion. On the one hand, it implemented policies and established institutions promoted by multilateral agencies as best practice for promoting private sector investment and activity. Conventional arms-length investment promotion and facilitation was headed by the Rwanda Development Board (RDB), which clearly has been successful. Rwanda was singled out by the World Bank as having made more reforms to improve its business environment than any other country in the 15-year period until 2013 (Kelsall 2013: 126-127). According to the World Bank (2013: 37), these changes transformed the private sector. On the other hand, Kagame also followed a more activist approach with the formation of the RPF holding company, Tri-Star Investments, and the army's investment arm, the Horizon Group. These entities are tied to state structures but run as commercial enterprises. Both have facilitated private sector investments as shareholders (for example, by initiating the entry of mobile telecommunications giant MTN into the country). Tri-Star and Horizon have also taken responsibility for addressing shortcomings in the domestic economy after the genocide by resuscitating the construction industry, among other things. There was little evidence that the two have crowded out competitors (Kelsall 2013: 127-134, 143).

The education system also experienced significant change when schools reopened in September 1994 (Moshman 2015: 3). Teaching moved away from the ethnically divisive curriculum of the pre-genocide period. In line with the 'Banyarwanda' identity and in recognition of its healing potential, education in Rwanda was converted to a tool of reconciliation. Discrimination at higher levels of education was replaced by merit-based structures. Pupils are informed about peace, justice, tolerance, reconciliation and national unity, and are exposed at different levels of education to the genocide history. To prevent a recurrence of the genocide, it is believed to be crucial that all young Rwandans should know the country's history leading up to the 1994 massacre. To this end, the National University of Rwanda offers a Master's degree in Genocide Studies and Prevention (Mafeza 2013: 5). Despite significant progress, however, the education system remains exclusionary. For example, the policy of funding education for genocide survivors is systematically favouring Tutsi over Hutu (Moshman 2015: 3).

The Catholic Church has played a much smaller role in education after the genocide and has focussed more on its core functions as a religious entity. In the immediate aftermath of the genocide, many in the RPF saw the Catholic Church as a threat to their new roles in government. Many churches (and other civil society groups) were forced to elect new leadership structures for approval by the ruling party (Reyntjens 2013: 57). Having lost its political power, the church has seen its role in post-conflict reconciliation as that of being a safety hub, provider of emergency relief and humanitarian assistance, promoter of constructive political dialogue, as well as an engine of democratisation and institution-building (Katunga 2008). In 2017, Pope Francis apologised in a meeting with Kagame for the failings of the church and for the missionaries who "succumbed to hatred and violence" during the genocide (Wooden 2017). The Catholic Church is no longer the dominant Christian denomination: only 44% of the population was classified as Catholic in 2012, while nearly 50% self-identified as Protestants (Fried 2017).

E) Laws and enforcement

The post-1994 period has been difficult for Rwanda because infrastructure, institutions and trust had to be rebuilt (Gruzd and Herbert 2008: 215). The genocide resulted in the destruction of the country's social fabric, its human resource base, institutional capacity, and economic and social infrastructure (Kimanuka 2009: 39). The impact of fatalities on the normal functioning of the public sector was inflated by the centralised nature of decision-making in the country: once the government fell, the entire system of governance was also decimated. Only a third of civil servants and a mere 3% of professional staff were back at their desks by the end of 1994 (Kimanuka 2009: 45). The judiciary was all but destroyed, with judicial infrastructure decimated and most of the country's judges either killed or in exile (Clark 2009: 248). There were only 12 prosecutors and 244 judges left in the country by November 1994 compared to 70 prosecutors and 758 judges a year earlier (Brehm, Uggen and Gasanabo 2014: 335). The police force was non-existent, few lawyers remained, and no bar association existed to manage the profession. The head prosecutor in Kigali retuned to an office without door frames, and a journalist had to provide him with a copy of the penal code (Melvern 2004: 252). Nonetheless, despite the physical and human capital shortcomings, there was a desperate need for justice.

One of the things the government to did get the paralysed judicial system back on its feet was to relax the requirement that superior court justices should hold bachelor's degrees (Gahamanyi 2003: 263, 265). The deterioration in the quality of jurisprudence during the 1980s and early 1990s was turned around in 1996 when the Kagame administration (with help from the UN and foreign governments) started a massive overhaul of the judiciary that included training of new judges and lawyers and construction of new courthouses across the country. International observers soon praised the court system for its speed and quality of legal standards (Clark 2010: 21). Donors spent some \$100 million from 1996 to 2000 on justice-related projects, and some 80% of the justice ministry's budget was funded from abroad. Donors were also at the forefront of the campaign for the resuscitation of the old-style Gacaca system (Daley 2009: 179). It was notable that Rwanda became increasingly dependent on aid from the US and the United Kingdom and distanced itself from the French, who had backed the Habyarimana regime (Kelsall 2013: 122).[94] By 1996, legal staff had expanded to 210 prosecutors and 841 judges. Nonetheless, even at full capacity, the justice system was struggling as it had to deal with claims against one in eight Rwandans (Brehm, Uggen and Gasanabo 2014: 335).

[94] Over the period 1994-2002, the US and United Kingdom contributed \$294 million in donor aid to Rwanda, which represented 46.3% of the country's receipts from bilateral donors. France, in turn, provided only \$19.8 million (2.3%) (McCreless and Porter 2008: 23).

The state mandated the prosecution of genocide-related crimes to three different organisations: the International Criminal Tribunal for Rwanda (ICTR), the country's resuscitated national courts, and the tens of thousands of Gacaca courts. The Organic Law of 1996 distinguished four categories of genocide-related crimes. The various organisations had distinct jurisdictions with regards to the different types of crimes. Clear principles, however, did not exist to deal with instances when more than one court claimed jurisdiction over a case. This was especially problematic when local courts wanted to try cases where the death penalty could be applied – the ICTR did not want to deliver suspects to domestic courts in such circumstances. However, this was overcome in 2007 with the abolishment of the death penalty (Clark 2009: 247-248, 253-254 & 264).

The Gacaca system can be interpreted as "the use of peaceful means of mediation, negotiation, arbitration and reconciliation" (Seleti 2004: 28-29), and its viability demonstrated how African judicial processes could coexist with international institutions such as the ICTR. The reinvented Gacaca system has been referred to as a state-sponsored quasi-legal mechanism (Du Toit 2009: 75). Almost every Rwandan adult has taken part in at least one Gacaca case as a witness or accused. Communities elected some 250,000 male and, for the first time, female judges. The judges were not formally trained and were appointed on the basis of four criteria: a visible commitment to justice, no record of previous criminal convictions or suspicion of crimes during the genocide, a minimum age of 21, and no leadership roles in government or in politics. They had to act in more than 10,000 jurisdictions to prosecute genocidaires and to start to rebuild the country's social fabric (Brehm, Uggen and Gasanabo 2014: 336).

Clark's (2008: 193 and 2010: 342) ethnographic investigation into the Gacaca system found that the core aims and expectations of the modern Gacaca were truth, peace, justice, healing, forgiveness, reconciliation, clearing the backlog of genocide cases[95], improving conditions in prisons, and a somewhat unreasonable aim of supporting economic development.[96] By 2010, as the courts were wrapping up their activity after having judged more than 1.2 million people, Clark (2010: 342-343) found that Gacaca had delivered highly variable results as far as these aims were concerned, but that substantial achievement should be recognised given the complexity of achieving so many objectives. Two shortcomings were the inability of these courts to legally deal with evidence (Daley 2009: 179) and the absence of legal representation for the accused (Kiwuwa 2012: 134).

The legal and judicial environment was described by Reyntjens (2013: 74) as a "major instrument for redefining collective identities in a way rarely seen elsewhere". To this day, legal and enforcement agencies actively entrench the Kagame regime's beliefs regarding the damaging impact that anything related to genocide ideology could have on Rwandan society. This could include any ethnic discourse, political criticism, and the mention of human rights abuses (Waldorf 2009: 111). The country's judicial framework is deliberately vague in order to enable the government to criminalise criticism and dissent under a banner of ethnic issues (Amnesty International 2010: 7), The RPF has controlled all elements of the judiciary, and no real independent adjudicator can determine the difference between divisive speech and genuine debate. The UN has also expressed concern about ill-defined laws and the need for urgent redefinition to ensure that the activities of the legitimate political

[95] More than 135,000 genocide suspects were incarcerated by October 1997 in 19 prison facilities built for only 45,000 inmates. The country's prisons were operating at more than 200% capacity (Brehm, Uggen and Gasanabo 2014: 335) and up to ten inmates died every day (Wagner 2004: 1308).

[96] "Even champions of the Gacaca courts argue that it has failed to promote economic development. Most commentary has focused on the economic benefits of increasing the labour force by trying suspects, reducing the cost of keeping suspects in jail, and the potential compensation of genocide victims" (O'Reilly and Zhang 2015: 6).

opposition are not stifled. Interviews by Human Rights Watch with Rwandan jurists have indicated that broad and ill-defined charges of ‘divisionism’ and genocide ideology have frequently been used to serve political interests. This has raised serious questions about the separation of power between the legislature and the judiciary (Reyntjens (2013: 77-78).

F) Incremental changes

In May 2015, the country’s parliament started receiving formal petitions from citizens requesting a change to the constitution to allow Kagame to serve for a third term. As with other aspects of the tightly controlled political system, these petitions were orchestrated by the RPF Political Bureau. Soon after these petitions started surfacing, the parliament launched national consultations on the matter and in October 2015 voted in favour of changing the stipulations in the constitution on presidential terms. While these terms have been shortened to five (from seven) years, and a president can henceforth only be re-elected once, a special clause stipulated that Kagame could be re-elected for another seven-year term in 2017 (the next scheduled elections). Only after this term ends in 2024, would the five-year terms commence. However, Kagame would also be eligible for re-election for a second five-year term in 2029. These amendments have therefore enabled Kagame to extend his rule to 2034, i.e. to a term of up to 34 years (NKC African Economics 2015: 12). The solidification of Kagame’s future at the head of the RPF would remove one of the two potential threats to the country’s future development prospects identified by Kelsall (2013: 144): succession uncertainty and donor support.

Given that the current period of institutional change has not reached an autopilot situation and that no observable deviations in the desired economic and political outcomes had occurred by 2014, Section 3.6 does not end with a description of a shock or window of opportunity.

3.7 Conclusions

This chapter used Alston et al.'s (2016) critical transitions framework to delineate five epochs of institutional change in Rwanda: pre-colonial times, colonial times, the two republics after independence, and the current period since the genocide. The first four eras all exhibited processes of institutional change akin to those in the critical transitions framework. The fifth era, which is ongoing, started when Kagame took control of the government after the genocide in April 1994. The former general showed leadership, identified by Alston et al. (2016) as a critical aspect of institutional change, by seizing a window of opportunity in 1994 during a period of flux in the country’s dominant network. A myriad of factors resulted in a sharp divergence between the economic and political outcomes expected by the former Habyarimana regime and the reality it experienced in the late 1980s and early 1990s.

The most recent period of institutional change witnessed the Habyarimana akusa replaced by Kagame and the RPF elite. The country’s current institutional trajectory originated from the changes set in motion after the genocide, with incremental changes still taking place to maintain the autopilot situation. The Kagame government manufactured a significant change in the country’s dominant network and has maintained this position over the past two decades with ongoing processes of institutional change that have been solidifying his popularity amongst Rwandan voters. The changes put in place by the new movement have allowed the Rwandan economy to bounce back from a challenging period in the late 1980s and early 1990s and to become a star performer amongst African countries.

The purpose of the strict demarcation of elements in the discussion of each epoch of institutional change in Rwanda was to identify the critical factors associated with the country's economic development over time. These factors were summarised in Table 3.1. As discussed throughout the chapter, the demarcation of the factors associated with institutional change highlighted that outcomes since the genocide have been markedly different from the agricultural-focussed ones of earlier epochs. The fifth and current period of institutional change brought a significant decline in agricultural employment (as a percentage of total employment) and a significant rise in the urban population (as a percentage of the total population). Rwanda was for most of its history an agricultural economy, and this changed markedly in the post-genocide period. One of the focus points of Kagame's rebuilding plan was to improve the operating and investment environment for private enterprise in the secondary and tertiary sectors (a core theme of Chapter 5), with employment and economic growth seen as antidotes to the country's history of ethnic divisions.

This chapter also verified the generalisability of the critical transitions framework beyond Brazil and Argentina. A growing list of applications suggests that the critical transitions framework is useful not only for studying individual case studies of institutional change, but also for exploring concurrent institutional change in groups of countries. Moreover, the framework introduces two critical concepts related to processes of institutional change that this chapter found to be very relevant to the history of institutional change in Rwanda. The first of these is the notion of windows of opportunity for change. Such windows can be extended periods (as opposed to the fleeting critical junctures provided for in the collective action model). Secondly, the critical transitions framework incorporates the concept of leadership – the ability to perceive an opportunity for change and to harness the resources to effect it – as a prerequisite for putting such change in motion. Alston et al. (2016) showed that both concepts have been instrumental in institutional change in Brazil and Argentina. This chapter demonstrated that they were equally important in Rwanda.

Alston et al. (2016: 208) stated that such applications of their model would produce more general lessons about the dynamics of the interplay of beliefs, power, leadership, institutions, and policies. This chapter also aimed to confirm these core elements of the critical transitions framework to identify theoretical underpinnings for some of the hypotheses formulated in Section 5.2. Using ideas about post-genocide institutional change in Rwanda from this chapter as well as the empirical tools discussed in Chapter 4, Chapter 5 of this dissertation examines recent changes in Rwanda's business and investment environment to provide a richer perspective on the ongoing shift to a lesser dependence on agriculture.

CHAPTER 4: IDENTIFYING TOOLS FOR UNDERSTANDING INSTITUTIONAL CHANGE

4.1 Introduction

Chapter 2 identified the critical transitions framework and case study research as tools for studying periods of institutional change. Chapter 3 applied these tools to Rwanda's history and identified five epochs of change. The most recent epoch (the period after Rwanda's genocide) brought a dramatic turnaround in the country's economic and political outcomes (see Section 1.1). The Kagame regime, which has held power throughout this period, has viewed private sector-led economic growth and development as the bedrock for the country's future. Hence, it has implemented an economy-focussed governance model to establish a vibrant business and investment climate that contributes to national reconciliation by reducing poverty. This has included the creation of policy structures and institutions regarded as best practice by multilateral agencies (Kelsall 2013: 126-127). For example, Rwanda is one of more than 50 economies worldwide that have established dedicated government structures to design and implement business regulation reforms (World Bank 2014: 22). Moreover, the World Bank's Doing Business publications determined that Rwanda has made more reforms to improve the local business environment over the past decade and a half than any other country. Success has been forthcoming. According to the Mo Ibrahim Foundation (2017), Rwanda now has the most supportive business environment for the private sector on the African continent. The success of Rwanda's reforms efforts has underpinned Glazova's (2015) claim that the country has been an example of successful institutional transformation since the early 2000s.

The Doing Business project has focused on encouraging institutional change in the shape of business environment reforms. Recognising the value of benchmarking for generating interest in reform among policymakers, the World Bank decided in 2005 to rank economies on the basis of the ease of doing business (World Bank 2014: ix). Extensive academic research and existing literature on the enabling role of institutions in economic development informed the design of reform-tracking indicators developed for the Doing Business project (World Bank 2014: 16). It could be argued that this collected information has an underlying association with institutional reform.

Across the world, the Doing Business project has found many supporters in the highest echelons of government. Governmental reform committees regularly use the Doing Business database as an input to inform their programmes for improving business environments. The government structures identified above are most often inter-ministerial committees that report directly to heads of government to coordinate efforts to improve business environments across agencies (World Bank 2014: 22). Doing Business publications have reflected specifically on successful reform efforts in SSA countries, including Botswana, Burundi, the Central African Republic (CAR), the Comoros, the DRC, Guinea, Ivory Coast, Kenya, Liberia, Malawi, Mali, Nigeria, Republic of Congo, Rwanda, Sierra Leone, Togo and Zambia have formed top-level government committees to steer such efforts.[97]

[97] African countries have for quite some time been a popular focus area for NIE research. Du Plessis (2005: iii-iv), for example, investigated how the influence of informal institutions formed during the colonial period on post-independent formal institutions contributed to the contrasting economic growth and development trajectories of Botswana and Zambia. Acemoglu, Johnson and Robinson (2001: 1372) analysed the influence of settler mortality rates in European colonies on the creation of different institutions. Their study included a large sample of African economies, and one of the findings was "that Africa is poorer than the rest of the world not because of pure geographic or cultural factors, but because of worse institutions".

The SSA region also included five of the top ten reformers during the 2013-2014 survey period, which provided the data for the 2015 edition of the Doing Business report (World Bank 2014: 1).

In 2008, the World Bank's own Independent Evaluation Group (IEG) concluded that the project's findings "have been highly effective in drawing attention to the burdens of business regulation", but cannot by themselves capture other key dimensions of countries' business climates (IEG 2008: xv). Given this tension between objective and subjective assessments of business environments, it is understandable that the Doing Business project has attracted criticism. Acemoglu, Collier, Johnson, Klein and Wheeler (2013) reviewed the debate about the project, the criticisms levelled against it, and recommendations for improving it. This document was written in support of their campaign to keep the Doing Business project going at a time when it was feared that the World Bank might scrap the endeavour entirely.

Despite endorsements by some prominent institutional economists, Doing Business data have yet to win much favour from many of their colleagues. Menard and Shastitko (2017: 202), for example, described the Doing Business database as a controversial tool for comparative analysis of institutional alternatives. Arrunada (2007 and 2009) has been a particularly strident critic of the Doing Business project. His criticism, however, did not specifically focus on the measurement of institutions and institutional change by the Doing Business project. Arrunada (2007) primarily warned against the misuse of this data by governments to deflect attention from more important matters (policymakers might launch reform campaigns to improve their Doing Business scores, for example, instead of undertaking broader institutional reforms). He argued that an exclusive emphasis on reducing specific costs (i.e. the volume of paperwork) would be harmful to economic development because it disregards the importance of the broader institutional matrix. Arrunada (2009) also warned against simplification of business registration procedures to make them quicker, instead of carefully considering trade-offs in the design of broader institutions affecting the formalisation of businesses.

Taken at face value, Du Marais and Menard (2008) also appeared to criticise the measurement of institutions, especially those linked to legal and enforcement mechanisms, by the Doing Business project. However, their point was very similar to that of Arrunada (2007 and 2009): the data must be used correctly, and not discarded. Their findings indicated that Doing Business indicators were not serving the purpose intended by the World Bank, namely to measure the impact of specific legal instruments on economic efficiency. Instead, they argued, these indicators merely ranked details and properties of legal systems. Put differently, their argument was that the Doing Business data identified countries' ability to reform the legal institutions used in transacting, rather than the effects of legal systems on business environments and investment.

In sum, many critiques are targeted at dubious uses of the Doing Business data, not the quality or usefulness of the data per se. Nonetheless, there remains a perception that the information in the database is not suitable for academic research. In essence, the Doing Business database contains case studies of small- to medium-sized enterprises (SMEs) in almost every country that provide information about aspects of establishing and operating such companies. Section 2.5 argued that case studies are very useful for identifying the determinants and consequences of institutions and institutional change. It also showed, however, that contemporary economic scholarship makes limited use of case studies, partly because of the popularity of regression analysis. To utilise Doing Business data to study questions such as the reasons for Rwanda's reform success, social scientists might need to consider other, less familiar techniques of analysis. One such option is the set-theoretic technique

QCA. Over the past two decades, this technique has grown in popularity amongst social scientists studying quantitative questions for which regression techniques are less well suited. Despite its basis in Boolean algebra, the mathematical roots of which are almost a century old, some scholars still describe QCA as “novel” (see, for example, Muñoz and Kibler 2016).

The purpose of QCA is to identify the influence of combinations of causal conditions (the set-theoretic equivalents of the independent variables in regression analyses) on outcomes (the set-theoretic equivalents of the dependent variables in regression analyses). To this end, QCAs identify set-theoretic associations between outcomes and combinations of causal conditions. Importantly, the technique can cope with equifinality, that is, instances in which more than one combination of factors explain the achievement of an outcome.[98] Knowing how countries with sound institutional environments arrived at this position is essential for designing strategies for other countries with the same goal. Historically, however, countries have followed multiple paths to reach such positions. Standard econometric methods are not ideal for identifying all such paths. Many users of QCA argue that the ability to cope with equifinality makes the technique particularly useful for analysing groups of cases.

This dissertation works with factors influencing a particular type of institutional change, namely reforms to improve operating environments for businesses. These factors are the environmental conditions influencing institutional change, not the specific policymaking processes that establish and change institutions. The reason for the focus on these factors was the perceived need to add an additional layer of analysis to the attempt to untangle how policies were made and implemented in Rwanda. Formal economic institutions are the outcomes of collective choices shaped by political processes. More specifically, such institutions are determined by the influence of political power on the balance of different preferences (Acemoglu and Robinson 2010). An alternative perspective on this issue is that the policymaking and implementation processes that change institutions constitute a game in which the dominant network and governance structures interact with various stakeholders in the private sector (Romp 1997: 5).

The remainder of Chapter 4 explores the Doing Business data and QCA technique as tools for studying institutional change. The exposition is structured as follows. Section 4.2 provides an overview of the Doing Business project and the theoretical underpinnings of the data, with a particular focus on identifying elements of NIE. Sections 4.3.1-4.3.2 discuss the theoretical background and key concepts of QCA, while Section 4.3.3 outlines fsQCA. Section 4.3.3 revisits the arguments in favour of using set-theoretic techniques for analysing case studies and explains the suitableness of the method for the analysis in this dissertation. Section 4.4 concludes.

4.2 The World Bank’s Doing Business data

4.2.1 Background

The World Bank launched the Doing Business project in the early 2000s to monitor economic issues affecting SMEs in the largest business cities of countries. The Doing Business database is a freely accessible online resource with time-series information for a large number of countries. It remains a

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[98] The presence of equifinality was not unique to QCA and was also found in, for example, logit models (Goertz and Mahoney 2006: 237)

leading source of qualitative and quantitative information on reforms to countries' business environments. The expansive content of the database is categorised into 11 pillars:

- Registering a business
- Dealing with construction permits
- Getting an electricity connection
- Registering property
- Obtaining credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency
- Employing workers[99]

The first six pillars have to do with the complexity and cost of regulatory processes, and the last five with the strength of legal institutions.[100] The Doing Business database provides objective quantitative information on investment climates and business environments for private investors. It presents quantitative indicators of the regulations that apply to private firms at different stages of their life cycle. To collect information for the Starting a Business category, for example, the World Bank asks its network of respondents to consider the experience of a small- or medium-sized limited liability company operating in the largest business city of their respective economies. This hypothetical enterprise has the following characteristics:

- five owners
- a start-up capital equal to ten times the country's gross national income (GNI) per capita
- between ten and 50 employees
- involvement in general industrial or commercial activity
- does not qualify for investment incentives
- only trades locally
- does not own real estate (World Bank 2012: 56).

To attract interest from governments to participate in efforts to improve their business environments, Doing Business publications offer authorities a benchmarking tool to compare regulatory environments across economies. The World Bank has aimed since the start of the project to exploit the desire for change that could be stimulated by the transparent scoring of economic and social indicators and the opportunity to benchmark data against those for other countries. The influence of the UNDP Human Development Index (HDI) in the spheres of healthcare and education is an example of the changes that can be encouraged by opportunities to make such comparisons.

The desire to measure characteristics of business environments follows from the World Bank's view that economic activity benefits from clear and coherent rules. "Governments play a crucial role in supporting a dynamic ecosystem for firms. They set the rules that establish and clarify property rights,

[99] The section on employment dynamics was removed from the last several Doing Business publications, as the World Bank could no longer ignore mounting opposition from labour organisations to the notion that relaxation of rules that protect workers is an appropriate method for stimulating employment creation.

[100] The methodology that informed the collection of information for these ten pillars can be found on the Doing Business website: http://www.doingbusiness.org/methodology.

reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, entrepreneurs have a harder time starting and growing the small and medium-size firms that are the engines of growth and job creation for most economies around the world" (World Bank 2013: v). World Bank Senior Vice President and Chief Economist Kaushik Basu argued that the best-performing countries in a Doing Business context are those where governments were able "to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector" (World Bank 2014: vii). Basu's view on these rules is very similar to the NIE scholars' emphasis on the importance of the 'rules of the game'.

Researchers who have attempted to demonstrate the importance of institutions have relied on a myriad of approaches. Irrespective of the approach, however, reliable ways to identify and measure institutions are essential for attempts to demonstrate the salience of institutions (Voigt 2013: 2). There is indeed no single agreed upon best practice or data source for representing institutions and institutional quality. Kuncic (2013: 9) identified three well-known organisations that aim to quantify institutional quality, albeit with different objectives and methods. These are the World Economic Forum (WEF), the Quality of Government Institute at the University of Gothenburg, and the Centre for Economic Studies (CES)/Ifo Institute in Munich. Broadly speaking, the data provided by these entities are grouped into three categories, namely economic, political and legal institutions. However, the limited number of countries included in these databases markedly reduce their usefulness. Using hierarchical clustering, Kuncic (2013: 12) created institutional proxies for only 111 countries from this data. While he could increase the list of countries to 126 by using a variant of the nearest-neighbour matching method to fill some data gaps, two out of every five African countries remained excluded.

Unsurprisingly, the World Bank's much larger 215-country WGIs dataset is the most popular and widely used basis for measuring institutional quality, especially that of political institutions (De Dios, Lagman-Martin and Zhuang 2010: 7). The WGIs database is considered the most respected measure of institutional quality and is used for country screening by the Millennium Challenge Corporation (MCC) (Bustos, Coscia, Hausmann, Hidalgo, Simoes and Yildirim 2013: 35). The WGIs is a long-standing research project to develop cross-country indicators of governance and institutions. The project measures six dimensions of governance on an annual basis: voice and accountability, political stability and absence of violence or terrorism, government effectiveness, regulatory quality, the rule of law, and control of corruption. Several hundred variables obtained from 30 different sources are used to calculate these six aggregate scores.

Kaufmann, Kraay and Mastruzzi (2011: 222-223) defined governance as "the traditions and institutions by which authority in a country is exercised. This includes (i) the process by which governments are selected, monitored and replaced, (ii) the capacity of the government to effectively formulate and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them." From this definition, they constructed two measures of governance corresponding with each of the three areas. A broad spectrum of sources reports this information, including surveys (e.g. the Institute for Management Development's World Competitiveness Yearbook), non-governmental organisations (e.g. the Bertelsmann Stiftung), business information providers (e.g. IHS Global Insight), and multilateral development agencies (e.g. World Bank). The information was standardised in the WGIs into comparable units using an unobserved components model (Kaufmann, Kraay and Mastruzzi 2011: 220-221 & 225).[101]

There are many examples of research utilising the WGIs data as a broad representation of countries' institutional quality, (that is, as more than indicators of political institutions). Amoros (2009), for example, used the WGIs data to help explain determinants of new business creation and its effect on the economy, with results indicating that institutional quality is an influential factor in the distribution and type of entrepreneurial activities. Buchanan, Le and Rishi (2012) used WGIs data as measures of institutional quality in a panel dataset of developed and developing economies and found that good institutional quality mattered for foreign direct investment (FDI) inflows from 1996 to 2006. Azman-Saini, Ibrahim and Law (2013) examined whether the impact of financial development on economic growth differs in countries with different levels of institutional quality, and found that the growth impact becomes positive only after attainment of a certain threshold level of institutional quality. Alvarez, Barbero, Rodríguez-Pose and Zofio (2015) examined the impact of differences in institutional quality on bilateral trade, and found that the level of institutional quality in the destination market as well as the distance in quality between trading partners markedly influence the volume and composition of trade.

The WGIs have provided aggregated and disaggregated indicators for six dimensions of governance in 215 countries and territories for the period 1996 to 2014. The information has been provided in percentile rank form (ranging from 0 to 100) and as scores ranging from -2.5 to +2.5. These scores have provided a surfeit of data for comparing the quality of institutions across countries. Yet the data have limited value for tracking changes in country-specific institutions over time. This is because the World Bank has based its estimates for each country's observations on data ranges rather than single points. The World Bank has reported margins of errors in its data, reflecting the inherent difficulty of measuring governance. Real changes in a country's governance indicators over time cannot be identified unless the reported scores move outside these margins. For example, if a country's score is reported as +1 with an error range between +0.5 and +1.5, institutional change cannot be identified as such unless the new reported score moves below +0.5 or higher than +1.5 at a later period. The error ranges are vast for some economies with poor-quality data, including several SSA countries. Thus, institutional changes may well remain obscured if WGIs data are used to track movements.

The reality that it is difficult to identify institutional change with WGIs data puts the spotlight on the Doing Business indicators as alternative measures of institutions that allow for the observation of institutional change. The absence of literature on the relationship between the ideas of NIE and the data offered by the Doing Business project could be ascribed to the easy acceptance of a connection. Mohando (2009: 204), for example, indicated that the Doing Business project was related to NIE, but did not expand on this topic in any significant detail. It should be noted that the Doing Business publications were not produced with academic audiences in mind. Hence, the World Bank does not necessarily apply the linguistic and academic rigour in its reports required by some members of the academic community.

[101] The WGIs "are based on data sources that include expert judgement and surveys of households and businesses. Thus, they reflect the quality of institutions as perceived by expert professionals and economic agents more generally, rather than take a narrow view of the laws on the books" (Lehne, Mo and Plekhanov 2014: 3). This implies that the WGIs account for information about de jure and de facto characteristics.

4.2.2 Links with NIE concepts

Nonetheless, Doing Business data can be linked to various core concepts in the study of institutions. The foundation of the Doing Business project "is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules: Rules that <u>set out and clarify property rights</u> and <u>facilitate the resolution of disputes</u>. And rules that <u>enhance the predictability of economic interactions</u> and provide contractual partners with essential protection against arbitrariness and abuse" (World Bank 2012: 16, underlining added). The underscored text refers directly to property rights and enforcement mechanisms and indirectly to transactions costs – three core concepts discussed in Section 2.2.[102] According to the World Bank, such rules and instruments are "much more effective in shaping the incentives of economic agents in ways that promote growth and development" (World Bank 2012: 16) when they are efficient and can be implemented at a reasonable cost. This statement is strongly reminiscent of North's (2005) argument (identified in Section 2.2) that the institutional framework determines a society's incentive structure and shapes the features of its economy.

It follows that the relationship between Doing Business and NIE cannot be ignored, and is worthy of further analysis. The following paragraphs find links between the categories of quantitative information provided in the Doing Business database and critical NIE concepts like property rights, transaction costs, enforcement mechanisms and informal institutions. These factors were set out in Figure 2.1, which illustrated how institutions affect economic performance. To recap, institutions determine the economic performance of organisations and countries. Formal and informal institutions determine property rights that shape technology, with property rights enabling transactions in technology and appropriation by developers of the productivity gains of technological progress. Technology then determines transformation costs that, together with internal production costs, determine transaction costs. The processes involved in transacting then determine the cost of enforcement of transactions. Ultimately, these factors all influence the performance of the economy, including the private sector.

The Doing Business project concerns itself with property rights in a quest to encourage business environment reforms aimed at shaping the incentives of economic agents in ways that promote growth and development. This is confirmed by the declared intention of the Doing Business publications to present "quantitative indicators on business regulations, and the protection of property rights" (World Bank 2013: iii). To be sure, the documents seem somewhat narrowly focussed on the administrative process of registering property and not too concerned with the broader legislative basis of countries' property rights regimes. Nonetheless, the ten main categories of collected data contain many references to procedures and factors linked to the presence of property rights and the ability to use and transfer property.

The following are examples of procedures and factors linked to property rights:

- 'Starting a Business' includes registering an enterprise, checking the availability of and securing the rights to a company name, registering a company's unique bylaws and statutes,

[102] Regarding transaction costs: an agent that is able to accurately predict a counterparty's knowledge and actions will require less time and fewer resources to conduct a transaction. This familiarity will enhance the predictability of economic interactions, hence reducing the cost of said transaction.

receiving permission to run the undertaking's operations, legalising the holding of inventory, and recording the company seal.

- 'Dealing with Construction Permits' includes proving the title of the property, securing approval of building plans and a building permit, obtaining an occupation certificate, connecting to publicly-owned utilities (electricity, water, sewerage, and telecommunications), and registering of the property at a public registry.
- 'Getting Electricity' includes receiving an electricity meter and an external connection from the power utility, and receiving permission for the building of a single transformer or substation.
- 'Registering Property' includes the lodging of a title deed (or the deed of transfer) at a public registry, and registration of a sale and purchase agreement.
- 'Getting Credit' contains standardised information on the use of movable assets as collateral, and the protection of lenders and borrowers with collateral laws that allow the lender to act outside of the courts.
- 'Protecting Minority Investors' contains standardised information on shareholders' ability to sue directors and approving bodies for damages to a company related to misconduct and conflict of interest.
- 'Paying Taxes' contains standardised information on payment of property taxes, property transfer tax, capital gains tax, land tax, building tax, and property transfer tax.
- 'Trading Across Borders' does not contain any information particular to property rights.
- 'Enforcing Contracts' includes enforcement of a judgement on a disputed product sales contract.
- 'Resolving Insolvency' includes claimants' recovery rates on claims on an insolvent firm.

The above information shows that elements of property rights can be found in nine of the ten categories of the Doing Business project – and this is consistent with the World Bank's (2013: iii) stated intention of providing cross-section information on property rights. Having established the links between NIE ideas on property rights and the information provided by the Doing Business project, attention is now given to the association between the latter and transaction costs.

The following are examples of Doing Business information related to transaction costs:

- 'Starting a Business' includes costs for registration with the tax authority, a company seal, attorney or lawyer service, advertising fees, and certificates about business licenses, operations and incorporation.
- 'Dealing with Construction Permits' includes costs for building and land use permits, inspections by public officials, clearance from and connections to public utilities, environmental impact studies, occupation permit, and property title registration.
- 'Getting Electricity' includes costs for the external connection of a building to the main power grid, the services of a private contractor, and related inspections.
- 'Registering Property' includes costs for legal services, notary fees, stamp duties, transfer duties, conveyancer fees, deed transfer costs and property valuation, the payment of capital gains tax, as well as obtaining certificates related to ownership, tax, and rates clearance.
- 'Getting Credit' includes costs incurred by borrowers to inspect their credit data.
- 'Protecting Minority Investors' includes the allocation of legal expenses in shareholder litigation.

- 'Paying Taxes' includes estimates of the time (days) and the number of procedures involved in paying various taxes and other mandatory contributions, as well as an estimate of the total tax rate on commercial profit[103].
- 'Trading Across Borders' includes estimates of the time (days) and costs involved in importing and exporting a 20-foot shipping container, including customs clearance, technical control, port and terminal handling, as well as inland transportation and handling.
- 'Enforcing Contracts' includes costs for estimates of the time (days), some procedures and costs associated with enforcing a contract via a judicial process, including attorney, court, enforcement and other judicial fees.
- 'Resolving Insolvency' includes estimates of the time (days) and costs involved in closing a business, including court, lawyer or advocate, assessor, auctioneer and related fees.

This list indicates that elements of transaction costs can be found in eight of the ten categories of the Doing Business project and is consistent with the World Bank's (2013: iii) stated intention to explain the cost and complexity of government procedures. Having established the links between NIE ideas on property rights and transaction costs and the information provided by the Doing Business project, the next part of this section considers the association between the latter and enforcement mechanisms.

The following are examples of Doing Business information related to enforcement costs:

- 'Starting a Business' does not contain specific information about enforcement mechanisms.
- 'Dealing with Construction Permits' does not contain specific information about enforcement mechanisms.
- 'Getting Electricity' does not contain specific information about enforcement mechanisms.
- 'Registering Property' does not contain specific information about enforcement mechanisms.
- 'Getting Credit' includes an assessment of whether parties are allowed to agree to permit the lender to exert security rights on collateral outside of the judicial system.
- 'Protecting Minority Investors' contains standardised information on disclosure requirements on executives, the review of transactions by an external body, legal remedies for damages, the ability of shareholders to sue a company director, the court's ability to void a transaction, and access to documentation during a legal trial.
- 'Paying Taxes' does not contain specific information about enforcement mechanisms.
- 'Trading Across Borders' does not contain specific information about enforcement mechanisms.
- 'Enforcing Contracts' contains information on time involved in enforcing a contract via a judicial process, e.g. the filing of a court case, completion of the trial, receiving a judgement, and executing the judge's decision, as well as attorney, court and implementation costs.
- 'Resolving Insolvency' contains information on time (years) and cost (percentage of the estate's value) involved in judicial bankruptcy proceedings.

The above information shows that elements of enforcement mechanisms can be found in four of the ten categories of the Doing Business project; this was consistent with the World Bank's (2013: 2) aim of measuring the transparency and enforceability of rules. This confirms the presence of enforcement mechanisms in the mix of Doing Business variables.

[103] This calculation considered the value of taxes payable by a medium-sized company in the second year of incorporation as a percentage of commercial profits. This includes corporate income tax, labour taxes, property and property transfer taxes, dividend and capital gains taxes, transaction taxes, vehicle and road taxes, and other smaller taxes and fees.

None of the Doing Business categories provides information about informal institutions. This echoes the admission that Doing Business did not measure the full range of factors influencing the quality and competitiveness of countries' business environments (World Bank 2013: 22).[104] The absence of informal institutions is worrisome given the recognition by many authors of the important roles of these rules of the game alongside formal institutions. Williamson (2000) and Nunn (2012), for example, underscored the importance of informal institutions in long-term economic development.

However, these informal features are much more difficult to quantify (see Section 8.3) and suffer from stickiness, i.e. an inability to change quickly. In addition, most informal institutions are found in the private realm, an area mostly outside the control of public policy (Williamson 2009: 372). Nonetheless, the interaction between formal and informal institutions cannot be ignored. Shared culture (an informal institution) contributes to the level of trust between contracting parties. In turn, the trust has a positive and statistically significant bearing on the probability of becoming an entrepreneur (Guiso, Sapienza and Zingales 2006: 34-37). A comparatively poor institutional setting, as measured by Doing Business, might not pose a threat to an entrepreneur given the informal institutions prevalent in the community. Chapter 8 returns to the issue of informal institutions when offering suggestions for future research.

The focus now returns to formal institutions. The next part of this section considers academic research underpinning the Doing Business methodology to determine the influence, if any, of NIE on the foundations of the project. It now has been established that NIE ideas feature prominently in the data collected and reforms supported by the Doing Business project, albeit not ideas related to informal institutions. This suggests that academic research used by the World Bank personnel as the basis of the Doing Business methodology could have a basis in institutional economics. The Doing Business website[105] lists eight peer-reviewed papers that developed or supported the methodology employed in surveying eight of the ten pillars. In addition, it lists examples of the survey documents provided to respondents. The Doing Business categories related to these papers and their respective references are as follows:

- Starting a Business – Djankov, La Porta, Lopez-de-Silanes and Shleifer (2002)
- Getting Electricity – Geginat and Ramalho (2015)[106]
- Getting Credit – Djankov, McLiesh and Shleifer (2007)
- Protecting Minority Investors – Djankov, La Porta, Lopez-de-Silanes and Shleifer (2008)
- Paying Taxes – Djankov, Ganser, McLiesh, Ramalho and Shleifer (2010)
- Trading Across Borders – Djankov, Freund and Pham (2010)
- Enforcing Contracts – Djankov, La Porta, Lopez-de-Silanes and Shleifer (2003)
- Resolving Insolvency – Djankov, Hart, McLiesh and Shleifer (2008)

[104] This should be expected. Doing Business surveys cannot quantify informal institutions in a way that, for example, the World Values Survey (WVS) can, as the Doing Business processes do not include a representative population from each country. A glance at the network of regular respondents (World Bank 2013: 250-306) indicates that these are most definitely not a representative subsection of each country's population, thereby blocking the World Bank's efforts to measure aspects of culture. The respondents are "legal experts, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on the relevant legal and regulatory requirements in the 189 economies covered" (World Bank 2013: 248).
[105] Available online at http://www.doingbusiness.org/methodology
[106] Not yet published in an academic journal at the time of writing this chapter.

A priori, one would expect some direct or indirect elements of NIE in these papers. The multi-disciplinary nature of institutional thinking suggests that searching for these connotations with NIE is not a bogus endeavour – the field is broad enough to encompass many ideas from other branches of economic theory. This cross-border research in social sciences is what Byrne (2009: 6) referred to as 'post-disciplinary' study – i.e. research that transcends traditional interdisciplinary work. The Doing Business database contains data relevant to the study of economics, law, logistics, finance, and public administration, amongst other fields. Hence, it would be ideal for scholars undertaking post- or cross-disciplinary research if the information's associations with NIE can be established.

The bibliographies of these eight papers were scrutinised in search of NIE-related literature. The results of these reviews are encouraging for identifying associations with institutional economics. Six of the eight papers have direct and indirect links to NIE:

- Djankov, La Porta, Lopez-de-Silanes and Shleifer (2002) considered two strands of public choice theory with direct connections to institutional thinking. The theory of regulatory capture has to do with formal institutions created by market players that define barriers to entry, while the tollbooth theory argues that the polity creates institutions to ring-fence markets for the benefit of the polity.
- Geginat and Ramalho (2015) used the methods developed by Djankov, La Porta, Lopez-de-Silanes and Shleifer (2002) as the basis of their theoretical framework for collecting data on the procedures, time and cost involved in getting an electricity connection.
- Djankov, McLiesh and Shleifer (2007) considered two economic concepts related to the volume of credit extended to the private sector. The power theory of credit holds when lenders depend on transaction-related enforcement mechanisms, while the information theory of credit holds when information about borrowers is incomplete and transaction costs positive.
- Djankov, La Porta, Lopez-de-Silanes and Shleifer (2008) based their research methodology on previous work by themselves and other researchers, with six papers standing out as providing the theoretical underpinnings. Five of these six studies have links to NIE. These are (i) La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997); (ii) Shleifer and Vishny (1997); (iii) La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998); (iv) La Porta, Lopez-de-Silanes and Shleifer (2006); and (v) Djankov, McLiesh and Shleifer (2007).
- Djankov, Ganser, McLiesh, Ramalho and Shleifer (2010) did not reveal any substantial direct or indirect connection with institutional economics in their methodology.
- Djankov, Freund and Pham (2010) took methodological guidance from Hummels (2007 and 2012) who in turn delved into less apparent barriers to trade. These factors helped to explain transaction costs and the process of transacting. Also, Djankov, Freund and Pham (2010) cited Levchenko (2007), who considered the effect of institutions on trade as a methodological influence.
- Djankov, La Porta, Lopez-de-Silanes and Shleifer (2003) investigated the measurement of institutions, and specifically legal institutions. Their case study analysed the legal processes required for the enforcement of eviction and collection on a bad debt.
- Djankov, Hart, McLiesh and Shleifer (2008) did not reveal any substantial direct or indirect connection with institutional economics in their methodology.

In short, six of the eight paper displayed direct or indirect connections to NIE theory.[107]

[107] This does not suggest that the authors consider themselves, or that others should consider them to be institutional researchers. It merely identifies the theory utilised by the researchers.

4.3 Qualitative Comparative Analysis (QCA)

The set-theoretic technique QCA has over the past two decades grown in popularity amongst social scientists interested in specific types of quantitative questions. Thiem (2014: 625) observed an "exponential increase" in the application of fuzzy-set methods with the development of new dedicated software contributing to lowering the computational costs of the method. Charles Ragin pioneered the QCA technique during the 1980s and 1990s as an alternative to regression analysis.[108] Ragin (1987: vii) found that conventional quantitative analysis rooted in linear algebra were ill-suited for exploring some of the questions that interested him and other social scientists. He argued that research questions were being reformulated by social scientists to fit the demands of regressions techniques. QCA, in turn, was set-theoretic and therefore more suitable for analysing certain social phenomenon. Ragin (2006: 291) explained that the bulk of social science theory was verbal. Verbal theories describe ideal cases that provide substance for researchers' formalisation of theories as hypotheses about empirical patterns and connections. Verbal theory is also largely set-theoretic in nature: set relations are the building blocks of verbal statements.

The COMPArative Methods for Systematic cross-caSe analySis (COMPASSS) network, a worldwide network of scholars and practitioners devoted to the theoretical, methodological and practical development of various forms of QCA, listed 569 empirical applications and 141 methodological contributions to the field published in academic journals by March 2016 (COMPASSS 2016). The analytical techniques employed in these writings were split almost evenly between crisp-set and fuzzy-set QCA methods (discussed below). The website classified the 569 empirical studies into 15 categories (in alphabetical order):

- agenda-setting[109] (61 articles),
- business and economics (99 articles),
- communication and media (9 articles),
- comparative politics (98 articles),
- education (18 articles),
- environmental sciences (18 articles),
- evaluation (12 articles),
- governance and administration (31 articles),
- health research and policy (33 articles),
- international relations (25 articles),
- legal studies and criminology (13 articles),
- management and organisation (43 articles),
- sociology (76 articles),
- urban and regional studies (10 articles), and
- other areas[110] (23 articles).

[108] QCA is rooted in systematic comparative procedures that originated in natural sciences such as botany and anatomy during the 1700s and 1800s. Hume (1758) and Mill (1843) laid the "logical foundations" for the method (Berg-Schlosser, DeMeur, Ragin and Rihoux 2009: 2).

[109] This field of study focusses on the ability of players in the social and political spheres to influence the importance placed on media topics.

[110] For example, police services, community engagement, workplace conflict, customer service quality, and neighbourhood recovery in New Orleans after Hurricane Katrina.

The subject matter had become more diverse over the preceding decade. In the mid-2000s some two-thirds of QCA-related studies explored topics in political science and sociology (Rihoux 2006: 697), compared to the present-day ratio of around one third.

A wide range of economic issues have been explored using QCA. Siebrits (2014: 27), for example, listed welfare state reform, economic performance, labour market policy and performance, regulatory agencies, and determinants of FDI. Other economics-related topics listed in the COMPASSS (2016) bibliography include industrial cooperatives, export performance, healthcare expenditure, employment rates and trade reform. QCA was used to explore the following aspects:

- institutions affecting labour union growth and declined in Western Europe (Ebbinghaus and Visser 1999),
- the tremendous economic reversal in Spanish America (Katz, Mahoney and Vom Hau 2005),
- determinants of poor employment performance in low-end, private sector service jobs in developed economies (Duerr, Epstein, Kenworthy and Ragin 2008),
- FDI by multinational enterprises (Pajunen 2008),
- national development in Latin America (Portes and Smith 2010),
- political development in post-communist countries (Krasnozhon 2013),
- coalition-forming in decision-making processes in Swiss politics (Fischer 2015), and
- social entrepreneurship in the United Kingdom (Muñoz and Kibler 2016).

However, most economists remain unfamiliar with QCA (Siebrits 2014: 27). Even amongst other social scientists, among whom there is more enthusiasm for qualitative methods, QCA was not yet a mainstream method in the early 2010s (Vogt and Williams 2011: 98). More recently, in the context of research in the economic sciences, Muñoz and Kibler (2016) referred to QCA as a “novel analytical approach”. Several reasons have been suggested for the unfamiliarity of QCA to economists and other social scientists. Arguably, the strongest reason is that social scientists strongly prefer techniques that identify causal relationships between dependent and independent variables to ones such as QCA that merely identify connections between attributes. Nevertheless, the reality that the technique remains unfamiliar to economists makes an explanatory overview essential.

4.3.1 Theoretical background

Ragin (1987) produced the seminal publication on QCA methodology. This volume outlined the principles of Boolean algebra that underpin QCA. George Boole reduced logic to a simple algebra involving only two states: present (1) and absent (0). These binary options operate in three derivations: ‘and’, ‘or’ and ‘not’. Thus, the use of Boolean algebra in statistical analysis requires the observation of information about presence (1) and absence (0) in order to quantify variables on a nominal scale (Ragin 1987: 85-86). QCA aims to establish connections between outcomes (the equivalents of dependent variables in regression analyses) and causal conditions (the equivalents of independent variables in regression analyses).[111]

The suitability of the technique for institutional analysis is enhanced by its ability to accommodate equifinality. Scope to study multiple routes to specific institutional setups is attractive to institutional scholars because a definitive recipe for effecting change that establishes sustainable economic and

[111] Ragin (1987: 85-102) gave an overview of this algebra, while Whitesitt (2010) provided a more advanced discussion.

political institutions does not exist. As was pointed out in Section 1.1, modern perspectives on development theory have departed from the ideas encompassed in the rigid SAPs propagated by multilateral organisations in the 1980s. As Evans (2010: 37) emphasised, these perspectives have rejected the notion of a fixed, universal model for creating a development state. Economic growth and development cannot be created with a ‘one size fits all’ approach, and are elements of multiple routes towards prosperity. As such, the construction of a developmental state, for example, can only be successful if the process is flexible and creative, and based on exploration and experimentation that is attentive to local institutions. QCA assists scholars in their attempts to untangle the different combinations of factors that are associated with long-term economic development.

Ragin’s comparative method offered a new tool for discovery that was not intended to supplant established quantitative methods. In the social sciences, the term ‘discovery’ refers to the dynamic interplay between theory and data, with the primary goal of generating new insights. The method can also be seen as a dialogue between ideas and evidence (Ragin 2000: xiv-xv, 7). As such, it aligns with Evans (2010: 37) ideas about an approach for devising a development strategy. While standard regressions fit data to theories and hypotheses, QCA allows for a feedback system between observed trends and theory. Ragin offered QCA in its various forms as a case-oriented technique for analysing an intermediate-N group of cases (i.e. between five and 100 cases). In essence, QCA charted a middle path between qualitative and quantitative research methods that was not necessarily a compromise between the two approaches (Ragin 2008: 1).

4.3.2 Key concepts

QCA treats cases as configurations of attributes, while regression analysis and other variable-oriented approaches focus on collections of individual attributes (Ragin 2000: 71). In the latter, independent variables are regarded as analytically separable causes of the dependent variable, each able to influence the outcome independently. The purpose of QCA is to identify the combined influence of causal conditions and to establish whether more than one such combination of factors could explain the outcome. These combinations can be seen as causal recipes for the outcome (Ragin 2008: 122-124). Complex causation (or equifinality) means that an outcome can result from more than one combination of causal conditions (Ragin 2008: 23). This is common in the social sciences. However, these combinations do not necessarily indicate correlations; instead, they identify associations between outcomes and causal conditions.

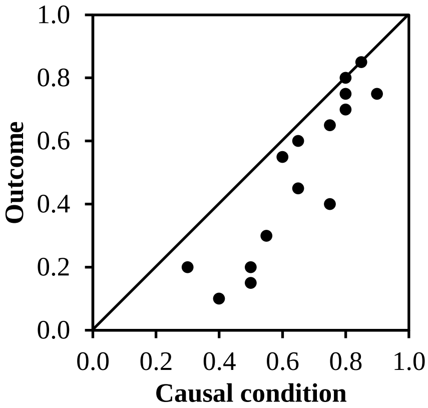
In any given research study, such associations are limited to the few sampled cases. Generalisability of findings to other settings is invariably a challenging aspect of case study research: maximising the volume and depth of information for a given case can compromise the scope for using the findings to study other cases. To assess the generalisability of case study findings, QCA users must consider the necessity and sufficiency of causal conditions. Assessment of necessity is conducted from the outcome side: a causal factor is a necessary condition for an outcome when instances of the outcome constitute a subset of instances in which specific causal characteristics are present. In turn, sufficiency is gauged from the causal condition side: a causal factor is a sufficient condition for an outcome when a specific combination of causal characteristics constitute a subset of instances of an outcome. In QCA methods, the existence of subset relations is the foundation for identifying connections between outcomes and causal conditions (Ragin 2000: 90-91).

Set-theoretic analysis broadly considers casual conditions as subsets of the outcome. Set theory is used to group combinations of causal conditions into a smaller number of broad groupings that embrace as many combinations as possible, expressed as set membership scores (Ragin 2000: 83). These factors are assessed in terms of their degrees of membership of specific attributes. For example, Siebrits (2014: 48) measured as the outcome the degree of compliance (on a scale of zero to 14) of European Union (EU) countries with medium-term budgetary rules from 1998 to 2004. One of the causal conditions measured the strength and institutional coverage of country-specific numerical rules (quantitative restrictions on changes in fiscal aggregates) based on several design aspects. The variable identified as a causal condition is an imperfect subset of the outcome and can be a necessary or sufficient cause for the outcome to occur. Conventional methods like interval and ratio-scale variables cannot be used to analyse set-theoretic relationships (Ragin 2000: 11).

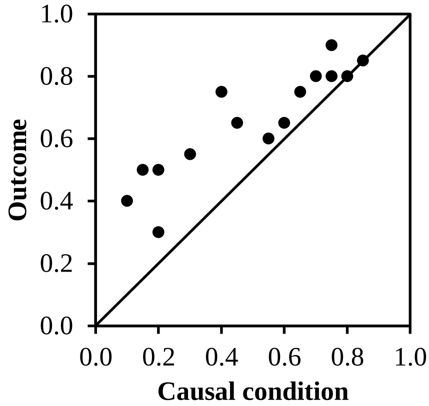
A necessary causal condition is present whenever an outcome occurs. Put differently, all instances of the outcome are associated with that specific causal condition. To test necessity, the researcher works backwards from the outcome to determine the associated causal conditions and identify which causes were present in these cases. If all cases with the same outcome have the same causal condition, the condition is a necessary cause for the outcome (Ragin 2000: 90-91). It must be emphasised, however, that necessary conditions are often not sufficient to explain an outcome and that other factors are also at play. In turn, a sufficient causal condition can on its own (i.e. without the presence or absence of other factors) cause the outcome. Put differently; the outcome is present whenever a sufficient causal condition occurs. The prevalence of a certain cause across cases is compared to the outcomes to determine whether the specific cause can be associated with the same outcome across more than one case. If this is established, the causal condition is sufficient to contribute towards a certain outcome (Ragin 2000: 92-93).

Figure 4.1 illustrates subset relationships that are fully consistent with causal necessity and causal sufficiency as well as imperfect subset relationships. In a sample of cases, instances of the outcome are a subset of instances of a configuration of causal conditions, and the latter is deemed a necessary condition for the outcome when all cases that display the outcome also display the configuration of causal conditions. A necessary causal condition or combination of causal conditions has a membership score equal to or larger than the corresponding membership scores on the outcome. In Figure 4.1, this implies all observations are located on or below the 45-degree diagonal. In a sample in which all cases that display a particular configuration of causal conditions also display the outcome, instances of the configuration of causal conditions are a subset of instances of the outcome and the configuration is deemed a sufficient condition for the outcome. A sufficient causal condition or combination of causal conditions has a membership score equal to or smaller than the corresponding membership scores on the outcome. In Figure 4.1, this implies all observations are located on or above the 45-degree diagonal. A causal condition or combination of causal conditions is not fully necessary or fully sufficient if the observations lie above, on and below the 45-degree line. More often than not this is the case: subset relationships that are fully consistent with sufficiency or necessity are rare.

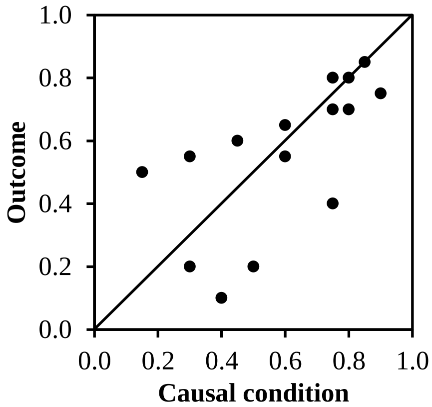
Figure 4.1: Subset relationships and their consistency with necessity and sufficiency criteria



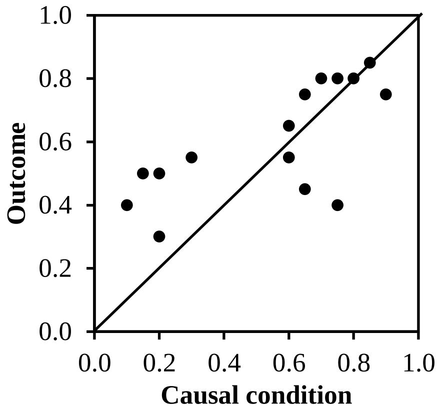
A causal condition that is a necessary condition for an outcome



A causal condition that is a sufficient condition for an outcome



A causal condition that is not a fully necessary condition for an outcome



A causal condition that is not a fully sufficient condition for an outcome

Source: Siebrits (2014: 31 & 32)

Ragin (2008: 44-68) suggested measures to determine the strength of complex set-theoretic connections. The two key concepts here are consistency and coverage. Firstly, ‘consistency’ demonstrates the significance of set-theoretic relationships and identifies whether the empirical connection is worth the attention of the researcher. A consistency reading of 0.80, for example, would mean that a causal combination is a subset of the outcome some 80% of the time, which implies that the combination is almost always sufficient to bring about the outcome (Kent 2009: 199). Hence, a researcher’s theory about the determinants of an outcome is not viable if the identified connection between the outcome and the hypothesised determinants is not consistent enough. The mathematical equation for consistency assessment is: *Consistency* $(X_i \leq Y_i) = \Sigma [\min (X_i, Y_i)] / \Sigma (X_i)$, where X is a causal condition and Y an outcome. The term ‘min’ indicates that the lower of the two values is selected (Ragin 2008: 52-53).

Secondly, ‘coverage’ measures the degree to which identified configurations of causal conditions account for instances of the outcome. In contrast to the statistical nature of the consistency measure, coverage measures empirical importance (Ragin 2008: 54-55). It shows the extent to which these configurations explain different instances of the outcomes in the study. A low coverage score would suggest that the identified connections do not do a good job as far as explaining the full set of observed outcomes is concerned. The mathematical equation for coverage assessment is: $Coverage\ (Xi \leq Yi) = \Sigma\ [min\ (Xi,\ Yi)]\ /\ \Sigma\ (Yi)$, with the terms meaning the same as those in the consistency equation (Ragin 2008: 57-61). There is often a trade-off between consistency and coverage scores. A high level of consistency is often associated with a precisely specified causal combination that explains only a few of the cases in the analysis. Due to this trade-off, consistency must first be assessed before coverage is gauged. Logically, there is no need to calculate the coverage of a combination of causal conditions if these are not a consistent subset of the outcome (Ragin 2008: 55).

4.3.3 Fuzzy-Set QCA (fsQCA)

The use of absolute presence/absence information in QCA is described as the crisp-set methodology. This approach can be criticised for forcing observations into polar categories (Kogut 2011: 163). While classical two-valued logic was based on absolute '1' (full membership) and '0' (non-membership) values, fuzzy-logic made allowance for a continuous range of values between these absolutes. Lotfi Zadeh developed the fuzzy logic methodology in the 1960s and 1970s (Pickover 2009: 430). Researchers in the so-called 'hard' sciences initially frowned upon his use of the word 'fuzzy', though the modern-day usage of the term was far removed from the original meaning of something imprecise. The modern-day interpretation implies varying degrees of membership rather than uncertainty over the nature of membership (Ragin 2000: 3). In a literature review, Mello (2013: 3) identified a sharp increase in fsQCA publications in the preceding years and suggested that the technique would replace the crisp-set approach as the most widely used variant of QCA. The COMPASSS (2016) website listed even numbers of crisp-set and fuzzy-set studies (about 250 each), and 13 multi-value studies[112] by the time this functional classification feature was discontinued.

Kogut (2011: 145) provided a nine-point methodology for QCA based on Ragin's (2000 and 2008) writings. In turn, Lobe and Rihoux (2009: 230-237) listed 15 practical operations in the process of performing QCA, also based on the work of other researchers. The first five steps are performed before using any analytical software, while the next five (points 6 to 10) are the computer-aided part of the analysis. The last five steps (points 11 to 15) complete the process and may well involve revisiting elements of the first two phases. Schneider and Wagemann (2010b: 398-399) referred to these three phases as happening before, during, and after the analytical moment:

1. Research design and case selection. Case selection should be based on common background features (this could be the outcomes) or differences (causal conditions). The choice of meaningful features will depend on the research question.

[112] Haesebrouck (2016) explained multi-value QCA (mvQCA) as offering multi-value conditions for variables. "In mvQCA, each category is represented by a natural number (0, 1, 2, 3 ...). For example, a traffic light can be transformed into a multi-value condition by assigning a value of 2 to cases if the light was green, a value of 1 if it was orange and a value of 0 if it was red. In contrast, crisp-set QCA only allows assigning a value of either 1 or 0, which indicate that a condition is present or absent, respectively. fsQCA allows for every possible value between 1 and 0. However, these values represent the extent to which a single category is present in a given case, not whether a specific category of a condition is present." Haesebrouck (2016) associates the unpopular nature of mvQCA with a lack of decent coverage in theoretical texts and scepticism amongst leading methodologists about the value that it adds over and above crisp-and fuzzy-set methods.

2. Gaining case knowledge. This involves data collection and accumulation of knowledge about the key case or cases. Depending on the variables considered, there is inevitably a trade-off between the number of cases and the depth of knowledge about each of them.
3. Defining the outcome of interest. A combination of factors (theory, the research question and knowledge of the case set) determine the purpose of the comparative analysis. Fine-tuning the definition of the outcome could also occur later in the QCA process after initial results are obtained.
4. Model specification and selection of conditions. The motivation for using QCA is the key element influencing this phase. For theory testing, direction from background knowledge will determine the ingredients of the analysis. For exploratory purposes or simple synthesis, case-driven specification is relevant.
5. Visualising cases and models. A global view of the cases under consideration helps the researcher to absorb the data more intuitively. A graphical representation provides a visual summary of the information and offers a degree of simplification of cross-case differences and commonalities.
6. Dichotomisation and threshold setting. For fsQCA, knowledge and information about the cases under investigation must be transformed into values ranging from 0 to 1. Threshold setting is determined by theory and case-driven; it should not be determined informally or arbitrarily.
7. Truth table exploration and contradiction solving. Compiling a truth table will identify similarities between cases regarding causal conditions, and point to contradictory configurations (ones with different outcomes in spite of similar causal conditions).
8. Minimisation and logical remainders. This involves making decisions about the inclusion or exclusion of hypothetical cases (these are based on combinations of the causal conditions that are not present among the actual cases). The researcher can use case expertise to identify the potential outcome values of such casual factor combinations.
9. Solving contradictory simplifying assumptions. Case knowledge may imply outcomes of 1 and 0 for identical causal combinations. This could suggest the absence of important casual conditions and point to the need for rethinking the classification of outcomes of logical remainders.
10. Minimisation (arbitrating between different minimal formulae). QCA software cannot arbitrate between two or more parsimonious connections. In such cases, the researcher should use case knowledge to choose the most apt assessment, which be theory- or case-driven.
11. Factoring out conditions in the minimal formulae. This does not entail the removal of an element but rather the factoring out of an element found to be present in the largest number of cases or parsimonious connections. This step further summarises the minimal formula provided by the software.
12. Case-by-case interpretation. This involves comparing the common conditions identified by the minimal formula to the characteristics of and other information about a case. Individual case narratives are compared to a causal narrative by transforming the minimal formula into a storyline.
13. Interpreting cross-case patterns. This step identifies similarities and differences between cases. Common bits of narrative also make it possible to identify new elements of correspondence not previously considered.
14. Limited historical generalisation. QCA results generate prepositions that can be used (with caution) to make inferences about other cases not included in the comparative analysis. The

scope of such inferences, however, is markedly more modest than that associated with large-N statistical inference.

15. Cumulation. Results are suitable for cumulation because of the high levels of transparency required of users. The researchers who conducted the original analysis as well as others can revisit and reinterpret the results that could with some adjustment yield different cross-case inferences.

Broadly speaking, these 15 steps will be applied in the following QCA. Importantly, earlier chapters have already partially addressed the first four steps of this process. Firstly, Chapter 1 identified the SSA countries as the area of focus. Secondly, the World Bank Doing Business database was identified in Chapter 2 as the key data source for this research, while Rwanda was identified as the key focus of this study. Thirdly, it was stated that the desired outcome of the analysis is a better understanding of institutional change in the country. Fourthly, the decision to use QCA (as discussed in more detail below) was motivated in Chapter 2 by the desire to use a technique that offered the ability to allow for equifinality in the analysis of connections between outcomes and causal conditions. Identifying equifinality is very important to institutional economists as a single explanation of a phenomenon might not suffice. The fifth step will receive more attention elsewhere in this chapter.

The 'analytic moment' starts with the sixth step in this process. The Windows-based 'fsQCA Version 3.0' package is used for an estimated 80% of QCAs (COMPASSS 2016). As an illustration of the sixth step (dichotomisation), Table 4.1 illustrates the membership values of various crisp and fuzzy sets. The crisp set contains only two options based on the presence (1) and absence (0) principle discussed earlier. A three-value fuzzy set incorporates a mid-point (0.5) along the distribution that reflects a point of ambiguity – it is assigned when a specific feature is neither fully in nor fully out of the two states of presence or absence. The five-value set includes another two points (0.25 and 0.75) between the mid-point and two extremes to account for more degrees of set membership. However, a midpoint is not a necessity. In the case of a four-value set, the midpoint is absent, while the extremes were joined by two other points (0.33 and 0.67). Beyond the five-point set are infinite options of graded membership.

Regarding the seventh step: in situation in which the number of cases provides a limited number of causal connections, fsQCA offers researchers the option of counterfactual analysis, also known as thought experiments.[113] A study with five causal conditions implies 32 (2^5) possible causal conditions. However, the empirical world very seldom provides researchers with such a full cascade of realities. In general, empirical cases are limited in diversity. This forces researchers to consider alternative scenarios not covered by the cases at hand. This, however, must be based on theoretical and substantive knowledge of the subject at hand (Ragin 2007: 74-75).

[113] Counterfactuals make QCA researchers aware of possible worlds that are not observable. This could be due to the incompleteness of the researcher's observations or the absence of such cases (Kogut 2011: 149). In the study of history, counterfactuals are not stories of fiction, but rather narratives that "eschew imagination in favour of computation" (Ferguson 1999: 17). Nobel laureate Robert Fogel is a prominent economic historians who uses counterfactuals to test hypotheses in their cliometric (econometric history) research.

Table 4.1: Membership values for crisp- and fuzzy-sets

Crisp Set	Fuzzy Set			
Two-value	**Three-value**	**Four-value**	**Five-value**	**Continuous**
1 = fully in	1 = fully in	1 = fully in	1 = fully in	1 = fully in
		0.67 = more in than out	0.75 = mostly but not fully in	0.5 < x < 1 = more in than out
	0.5 = neither fully in nor fully out		0.5 = neither fully in nor fully out	0.5 = neither fully in nor fully out
		0.33 = more out than in	0.25 = mostly but not fully out	0 < x < 0.5 = more out than in
0 = fully out	0 = fully out	0 = fully out	0 = fully out	0 = fully out

Source: Derived from Ragin (2008: 31)

4.3.4 Choosing between set-theoretic and regression techniques

Ragin "[d]efied the doctrines of the two major parties" (qualitative and quantitative) to offer a principled alternative for users of both techniques. The vast majority of QCA adherents value the technique for how it is better suited to casework than other quantitative approaches are. Put differently, QCA is used instead of single-equation models because the former is more applicable to the subject matter at hand and the questions asked in the research (Vaisey 2009: 308). Goetz and Mahoney (2006: 227) might have described the difference between the two approaches most accurately as a tale of two cultures with different values, beliefs, and norms. Due to this need to speak to two cultures, Vaisey (2009: 309) contended that Ragin's (1987 and 2000) earlier work was aimed at comparative-historical or other case-focused researchers, while his most recent book (2008) was aimed at convincing so-called "quantoids" to invest in QCA.

The primary motivations for using QCA in this dissertation are two need: to allow for equifinality, and to compare the cross-sectional findings to individual case characteristics. Standard regression methods – which are predicated on the idea that each outcome has a specific cause or set of causes – are not be able to satisfy these needs. By contrast, QCA embraces causal complexity, with the truth table being the primary tool by means of which the researcher identifies causation in all its complexity. The truth table identifies all logical combinations of factors – a census of all possible cases – while regression models pre-specify and then test the connection between the independent variable and the dependent variable. This research aims to provide a more complete account of institutional change in Rwanda. This requires a data tool that keeps all the cases in the analysis as separate entities and amenable to comparison with cross-sectional findings. The QCA approach does not reduce each case to a statistical regularity, and retains the rich information contained in each unit. This allows for a comparison between the minimal formula and each case while also enabling comparisons between pairs of cases.

Vaisey (2009: 311) identified three reasons why QCA is not more widely used despite its positive attributes. Firstly, QCA is a demanding method because it forces the user to present the analysis transparently. Secondly, institutional inertia has locked out new ideas and methodologies in graduate student training, and academic writing has been simplified by the dependence on familiar techniques that do not require detailed explanatory by users. Schneider and Wagemann (2010a: 377), for example, speculated that the wider adoption of QCA techniques in Europe than in North America have reflects the more fragmented academic circle with weaker methodological cleavages in the former. This situation has given European researchers more scope to explore this alternative to conventional qualitative and quantitative methods. Finally, well-intentioned but misguided advocates have alienated some potential users committed to conventional quantitative methods by offering QCA as a panacea to overcome various defects of such methods. Ragin (2008: 1) admitted that attempts to obtain general acceptance of the method would take many decades of hard work by thoughtful scholars.

4.4 Conclusions

This chapter discussed two tools for studying institutions and institutional change: Doing Business data and the fsQCA method. Firstly, it reviewed the Doing Business indicators and found that the data can be used as indicators for institutions and institutional change, including reforms to improve business environments. The widely used WGIs data, by contrast, are found to be ill-suited for tracking institutional change over relatively short periods. The foundations of the World Bank project strongly align with NIE ideas about the functioning and governance of economies. Although data about informal institutions are absent, the various pillars of the Doing Business database have extensive information about property rights, enforcement mechanisms and transaction costs. Six of the eight peer-reviewed papers that provide the theoretical underpinnings for the Doing Business methodology also have direct or indirect links to NIE theory.

QCA is relatively unknown amongst economists and NIE scholars, most of whom make extensive use of regression techniques. QCA is well-suited for case study analysis, however, as it can cope with various aspects of the complex relationships between outcomes and causal conditions. The variant known as fsQCA quantifies attributes of cases as degrees of set membership on a scale between 0 and 1. The results of fsQCAs include pathways that represent possible explanations for outcomes, and these can be used as the study each of the cases included in the analysis in more depth. This is not always possible with regression techniques. The reason why fsQCA is well-suited for analysing institutional change is that it accommodates equifinality. This feature is essential for institutional analysis, because countries often follow different institutional paths to reach a similar end point. fsQCA is chosen for use in Chapter 5 because it makes it possible to study the effects of combinations of factors on institutional changes in SSA countries and to undertake case-specific analysis. Chapter 5 will use the Doing Business data, fsQCA and other data to explore institutional change to improve business environments in SSA countries from 2002 to 2013. Chapters 6 and 7 will discuss the results for Rwanda and Burundi, respectively.

CHAPTER 5: A SET-THEORETIC ANALYSIS OF INSTITUTIONAL CHANGE IN SUB-SAHARAN AFRICA (2002-2013)

5.1 Introduction

The Kagame regime has taken Rwanda from a failed state in the mid-1990s to a case study in quality African governance some two decades later. This period witnessed significant change in the country: from taking delivery of 581,000 machetes in 1992-1993 to arm Hutu for the coming genocide (Diamond 2005: 315) to preparing itself in 2014 for the opening of a facility that will eventually produce 700,000 tablet computers per annum (The New Times 2014). In reflecting on the country's progress from weapons importer to computer exporter, the Clinton Foundation (2009) commented that the current polity had "forged a strong, unified and growing nation with the potential to become a model for the rest of Africa". Kagame has achieved international recognition for his achievements in bringing Rwanda back from beyond the brink. Even Reyntjens (2013: xvi), an influential critic of the Kagame regime, was unable to dismiss the fact that the country's economic and social indicators have improved significantly during the first 20 years of Kagame's leadership.

As indicated in Section 1.1, there are only a few examples of scholarly work on institutions in Rwanda. However, this body of writing focussed mainly on institutions in static situations or periods of only a few years, and did not take a broader perspective on institutions over extended periods. Understanding Rwanda's institutions since coming back from beyond the brink is far from trivial. Growth under the extractive political institutions operated by the Habyarimana regime was not sustainable as a situation of profoundly unequal political power incentivised conflict. For Rwanda and many other African countries, situations of this nature manifested in civil wars, economic ruin, and vast human suffering (Acemoglu and Robinson 2013: 344, 441). The ruling RPF, however, was able to replace the Habyarimana regime in 1994 and instilled broader political rights and more significant economic opportunity for Rwandans heading into the current millennium. Developed economies are rich because, at some stage in their histories, citizens were able to create for themselves societies in which political rights were more evenly distributed, governments became accountable to the people, and majorities of people could take advantage of economic opportunities (Acemoglu and Robinson 2013: 3).

The Kagame government appears to have made some of the institutional changes associated with the historical progression seen in some developed economies. Chapter 4 motivated the use of Doing Business data as a tool for understanding such institutional changes. This World Bank dataset has already been utilised to analyse institutions by, for example, Lerner and Schoar (2005), Antunes and Cavalcanti (2007), Galindo and Micco (2007), Nunn (2007), Dabla-Norris, Gradstein and Inchauste (2008), and Bae and Goyal (2009). These articles, however, were all large-N, cross-section studies of static environments. The use of Doing Business data to understand institutional change in a narrower, country-specific setting is comparatively rare in the academic literature. The goal of Chapter 5 is to use a method of data analysis to find causal conditions associated with institutional change in SSA countries. Specifically, the aim is to use the Doing Business reform data as an indicator of pro-business institutional change, as motivated in Chapter 4. This will enable more fundamental analysis of recent institutional change in Rwanda in Chapter 6.

With the goal of Chapter 6 in mind, this chapter analyses recent institutional change in a group of 35 SSA economies. This group comprises all countries for which observations are available for the period 2002-2013. This cluster constitutes an intermediate-sized sample of cases, a number that Moses and Knutsen (2007: 96) deemed ideal for QCA. The method appears well suited for studying institutions and institutional change due to the ability to account for equifinality. While regression analysis tends to yield a single explanation for a phenomenon, QCA allows for multiple paths to a single outcome. Equifinality is a challenge for institutional economists. There are many examples of countries that have reached a state of high -quality institutions, but this has been associated with just as many different combinations of possible causal factors. While the goals of comparative analysis are similar to those of variable-oriented analysis (Ragin 2007: 67), QCA can give more possible answers about the connections between an outcome and combinations of causal conditions.

The remainder of Chapter 5 is structured to present the details and results of such a QCA in the SSA context. Section 5.2 identifies and discusses the raw data used to measure the outcome and causal conditions, with the latter based on four hypotheses about important aspects of institutional change. Section 5.3 calibrates the data according to fsQCA requirements and assesses the quality of the information with relevant analyses. Section 5.4 uses fsQCA software to construct a truth table of the calibrated data, determines the pathway solutions, and comments on these results. Section 5.5 concludes. These elements of the analysis will identify key aspects of Rwanda's reform experience that will be discussed in more detail in Chapter 6.

5.2 Data and model specification

This QCA focuses on institutional change in SSA countries during the first 11 years of the Doing Business project. Hence, it spans the annual Doing Business reports dated from 2004 to 2014, which contained information for the years from 2002 to 2013. The 2015-2019 editions of the Doing Business report incorporated methodological changes that made it impossible to compare the information collected for these editions with those in the reports for earlier years. For this reason, this analysis is limited to the 2002-2013 period covered by the 2004-2014 reports. The analysis covers a sample of 35 of the 49 SSA countries – this grouping generated 90% of the region's GDP in 2014. The countries (and their respective abbreviations[114]) are: Angola (AGO), Benin (BEN), Botswana (BWA), Burkina Faso (BFA), Burundi (BUR), Cameroon (CAM), the Central African Republic (CAR), Chad (CHD), the DRC (DRC), Eritrea (ERI), Ethiopia (ETH), Ghana (GHA), Guinea (GUI), Kenya (KEN), Lesotho (LST), Liberia (LBR), Madagascar (MDG), Malawi (MWI), Mali (MAL), Mauritania (MRT), Mauritius (MUS), Mozambique (MOZ), Namibia (NAM), Niger (NIG), Nigeria (NGA), the Republic of the Congo (ROC), Rwanda (RWA), Senegal (SEN), Sierra Leone (SLE), South Africa (ZAF), Tanzania (TZA), Togo (TGO), Uganda (UGA), Zambia (ZMB) and Zimbabwe (ZWE).[115]

To identify causal conditions, four hypotheses were formulated about influences on SSA countries' decisions to implement pro-business institutional reforms. The first two hypotheses are rooted in the roles that leadership and economic and political outcomes played in institutional change in Alston et al.'s (2016) critical transitions framework. The third hypothesis is based on writings (e.g. Smith and Todaro 2015) about connections between economic outcomes and democratic and autocratic political

[114] Abbreviations sourced and partially adapted from the UN (2013).
[115] This group includes 15 countries identified that have established high-level regulatory reform committees that reported directly to their respective presidencies. These are Botswana, Burundi, CAR, DRC, Ivory Coast, Guinea, Kenya, Liberia, Malawi, Mali, Nigeria, Rwanda, Sierra Leone, Togo, and Zambia (World Bank 2013: 26).

systems. The NIE view that institutional change could be path dependent influenced the fourth hypothesis. As observed in the preceding chapters, and highlighted again below, all four hypotheses reflect factors found to influence institutional change in theoretical and empirical writings.

Hypothesis 1 is that strong leadership is required to implement institutional change such as reforms to improve business environments. Section 2.4 explained the critical transitions framework and the role that leadership plays in institutional change. Leaders with the ability to engineer change can place a country on a new institutional trajectory. By realigning the dominant network's beliefs, effective leadership will also result in changes to institutions that align these new beliefs to a new set of economic and political outcomes. If all goes according to the theoretical plan, a new set of institutions will align with the new set of beliefs and move the country's institutional setup into a new autopilot situation. For some societies, this would give rise to a more open economic and political environment that is more accommodating to private enterprise.

Hypothesis 2 is that economic and political trends threatening the longevity of the dominant network would cause institutional changes such as pro-business reforms to improve economic outcomes. Section 2.4 explained the view that strong leadership during a window of opportunity is the catalyst for the process of institutional change. The source of such a window of opportunity is a deviation between actual and expected economic and political outcomes due to an endogenous or exogenous shock stemming from diverse sources, e.g. economics, politics, climate change, military action, disease, hunger, etc. These jolts can bring the core beliefs of members of the dominant network into question through the processes in the critical transitions framework and their ability to sustain their longevity at the top of the polity, inter alia. A highly fragile state, i.e. one at risk of becoming a failed state due to economic and political developments, are a threat to the longevity of the dominant network. At this juncture, Alston et al. (2016) identified a window of opportunity for changes in a country's economic and political outcomes via a significant adjustment in beliefs and institutions to ensure longevity.

Hypothesis 3 states that institutional reforms to improve the business environment for the private sector are possible under democratic and autocratic political dispensations. There is no consensus in the academic community about the extent to which democracy and autocracy (and their constituent elements) contribute to economic outcomes.[116] The results of empirical studies of the effects of political systems on economic development are split evenly: roughly a third of studies found a positive effect of democracy, a third suggested a neutral effect, and the remaining third found adverse effects (Smith and Todaro 2015: 569). Nonetheless, most donors, policymakers and the general public in the West believe that democracy and improved economic outcomes go hand-in-hand and should be pursued together in African countries. In this view, democracy is strongly associated with liberal economic policies envisioning a small state and a dominant role for the private sector in the economy. However, contrary to this view, some autocratic regimes in Asia (including China, Singapore and South Korea) and Africa have outperformed electoral democracies in terms of economic development

[116] In an empirical evaluation of the much-studied relationship between regime type and economic development, Coppedge, Gerring, Knutsen, Lindberg, Maguire, Skaaning and Teorell (2016) found that only election-centred indicators are robustly associated with economic development. Other components deemed integral to democratic regimes do not show a clear relationship with economic development. The authors argue that these findings point to inconsistencies in the results of earlier studies of this relationship.

outcomes.[117] In substantive democracies, institutional change often take long and require significant resources. In principle, autocracies may be able to undertake such process more quickly.

Hypothesis 4 states that a business environment that is already supportive of private enterprise offers the foundation for implementing further institutional reforms to improve business environments. Section 2.3 explained the concept of path dependence, according to which institutions that govern day-to-day interactions are set on a specific trajectory. While the critical transitions framework focussed on a shock-induced change to institutions, the alternative view of institutional stickiness implies that institutional change follows a particular path without much deviation from the trend. As stated in Section 2.3, this dissertation accommodates both slow and fast-moving changes to institutions stemming from internal and external sources. Path dependence implies that long-term interaction between business environment regulations and organisations, as opposed to abrupt events, determines reforms to business environments. This perspective on institutional change implies that business-friendly institutional setups are products of evolutionary processes of business environment improvements over time (put differently, a history of change matters for further change). It follows that pro-business institutional reforms stem from an already-positive business environment before these changes. Alternatively, a lack of reforms stems from a weak initial business environment.

Based on these four hypotheses, the fsQCA below seeks to identify the influence of strong leadership, state fragility, autocratic and democratic political systems, and the initial quality of the business environment on the extent of pro-business institutional reforms implemented by SSA countries from 2002 to 2013. The set-theoretic model postulates that pro-business institutional reforms are functions of strong leadership, state fragility, a strong initial business environment, and the influences of autocracy and democracy. This specification with five causal conditions aligns with Ragin's (2008: 142) suggestion of a 'modest' list of causal conditions ranging between three and eight. The following sections outline the data sources and the methods employed to construct the outcome and causal conditions used in the fsQCA. The data were selected on the basis of Collier and Adcock's (1999: 561) recommendation that the tools used (in this case, fsQCA) and the questions at hand (in this case, the four hypotheses) should determine how concepts are measured. The purposes of this dissertation necessitated the use of graded instead of dichotomous set membership values.

5.2.1 The outcome: extensive pro-business reforms

The outcome variable is the number of pro-business reforms made in each SSA country from 2005 to 2013. Section 4.2 provided a general introduction to the Doing Business project and data. That section showed that the Doing Business dataset was useful for deriving empirical measures of formal institutions. Data collected by this World Bank project measure the complexity and cost of regulatory processes and the strength of legal institutions. Many elements of the dataset have to do with property rights, transaction costs and enforcement mechanisms. Section 4.2 also argued that the information in the Doing Business dataset is more suitable for studying institutional change than, for example, the WGI dataset. Furthermore, some of the academic research that formed the theoretical underpinnings of the Doing Business indicators have direct or indirect links to the NIE.

[117] In a study of the contribution of democracy to economic development in African countries, Cilliers (2016: 3) stated that democracy generally functions better in countries that have achieved minimum levels of income and education. In these instances, the countries' institutions are able to limit the misuse of state resources. Democracy can be fragile – and largely a nominal feature of politics – in low income countries if their formal institutions are insufficiently developed to accommodate liberal democratic processes.

The Doing Business website provides a list of reforms undertaken by each country from 2008 to 2013. The World Bank (2006) also listed reforms in 2005 and 2006 in the annual Doing Business publication for 2007. Earlier reports were unclear about the exact nature of reforms. The Bank classified each country's reforms from 2005 to 2013 (as reported in the 2007-2014 editions of the annual Doing Business report) as simplifying or complicating business activity. For example, the 2014 edition of the project's annual report indicated that Rwanda simplified the process for corporate tax payments, and also implemented an electronic single-window system at the Rusumo border post that is used to access the port of Dar es Salaam in Tanzania (World Bank 2013: 10). Such information was used to record and sum reforms that improved business environments over all ten pillars in the years from 2005 to 2013. Rwanda (31 reforms, as listed in Section 6.2), Mauritius (22), Burkina Faso (20), Sierra Leone (20) and Burundi (19) headed the list of African countries while Eritrea (1), Zimbabwe (3), Namibia (3), Ethiopia (6) and Chad (6) made up the bottom five countries. On average, the 35 SSA countries each recorded 11 reforms during the nine-year period.

The World Bank's criteria for qualifying these reforms as meaningful for affecting structural improvements in business environment are rooted in standardised case scenarios. As discussed previously, the choice of indicators and, therefore, the identification of reforms, is guided by economic research and firm-level data about the main obstacles to business activity. The Doing Business project also benefits from continuous feedback from governments, academics, practitioners and independent reviewers. These factors have resulted in a robust design for identifying qualitative and quantitative information captured by the Doing Business project and reforms associated with changes in these observations (World Bank 2013: 20-21). While it cannot be denied that all reforms will not necessarily improve a country's business climate to the same extent, the premise of this section is that the number of reforms is a useable measure of the overall scope and strength of each country's reform efforts.

It might not be obvious that Doing Business reforms can be associated with the type of institutional reform in Alston et al.'s (2016) critical transitions framework. The critical transitions framework works with high-level developments such as changes in the dominant network and revisions to constitutional level institutions. Business environment reforms seem less significant, especially in the context of the entire complex of economic and political institutions. However, the business environment reforms recorded by the Doing Business project are examples of changes to laws and enforcement processes; hence, these are examples of the incremental changes to the 'rules of the game' identified in the critical transitions framework. Furthermore, such reforms can be products of changes to constitutional-level institutions. As explained in Section 2.4, these changes are much more commonplace than large-scale constitutional-level changes and are required to counterbalance changes in either beliefs or outcomes. These reforms also add up to structural reform of an economy, if implemented in sufficient numbers.

5.2.2 Causal condition 1: Effective transactional leadership

The study by political scientists of leadership dynamics is cyclical, and the subject has become fashionable again after the 2008 global financial crisis (Ahlquist and Levi 2011: 1). As discussed in Section 2.4, Alston et al. (2016: 187) made an essential contribution to knowledge about the origins of institutional change by arguing that windows of opportunity for reforms require individuals with strong leadership abilities to evoke this change. An effective show of leadership results in tangible institutional change and the ability to affect incremental change to maintain the leadership position of the dominant network. In effect, this assessment includes two classifications of leadership that can be traced back to early work by Hargrove (1989). Firstly, Schofield (2006) identified 'transformative' leadership as being the catalyst for discontinuous change at pivotal moments. This is linked to the actions of individuals during window of opportunity, as identified by Alston et al. (2016). Transformative leadership can be associated with the 'great man' [sic] perspective, which suggests that the evolution of history is primarily determined by the idiosyncratic, causative influences of certain individuals (Jones and Olken 2005: 838). For example, Keegan (2003) argued that the political history of the 20th century can be written as the biographies of just six men, namely Vladimir Lenin, Joseph Stalin, Adolf Hitler, Mao Zedong, Franklin Roosevelt, and Winston Churchill.

Secondly, Northouse (2004) described leadership as a process involving influence in a group context to attain a common goal, e.g. economic development. In this regard, Canes-Wrone (2006) identified 'transactional' leadership in which a leader manages and attempts to implement policy within a larger economic, social and political context. This includes adjustments to laws and enforcement processes and incremental changes, as identified in Alston et al.'s (2016) critical transitions framework. In discussing public sector leadership, De Groot, Edelenbos, Meijerink, Scholten and Teisman (2009) took as their departure point a perspective from Marion, McKelvey and Uhl-Bien (2007) that frames transactional leadership as a complex interactive dynamic from which adaptive outcomes emerge. De Groot et al. (2009: 5) interpreted effective transactional leadership as the successful development and implementation of processes of interaction and cooperation with stakeholders, in which (sometimes harsh) decisions are made to accommodate different interests in a coherent policy deal. Strict procedures and rules of conduct structure the involvement of stakeholders such as citizens, opposition parties, civil society organisations, and international entities. This type of interaction invariably results in compromises between policy goals and outcomes because conflicting objectives are common.

Several easily accessible sources of data on the quality of public governance are available, including the WGIs and Ibrahim Index of African Governance (IIAG). It is tempting to use these data sources as measures of the quality of leadership. Governance, however, is not the same thing as transactional leadership. Governance is the delivery of political goods (such as human rights, sustainable economic opportunities, human development, the rule of law, and safety and security) to citizens. Hence, the quality of governance improves when a system delivers more and better quality political goods to citizens (Rotberg 2009: 113). The WGIs and IIAG data are apt measures of governance. By contrast, Canes-Wrone (2006) and De Groot et al. (2009) define transactional leadership as the development, management and implementation of policy in a complex governance system with the aim of structuring government activity for the delivery of political goods. Because of this distinction between governance and transactional leadership, a more focused definition of the latter is required here in order to pair the concept with appropriate data.

Effective transactional leadership involves three key components. Firstly, leaders enable the process of decision-making by dialogue and mutual exchange of ideas and opinions to gain understanding of the perspectives and demands of other stakeholders. This implies that solutions are not determined early on, as leaders first seek to balance the competing policy goals of stakeholders. Secondly, leaders establish and maintain systems to ensure alignment between desired outcomes and actions to implement agreed-upon policies. Such systems coordinate different stakeholders to achieve policy implementation and attainment of policy goals. Thirdly, leaders motivate stakeholders to commit themselves to the chosen policies, with project implementation preceded by collaborative decision-making. Leaders' efforts to establish strict rules and procedures for interaction between stakeholders make this approach cooperation-oriented and focused on conflict avoidance (De Groot et al. 2009: 5-6). Although these theoretical components have been clarified, empirical research on transactional leadership in the public sector remains in its infancy.[118]

Transactional leadership is characterised by continuous change; in transformative leadership, by contrast, change occurs in a discontinuous manner during specific windows. Given that the outcome variable for the fsQCA (reforms to improve business environments recorded over time by the Doing Business project) could not be associated with specific events of transformative leadership and policymaking, transactional leadership is the more relevant dimension to consider. In this regard, the Bertelsmann Stiftung's Transformation Index (BTI) provides a bi-annual assessment of the management quality of countries' public leadership, defined as the capacity, performance, and accountability of the political actors who have the power and responsibility to shape or determine public policy in a society (Bertelsmann Stiftung 2016a: 5). This Management Index is aligned with the concept of transactional leadership as it considers the day-to-day practices of the polity.

The BTI publishes scores on 20 management components (Bertelsmann Stiftung 2016a: 36-45). Country experts and 'blind' experts (external specialists who are used to avoid in-country bias) evaluate qualitative and quantitative country information and assign numerical ratings on a scale from one to 10. The resulting scores are averaged to obtain management performance scores. Each country's score is then weighted by a level of difficulty measure that indicates the extent to which structural difficulties constrain governance capacity. Such difficulties include poverty, a poorly educated workforce, and natural disasters. The management performance scores of countries that face many difficulties are adjusted upwards to reflect success under challenging conditions (Bertelsmann Stiftung 2016a: 7, 35). The BTI Management Index reflects the difficulty-adjusted management performance of a government.

Comparable bi-annual BTI data are available for the years from 2003 to 2014, which closely match the period studied in this chapter. The BTI's component that assesses 'policy coordination' scores the extent to which governments can coordinate the transformation of conflicting objectives into coherent policies. As many policies have conflicting objectives, reflect competing political interests, and affect other policies, governments have to ensure that their policies are coherent. Of course, various policy coordination styles are possible, e.g. centralised or decentralised ones. The critical factor is the impact of these styles on policy coherence. According to the Bertelsmann Stiftung (2016c: 40), successful policy coordination encompasses the following:

- Ensuring that trade-offs between policy goals are well balanced
- Introducing forms of coordination to mediate between different departments of the state administration

[118] Academic research on transactional leadership has focussed overwhelmingly on the management of private sector companies. While Canes-Wrone (2006), Marion et al. (2007) and De Groot et al. (2009) opened the door for such research by developing the narrower concept of 'transactional' leadership, academics have not reached consensus about the characteristics of leaders and leadership. The authors of these theoretical papers have subsequently not published research specifically devoted to transactional leadership. Hence, a clearly defined collection of empirical research focussed on transactional leadership does not exist. While it seems very important in governance, the lack of research on transactional leadership probably reflects a common perception among researchers about the notion. Some authors, such as Han (2008: 204-205), suggest that transactional leadership has to do with the day-to-day activities of leaders. This implies that it comes with leadership positions and represents "nothing exceptional". Schofield's (2006) 'transformative' leadership clearly seems a much more attractive research topic.

- Transparently ascribed responsibilities to avoid negligence of tasks, redundancies or friction between stakeholders

These components align very strongly with the three key requirements for effective transactional leadership identified by De Groot et al. (2009: 5-6). In sum, the Bertelsmann Stiftung's experts consider trade-offs between competing policy goals, coordination to reach desired policy objectives, and processes to avoid negligence and conflict when they assess the quality of policy coordination. The BTI's policy coordination index is used in this dissertation as a measure of effective transactional leadership because it is strongly aligns with De Groot et al.'s (2009) definition of the concept. Furthermore, the raw scores for policy coordination are weighted with the BTI's level of difficulty index to incorporate the disparate policy implementation challenges in the various countries.[119] The final scores derived from this process represent the effectiveness of transactional leadership in the sample of SSA countries, with high scores indicating high levels of success in transforming conflicting objectives into coherent policy outcomes. Botswana (7.73), Mauritius (6.78), Ghana (6.33), Niger (6.17) and Rwanda (6.17) top the list, while the DRC (1.78), Zimbabwe (2.00), Chad (2.26), Republic of the Congo (2.81) and Burundi (3.19) make up the bottom five countries.

5.2.3 Causal condition 2: State fragility

Alston et al. (2016: 190-191) argued that the beliefs of a country's leadership about the functioning of the economy can be affected if economic and political outcomes are sufficiently different from the expectations of the dominant network. This is evident from their examples of institutional change in Brazil and Argentina. The assessment of the same process in Rwanda in Chapter 4 confirmed this. A country's institutions are structured to realise the economic and political outcomes desired by the elites and to sustain the dominant network at the helm of the polity. Deviated outcomes may be caused by macroeconomic and political instability, for example, and can place the longevity of the dominant network in jeopardy. When economic and political outcomes no longer align with the beliefs of the dominant network and are no longer sustainable, polities could be forced to implement institutional changes (e.g. business environment reforms). The aims of such reforms could be to stimulate economic growth or to consolidate the status of dominant networks by improving socio-economic and political conditions. In sum, the dominant network is in jeopardy when the state is unable or unwilling to generate the desired economic and political outcomes to sustain the polity, and this may necessitate reforms to realign beliefs and outcomes.

This perspective suggests that state fragility is an umbrella term for deviated economic and political outcomes. Engberg-Pedersen and Stepputat (2008: 22) cited a definition of a fragile state from the Organisation for Economic Cooperation and Development (OECD): a country where state power is unable or unwilling to deliver core functions to the majority of the people. These functions include security, protection of property, essential public services and essential infrastructure. The essence of state fragility is socioeconomic and political instability that could result in a collapse of the polity or, put differently, a descent into state failure. The dominant network is at risk of losing its elevated position when it cannot provide public goods. To quantify this risk of state failure, the Fund for Peace's (FFP) Fragile States Index (FSI) combines six socio-economic and six political indicators

[119] The leadership measure was based on the following formula: *Quality of transactional leadership = [raw BTI policy coordination score] x [1 + (BTI level of difficulty – 1) x (0.25 / 9)] x [10 / 12.5]*. Six components determined the level of difficulty: physical constraints (e.g. infrastructure and geography), civil society traditions (e.g. social trust), conflict intensity, GNI per capita, levels of education, and rule of law.

into a measure of the risk of state inability to perform its basic tasks. The Institute for the Study of Diplomacy (ISD) at Georgetown University developed the rigorous, social science-based methodology for compiling the index. The organisation indicates that the basic data used to compile the FSI is publically available and that the integration of data from many sources is the main strength of the methodology used to construct the index (FFP 2016).

The FFP uses its proprietary Conflict Assessment System Tool (CAST) to triangulate and review qualitative and quantitative information. It further generates an average of 14 sub-scores for each of the following categories: (i) demographic pressures, (ii) refugees and IDPs, (iii) group grievances, (iv) human flight and brain drain, (v) uneven economic development, (vi) poverty and economic decline, (vii) state legitimacy, (viii) public services, (viii) human rights and rule of law, (x) security apparatus, (xi) factionalised elites, and (xii) external intervention. Through the use of specialised algorithms and search parameters to separate relevant from irrelevant data, each category is given a score out of 10 that is aggregated to a final score out of 120. The higher the score, the more fragile the state and the more susceptible the polity to loss of control (FFP 2016). Although FSI data are available for the period 2003-2015, this analysis uses information from 2003 to 2013 to match the focus period. The DRC (average annual score of 108.77 out of 120), Chad (108.76), Zimbabwe (107.28), CAR (103.24) and Guinea (101.48) were classified as being the most fragile SSA states in this period. Mauritius (43.75), South Africa (63.54), Ghana (65.58), Botswana (66.64) and Namibia (72.03) were the most stable states. Rwanda (90.49) was near the median of the group.

5.2.4 Causal condition 3: Strong initial business environment

The reforms recorded by the Doing Business project do not portray the overall quality of a country's business environment. The World Bank project is restricted to the operating landscape of SMEs; furthermore, Chapter 4 pointed out that the recorded reforms are institutional changes to support private firms. Hence, an alternative indicator of the strength of countries' business environments is required. It is well-established that institutions often change slowly and in a path-dependent manner (see Section 2.3). This reality makes it important to test whether and, if so, to what extent a weak initial business environment constrains subsequent reforms. An indicator of the strength of the business environment before the launch of the Doing Business project can be used for this purpose.

Few of the many cross-country indicators of business environment strength are available in time-series form for all African countries. The IIAG was created for the Mo Ibrahim Foundation by researchers at Harvard University's Kennedy School of Government. It is intended to be a measure of the performance of all African polities based on six criteria:

- Safety and security
- The rule of law
- Transparency and corruption
- Participation and human rights
- Sustainable economic opportunity
- Human development

Under the sustainable economic opportunity pillar, the Foundation provides an index of the strength of countries' business environments. Scores out of 100 assess the following aspects: (i) the competitiveness of the business environment, (ii) the overall investment climate, (iii) the investment climate for rural businesses, (iv) the development of rural financial services, (v) levels of red tape and bureaucratisation, (vi) customs procedures, and (vii) the soundness of banks (Gisselquist and Rotberg 2008). High business environment scores point to welcoming investment climates, competitive domestic economies, limited red tape, efficient customs procedures, sound banking systems, and deep regional integration. Observations for 2002 are incorporated into the analysis in this chapter as a measure of initial business environments at the launch of the Doing Business project. Mauritius (77.27), South Africa (76.71), Botswana (73.81), Namibia (66.17) and Rwanda (59.22) had the best business environments in 2002, while Eritrea (7.50), Zimbabwe (18.27), the DRC (23.70), Angola (24.41) and Togo (25.28) had the poorest ones.

5.2.5 Causal conditions 4 & 5: Full autocracy and full democracy

The establishment and reform of formal institutions depend on the core beliefs of the polity. One would expect the beliefs of those in power in democratic societies to produce institutions that benefit more individuals and organisations than the beliefs of autocratic leaders would. In a comprehensive literature review, Coppedge, Gerring, Knutsen, Lindberg, Maguire, Skaaning and Teorell (2016: 3) found that many academic studies report a causal connection between democracy and economic and human development. These studies suggest that fully-fledged democratic systems empower citizens and organisations. Competitive elections, for example, should pressure newly elected politicians to institute redistributive policies to address social inequality. In turn, voters should reward incumbents at the next election for resisting predation and successfully providing public goods (Coppedge at al 2016: 5, 7).

Similarly, it is widely believed that individuals and organisations in autocratic societies whose desires do not align with the beliefs of the polity would not necessarily benefit from economic and political outcomes. In such cases, those in control of political institutions may create economic institutions that enrich themselves at the expense of others in society (Acemoglu and Robinson 2013: 80). Autocracies were found in significant numbers in Africa following decolonisation. Globally, autocratic regimes outnumbered democratic ones three to one by the mid-1970s (Gurr, Jaggers and Marshall 2013: 9). While various measures suggest that the gap between the prevalence of electoral democracies in Africa and other parts of the world has narrowed over the past three decades, democracy is still not the dominant form of government in Africa. Depending on which definition of democracy was used, between nine and 23 African countries were considered democratic in 2015 (Cilliers 2016: 14, 18).

Most scholars regard contemporary Rwanda as an authoritarian, high modernist state. At the same time, however, the country has a neoliberal economic policy orientation that grants an elevated role in policy reform to non-state actors – a feature that seems more likely in democracies (Huggins 2013: 6). It seems intuitive to associate an autocratic government with heavy-handed intervention in the economy, state-led industrialisation, and a small role for the private sector, whereas one would expect more participatory processes in democracies (Alston et al. 2016: 33-35). Hence, the presence in Rwanda of an autocratic governance style as well as strong input from the private sector on critical policy issues seems somewhat of a contradiction.

To resolve this conundrum, it is necessary to transcend the traditional association of autocracy with non-democratic policymaking processes and, especially, dictatorships. Misconceptions about dictators and autocracies abound, because political scientists have paid far less attention to these types of political regimes than to democracies (Frantz 2016: 2). Munck and Snyder (2008: 543) suggested that autocracies are by far the most understudied phenomena in comparative politics and that political scientists need to think much more about them. Quite understandably, it is more challenging to study autocracies, as the internal politics of these governments are deliberately hidden from public view. Nonetheless, recent scholarship in political science has illuminated many features of authoritarian regimes. Political scientists now know that autocracies frequently implement the same economic institutions that academics have historically viewed as hallmarks of democratic regimes. Leaders' positions are most secure when selectorates (the bodies of persons or organisations responsible for selecting) are large. By contrast, autocrats cannot rely on the legitimacy conferred by the selectorate via free and fair elections to defend their right to rule (Frantz 2016: 11).

These inherent uncertainties of autocratic rule have moved some modern autocrats to use policies and policymaking styles usually associated with democracies to remain in power for longer (Frantz 2016: 1-3).[120] However, this should not come as a surprise. Many developmental states, for example, have been authoritarian but have achieved excellent economic development results (Mkandawire 2010: 69-70). For example, the governments of the East Asian Tigers, a group of 20th century developmental states that include Hong Kong, Singapore, South Korea and Taiwan, transformed their economies during the second half of the previous millennium within the context of relatively autocratic political systems (see Section 1.1). Their bureaucracies were highly efficient and based on meritocratic recruitment processes. In South Korea and Taiwan, for example, autocrats introduced economic institutions like private property rights. This removed the powerful landed class that stymied previous development efforts (Evans 2010: 45-47).[121]

In a paper on the protracted tenure of some autocrats, Gandhi and Przeworski (2007: 1292) found that positive economic and political institutions in autocracies are not merely window-dressing. Instead, autocrats maintain institutions often associated with democracies to solicit cooperation or to extend their tenure. Such instruments of cooperation include policy concessions which, in turn, require some form of forum to which access can be controlled – autocrats usually refuse to give unbridled access. Within these forums, stakeholders can reveal their demands without appearing to be aggressive or resistant, compromises can be hammered out without undue public scrutiny or open conflict, and resulting agreements can be legally formalised and communicated as such (Gandhi and Przeworski 2007: 1282). Such structures fuse an autocratic governance style with strong input from the private sector on key policies.[122]

[120] Political scientists have very little insight into the conditions that channel autocracies onto the path from collegial to strongman rule (Frantz 2016: 1).

[121] Although a significant number of autocratic governments have employed developmental state policies, it would be incorrect to infer that the adoption of a developmental state approach requires the rejection of democracy. Chang (2010: 86) made reference to Scandinavian developmental states that certainly cannot be accused of having autocratic political systems.

[122] There is an inherent tension between the two components: the one tends to require coercive practices while the other usually requires inclusive processes. For example, while the Rwandan government has demanded that farmers abide by its crop specialisation policy, use specific fertiliser and seeds, and sell their produce to particular firms or cooperatives, it has also desired to foster entrepreneurship and innovation among farmers (Huggins 2013: 221-222). Thus, non-state actors have been incorporated into the architecture of the agricultural system more and more. For example, local companies that won government contracts to distribute fertiliser in Kirehe District profited from the specialisation policy (Huggins 2013: 375). Clearly, the country's process of state building – aimed at creating a Rwanda without ethnic divisions – was intimately linked to neoliberal capitalist notions of economic development, with an emphasis on commodification and commercialisation (Huggins 2013: 222-223).

Data from the Centre for Systematic Peace's (CSP) Polity IV Project (referenced here as Polity IV 2015) are often used in political science research to create indicators of degrees of democracy and autocracy in political systems.[123] The CSP data cover 167 countries with populations larger than 500,000, with some series starting in the year 1800. The data are often used to develop measures of political institutions (e.g. by Acemoglu, Johnson, Robinson and Yared 2005, and Collier and Rohner 2008), and are used in this dissertation because of the multitude of aspects incorporated in the final assessments. The measures of the degrees of autocracy and democracy are based on the openness and competitiveness of recruitment of members of the executive, constraints on the country's leadership, regulation of political competition, and the extent to which alternative policies and representation can be pursued in the political arena (Gurr, Jaggers and Marshall 2013: 14-17). Polity IV refrains from specifying an unambiguous cut-off point between autocracy and democracy, with the scores reflecting differences in the degrees of autocracy and democracy. This feature make the data ideally suited for use in fsQCA.

In the Polity IV database, a high score for democracy indicates strong civil liberties for all citizens in their daily lives, robust processes to effectively express preferences about alternative policies and leaders, as well as strong institutional constraints on the exercise of power by the executive. Alternatively, a low score indicates limited civil liberties and scope for expression of preferences, as well as few limits on executive power. Polity IV scoring implies that there are no necessary conditions for characterising a political system as democratic and that democracy should rather be treated as a spectrum variable. In turn, a high score for autocracy indicates restricted or suppressed political participation and few constraints on chief executives' exercising of power. Conversely, a low score for autocracy indicates more competitive political participation and more constraints on the power of the chief executive, but with high levels of directiveness over social and economic activity (Gurr, Jaggers and Marshall 2013: 14-17).

Note, however, that a low score for democracy does not necessarily imply a high autocracy score. In the case of the scores for 'constraints on the chief executive', for example, 'slight to moderate limitations' (the weakest score on the autocracy scale for this category) is not the opposite of executive parity (the strongest score on the democracy scale for this category).[124] Table 5.1 lists the Polity IV component scores for autocracy and democracy. Indicators for the underlying political dimensions used to compile the autocracy and democracy scores are assessed and weighted differently by Polity IV.[125] Hence, high autocracy scores are often but not invariably associated with high non-democracy scores. Burkina Faso, for example, has low scores on both indicators. In other words, Polity IV treats full democracy and full autocracy not as opposites, but as two types of regimes with varying and overlapping elements. Indicators for both types of regimes are included in the analysis in this chapter, because the two concepts are not mutually exclusive.

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[123] Harford and Klein (2005: 2) argued that the Polity IV project quantifies political institutions like democracy and autocracy as objectively as possible. Alternative data sources include the Varieties of Democracy (V-Dem) database, Freedom House, and the Economist Intelligence Unit (EIU). These datasets are all updated annually, have time series observations, and are widely used in the academic and policy communities (Cilliers 2016: 3). Polity IV and V-Dem have most country-years of observations and the two datasets overlap more than the other data sources do. The Polity IV and V-Dem data that classify political systems overlap by 92%, and this rises to 94% when ambiguous cases are removed (Lindberg, Lührmann and Tannenberg 2018: 70). The two datasets tell very similar stories about the evolution of democracy and autocracy over the past century, and both find a decreasing chasm between global and African scores for electoral democracy over the past few decades (Cilliers 2016: 13-14).

[124] Here, accountability groups have as least as much or more effective authority in most areas of state-related activity than the executive does (Gurr, Jaggers and Marshall 2013: 25).

[125] See Table 6.4 for these dimensions.

Table 5.1: Polity IV components for democracy and democracy scores

Democracy	Score	Autocracy
Competitiveness of executive recruitment		
Election	+2	Selection
Transitional	+1	
Openness of executive recruitment		
Dual/election	+1	Closed
Election	+1	Dual/election
Constraint on chief executive		
Executive parity or subordination	+4	
Intermediate category	+3	Unlimited authority
Substantial limitations	+2	Intermediate category
Intermediate category	+1	Slight to moderate limitations
Competitiveness of political participation		
Competitive	+3	
Transitional	+2	Restricted
Factional	+1	Sectarian
Regulation of participation		
	+2	Repressed
	+1	Suppressed

Source: Gurr, Jaggers and Marshall 2013: 15-16

Chapter 4 showed that Rwanda has had a mostly autocratic regime since obtaining independence in 1961, albeit more moderately since the year 2000. Its autocracy score averaged 3.33 (out of a maximum of 11) during the period from 2002 to 2013. Based on the Polity IV data, Eritrea (7.00), Cameroon (5.00), Angola (4.00), the Republic of the Congo (4.00), and Togo (3.83) most closely approximated full autocracies. Benin, Botswana, Kenya, Mauritius, Namibia, Nigeria, Senegal, South Africa and Zambia all scored 0 on this metric, which implied that these countries were classified as non-autocratic. Mauritius (10.00), South Africa (9.00), Lesotho (8.17), Botswana (8.00), Ghana and Kenya (both 7.83) had the highest democracy scores (i.e. most closely approximated full democracies), while Eritrea, the Republic of the Congo and Rwanda scored 0 on this metric and were classified as non-democratic.[126]

5.3 Analysis

Table 5.2 contains the raw data observations discussed in Section 5.2. Each variable in Table 5.2 has a one-word descriptive name, which will be used throughout the remainder of this dissertation. These descriptive names, however, are derived from membership definitions as required by the set-theoretic nature of fsQCA. Table 5.3 lists these definitions. As described in Section 4.3.3, one of the steps in an fsQCA is the transformation of raw data scores to set-membership scores ranging from 0 to 1. In principle, the calibrated scores can assume any value between zero and one, but the fsQCA software usually assigns scores ranging from 0.05 to 0.95. The crossover point of a data series (represented by a set-membership score of 0.5) is the point of maximum ambiguity between full membership and full non-membership of a set. Researcher should preferably use external criteria to determine points of

[126] See the discussion in Section 6.4.2 for more information on Rwanda's democratic credentials.

full membership and full non-membership as well as crossover points for each series. Figure 5.1 depicts the data from Table 5.2 and the chosen cut-off points for the calibration exercise.

Table 5.2: Raw data scores

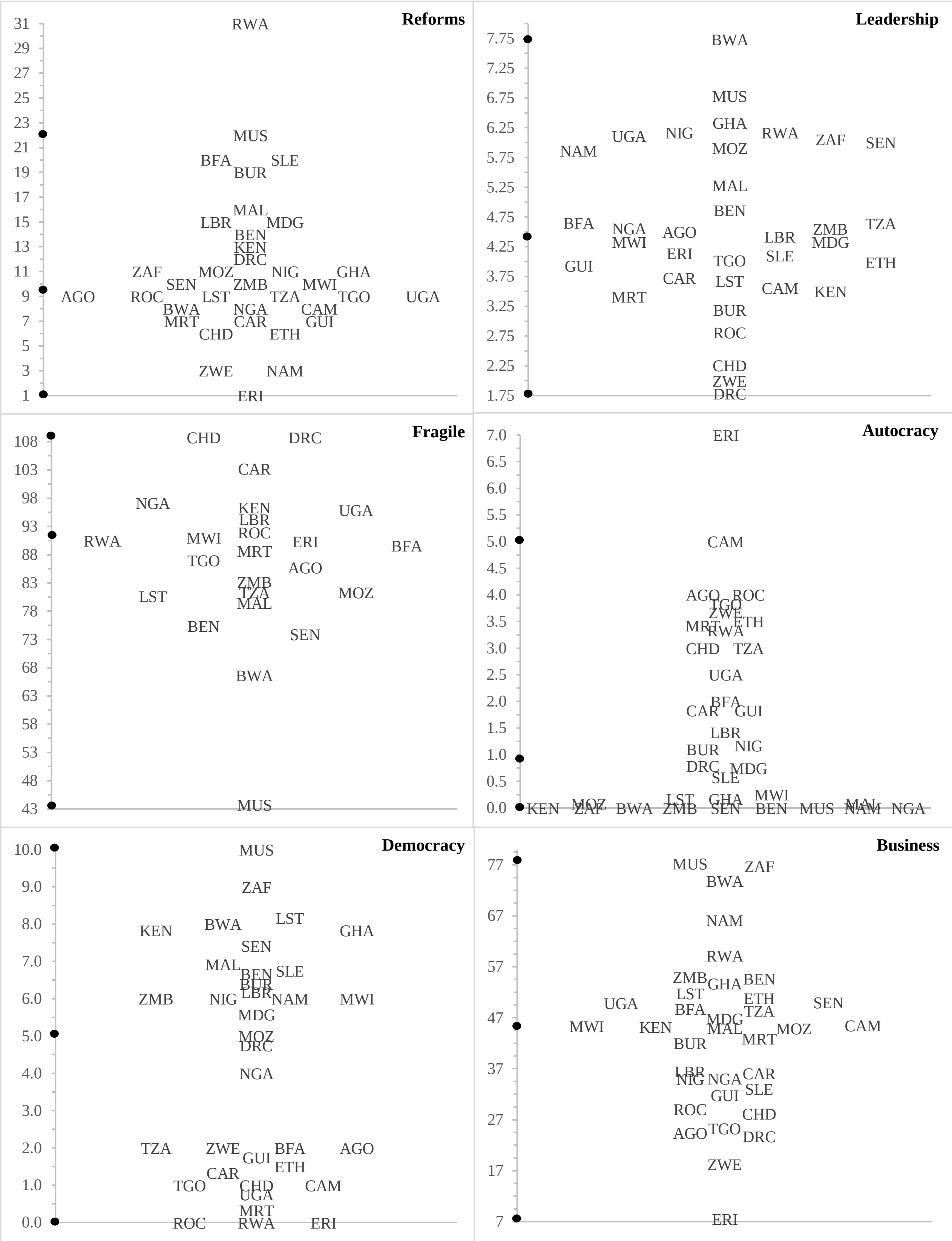
Country	Reforms	Leadership	Fragile	Autocracy	Democracy	Business
Angola	9.000	4.501	85.730	4.000	2.000	24.410
Benin	14.000	4.864	75.360	0.000	6.667	54.700
Botswana	8.000	7.733	66.640	0.000	8.000	73.810
Burkina Faso	20.000	4.647	89.620	2.000	2.000	48.740
Burundi	19.000	3.194	96.590	1.100	6.400	42.040
Cameroon	8.000	3.560	91.870	5.000	1.000	45.490
CAR	7.000	3.733	103.240	1.833	1.333	36.110
Chad	6.000	2.257	108.760	3.000	1.000	28.190
DRC	12.000	1.776	108.770	0.792	4.750	23.700
Eritrea	1.000	4.141	90.310	7.000	0.000	7.500
Ethiopia	6.000	3.993	96.500	3.500	1.500	50.850
Ghana	11.000	6.326	65.580	0.167	7.833	53.740
Guinea	7.000	3.930	101.480	1.833	1.750	31.820
Kenya	13.000	3.497	96.380	0.000	7.833	45.190
Lesotho	9.000	3.683	80.670	0.167	8.167	51.770
Liberia	15.000	4.420	94.260	1.417	6.167	36.480
Madagascar	15.000	4.325	80.200	0.750	5.583	46.830
Malawi	10.000	4.332	91.040	0.250	6.000	45.320
Mali	16.000	5.276	79.460	0.083	6.917	45.010
Mauritania	7.000	3.414	88.650	3.417	0.333	42.920
Mauritius	22.000	6.778	43.750	0.000	10.000	77.270
Mozambique	11.000	5.907	81.310	0.083	5.000	44.910
Namibia	3.000	5.859	72.030	0.000	6.000	66.170
Niger	11.000	6.169	94.690	1.167	6.000	35.000
Nigeria	8.000	4.555	97.140	0.000	4.000	35.020
Republic of the Congo	9.000	2.806	91.910	4.000	0.000	29.070
Rwanda	31.000	6.166	90.450	3.333	0.000	59.220
Senegal	10.000	6.003	73.910	0.000	7.417	49.980
Sierra Leone	20.000	4.099	93.390	0.583	6.750	33.040
South Africa	11.000	6.049	63.540	0.000	9.000	76.710
Tanzania	9.000	4.637	81.360	3.000	2.000	48.400
Togo	9.000	4.017	87.000	3.833	1.000	25.280
Uganda	9.000	6.110	95.850	2.500	0.750	49.890
Zambia	10.000	4.555	83.200	0.000	6.000	54.980
Zimbabwe	3.000	2.002	107.280	3.667	2.000	18.270

Source: Own calculations and sources as described in Section 5.2.

Table 5.3: Full membership and full non-membership classifications

	Reforms	Leadership	Fragile	Autocracy	Democracy	Business
Full membership	Extensive pro-business reforms	Effective transactional leadership	State fragility	Full autocracy	Full democracy	Strong initial business environment
Non-membership	Limited pro-business reforms	Ineffective transactional leadership	State stability	Non-autocratic	Non-democratic	Weak initial business environment

Figure 5.1: Raw scores and calibration cut-off points



Source: Own calculations based on data in Table 5.2

Crossover points are not necessarily the middle values of data series. It does not matter if a majority (or all) of the set membership values of a series are above or below its crossover point, because the quantification of crossover points is determined by criteria set by the investigator based on his or her theoretical and substantive knowledge of the issues at hand. The purpose of the assigned values is to indicate degrees of set membership (Ragin 2000: 168-169) and to distinguish between different characteristics of the observations in the dataset. Objective criteria for determining crossover points for the causal conditions used here do not exist. This necessitated the use of standard descriptive statistics to determine the crossover points. This dissertation considered midpoints between the maximum and minimum values in each series as well as averages and medians of the data series (excluding outliers) as crossover points. Series medians (excluding outliers) were selected. Medians are often more suitable than averages or midpoints when data series are not normally distributed and contain outliers, which happen to be the case with the data used in this dissertation. Two outliers were identified: Rwanda's high score for extensive pro-business reforms and Eritrea's high autocracy score. Table 5.4 shows the resulting fuzzy membership scores.

Table 5.4: Calibrated fuzzy membership scores

Country	Reforms	Leadership	Fragile	Autocracy	Democracy	Business
Angola	0.46	0.52	0.43	0.91	0.14	0.16
Benin	0.75	0.60	0.28	0.05	0.73	0.71
Botswana	0.37	0.95	0.18	0.05	0.86	0.94
Burkina Faso	0.93	0.55	0.49	0.69	0.14	0.58
Burundi	0.91	0.20	0.74	0.53	0.70	0.44
Cameroon	0.37	0.27	0.56	0.95	0.08	0.51
CAR	0.29	0.31	0.89	0.66	0.10	0.33
Chad	0.23	0.08	0.95	0.82	0.08	0.21
DRC	0.65	0.05	0.95	0.38	0.46	0.15
Eritrea	0.05	0.42	0.50	0.99	0.05	0.05
Ethiopia	0.23	0.38	0.73	0.87	0.11	0.63
Ghana	0.59	0.85	0.17	0.08	0.85	0.69
Guinea	0.29	0.36	0.86	0.66	0.12	0.26
Kenya	0.70	0.26	0.73	0.05	0.85	0.50
Lesotho	0.46	0.30	0.35	0.08	0.87	0.65
Liberia	0.79	0.50	0.66	0.59	0.67	0.33
Madagascar	0.79	0.47	0.34	0.35	0.59	0.54
Malawi	0.53	0.48	0.53	0.10	0.65	0.50
Mali	0.83	0.68	0.33	0.06	0.76	0.50
Mauritania	0.29	0.24	0.47	0.86	0.06	0.45
Mauritius	0.95	0.89	0.05	0.05	0.95	0.95
Mozambique	0.59	0.79	0.36	0.06	0.50	0.49
Namibia	0.09	0.79	0.24	0.05	0.65	0.88
Niger	0.59	0.83	0.67	0.54	0.65	0.31
Nigeria	0.37	0.53	0.75	0.05	0.35	0.31
Republic of the Congo	0.46	0.14	0.56	0.91	0.05	0.22
Rwanda	0.99	0.83	0.51	0.85	0.05	0.79
Senegal	0.53	0.81	0.26	0.05	0.81	0.61
Sierra Leone	0.93	0.41	0.62	0.24	0.74	0.28
South Africa	0.59	0.81	0.15	0.05	0.92	0.95
Tanzania	0.46	0.55	0.36	0.82	0.14	0.57
Togo	0.46	0.39	0.45	0.89	0.08	0.17
Uganda	0.46	0.82	0.71	0.76	0.07	0.61
Zambia	0.53	0.53	0.39	0.05	0.65	0.71
Zimbabwe	0.09	0.06	0.94	0.88	0.14	0.11

Source: Own calculations based on data in Table 5.2

The fsQCA software provides a default consistency threshold of 0.8, but this is adjustable. Ragin (2008: 136) suggested that a threshold of less than 0.75 should be avoided as this may imply the retention of weak connections, especially in small sample studies. In general, the sample size is important for determining the consistency threshold, with a smaller sample of cases necessitating a higher threshold. However, while researchers generally follow Ragin's (2008: 136) suggestion that thresholds below 0.75 should be avoided, more specific benchmarks or rules-of-thumb do not exist. In fact, researchers have used different thresholds for similarly sized samples of cases. For example:

- Fischer (2015) used a threshold of 0.75 on a sample of 11 cases
- Siebrits (2014) used a threshold of 0.85 for a slightly larger sample of 14 cases
- Duerr, Epstein, Kenworthy and Ragin (2008) used various thresholds between 0.85 and 0.95, also for a sample of 14 cases

This dissertation used the default consistency threshold of 0.8 to avoid retaining weak connections in the analysis. A threshold of 0.8 is well suited to an intermediate-N sample of 35 cases. Table 5.5 provides the results of a superset analysis that attempted to identify the necessary conditions for the outcome. Neither the presence nor the absence of any individual causal condition proved to be necessary for the outcome. The fsQCA software enables the researcher to negate fuzzy membership scores to test the influence of the absence of a characteristic represented by a causal condition. This can be done by subtracting the original score from one. For example, a country that has a membership score of 0.8 on the causal condition 'full democracy' would have a membership score of 0.2 on the causal condition 'not full democracy'.[127] Note that from this point forward, the standard data readings for all the causal conditions are written in capital letters (i.e. REFORMS, LEADERSHIP, FRAGILE, AUTOCRACY, DEMOCRACY, BUSINESS) while the negated versions is written in lower case letters (reforms, leadership, fragile, autocracy, democracy, business).

Table 5.5: Necessary conditions for the outcome REFORMS

Causal condition	Consistency	Coverage
LEADERSHIP	0.747	0.787
BUSINESS	0.742	0.807
Autocracy	0.731	0.715
Fragile	0.726	0.802
FRAGILE	0.689	0.705
DEMOCRACY	0.688	0.819
Business	0.676	0.702
Leadership	0.642	0.688
Democracy	0.602	0.578
AUTOCRACY	0.491	0.572

Source: Own calculations based on data in Table 5.4.

The consistency scores for the lower-case versions of the causal conditions in Table 5.5 indicate that none of the causal conditions were necessary in negated formats either. These results suggest that causal complexity may well have been present – i.e. that combinations of the causal conditions may have influenced the outcome. Another valuable finding is that leadership (0.747) had the highest consistency score. This suggests that effective transactional leadership was associated more strongly

[127] Negation effectively switches a score from a range of 0 to 1 to a range of 1 to 0. Researchers should negate set membership scores when they have reason to believe that membership of a specific set would detract from the outcome or, to put is differently, when non-membership of a set would contribute to the outcome.

with reform outcomes than the other causal conditions were. This is consistent with the discussions of the role of leadership in institutional change in Sections 2.4 and 5.2.2. Nonetheless, the consistency score of less than 0.8 shows that effective transactional leadership per se cannot explain reform performance. This is not problematic, however, because this study has consistently emphasised the importance of considering combinations of factors associated with institutional change. In sum, the relatively low consistency scores are neither surprising against the backdrop of earlier theoretical discussions, nor problematic in view of the possibility of causal complexity.

Using the consistency threshold of 0.8, the subset analysis reported on in Table 5.6 identified strong set-theoretic relationships between the outcome and several combinations of the causal conditions. The coverage scores indicate that 25 of the 31 subset configurations accounted for at least a quarter of instances of the outcome. This and other information generated by the sufficiency analysis can be used to evaluate the four hypotheses in Section 5.2. This is done by determining the extent to which configurations of the causal conditions were sufficient conditions for extensive pro-business reforms in the period from 2002 to 2013.

Table 5.6: Sufficiency analysis for the outcome REFORMS

Terms	Consistency	Coverage
LEADERSHIP*FRAGILE*AUTOCRACY*DEMOCRACY*BUSINESS	1.000	0.195
LEADERSHIP*AUTOCRACY*DEMOCRACY*BUSINESS	1.000	0.196
LEADERSHIP*FRAGILE*AUTOCRACY*DEMOCRACY	1.000	0.217
LEADERSHIP*AUTOCRACY*DEMOCRACY	1.000	0.217
AUTOCRACY*DEMOCRACY*BUSINESS	0.995	0.216
FRAGILE*AUTOCRACY*DEMOCRACY*BUSINESS	0.995	0.215
AUTOCRACY*DEMOCRACY	0.990	0.259
FRAGILE*AUTOCRACY*DEMOCRACY	0.990	0.258
LEADERSHIP*FRAGILE*DEMOCRACY*BUSINESS	0.977	0.347
FRAGILE*DEMOCRACY*BUSINESS	0.977	0.383
LEADERSHIP*FRAGILE*DEMOCRACY	0.971	0.380
FRAGILE*DEMOCRACY	0.969	0.480
LEADERSHIP*FRAGILE*AUTOCRACY*BUSINESS	0.950	0.326
LEADERSHIP*FRAGILE*BUSINESS	0.950	0.478
LEADERSHIP*AUTOCRACY*BUSINESS	0.941	0.351
FRAGILE*BUSINESS	0.904	0.534
LEADERSHIP*FRAGILE*AUTOCRACY	0.890	0.376
LEADERSHIP*FRAGILE	0.889	0.540
FRAGILE*AUTOCRACY*BUSINESS	0.882	0.366
AUTOCRACY*BUSINESS	0.877	0.391
LEADERSHIP*AUTOCRACY	0.876	0.404
LEADERSHIP*DEMOCRACY*BUSINESS	0.868	0.511
LEADERSHIP*BUSINESS	0.856	0.666
DEMOCRACY*BUSINESS	0.848	0.566
LEADERSHIP*DEMOCRACY	0.846	0.554
DEMOCRACY	0.819	0.688
BUSINESS	0.807	0.742
LEADERSHIP	0.787	0.747
FRAGILE	0.705	0.689
FRAGILE*AUTOCRACY	0.690	0.454
AUTOCRACY	0.572	0.491

Source: Own calculations based on data in Table 5.4.

The consistency scores of the five causal conditions associated with the four hypotheses either barely exceeded the 0.8 consistency threshold (democracy and business) or, more often, failed to reach it (leadership, fragile and autocracy). In fact, the individual causal conditions filled five of the bottom six places in Table 5.6 because of their relatively low consistency scores. Crucially, this included the causal condition ‘effective transactional leadership’: countries with such leadership did not necessarily have extensive pro-business reforms as well. The most significant deduction to be made from the low consistency scores is that the individual causal conditions are neither necessary nor sufficient to explain the outcome. This suggests that combinations of these factors should be investigated. These findings underscored the value of fsQCA, which works with combinations of causal conditions, for analysing the data collected and propositions formulated in this chapter.

Hypothesis 1 states that strong leadership is required to implement institutional change. Section 5.2.2 clarified this assertion by introducing and defining the concept of transactional leadership. The consistency score of the causal condition ‘effective transactional leadership’ (0.787) fell short of the threshold of 0.800. Nonetheless, the consistency scores of all the combinations that included effective transactional leadership exceeded 0.8. For example, the consistency score of the combination of effective transactional leadership and the fragile state (0.889) was markedly higher than those of the individual causal conditions (0.787 and 0.705, respectively). Hence, the findings are consistent with the emphasis on the role of leadership in institutional change in the critical transitions framework and in Section 5.2.2. Furthermore, the results in Table 5.6 confirmed the explanatory power of combinations of causal conditions.

The above paragraph underscores two key themes of this dissertation, namely that transactional leadership is an important factor in institutional change, and that its influence is strengthened by combining it with other causal conditions. Hypothesis 1 received qualified support from the presence of effective transactional leadership in configurations of causal conditions with consistency scores ranging from 0.800 to1.000. In fact, four of these combinations had consistency scores of 1.000. Such scores imply perfect consistency, i.e. combinations that were present whenever the outcome occurred. The realities that all four of these combinations included effective transactional leadership and that none of the other causal conditions was present in all four combinations, again underscored the salience of leadership in institutional change in SSA.

The impact of combinations of factors that include effective transactional leadership is an important aspect of institutional change in SSA countries that requires further study. Effective transactional leadership was absent in most polities in post-colonial Africa. Many post-independence governments on the continent repeated the abuses of their predecessors, and in this way continued to undermine the weak incentives that colonial economic institutions provided for investment and economic development. In turn, extractive economic institutions supported extractive political institutions (Acemoglu and Robinson 2013: 112-113, 343). These extractive political institutions fostered leadership styles that were the antitheses of De Groot et al.'s (2009: 5-6) effective transactional leadership. More specifically, extractive political institutions did not support dialogue and mutual exchange of ideas and opinions, could not achieve policy coordination goals because they failed to coordinate the actions of stakeholders, and were not cooperation-oriented or focused on conflict avoidance.

The ineffective transactional leadership legacy of these extractive post-independence governments remain in many countries in Africa. The transactional leadership scores calculated for this dissertation points to ineffective transactional leadership in some of the region’s most fragile states, including Chad, the DRC and Zimbabwe. These countries also had the weakest initial business environments in 2002. In contrast, several SSA countries have developed high-quality institutions, including Botswana, Ghana, Mauritius and South Africa. Botswana, for example, quickly developed inclusive institutions after independence, and retained these traits even after the potentially destabilising effects of the discovery of diamonds. This was partly a product of positive political institutions before colonisation surviving relatively unscathed, as well as the effective transactional leadership of top officials in the Botswana Democratic Party (BDP) who led the country to independence (Acemoglu and Robinson 2013: 409-413).

Table 5.7 reflects the additive explanatory value of including effective transactional leadership in this analysis. The consistency scores of combinations of effective transactional leadership and other causal conditions are higher than those of the individual conditions. For example, a substantial increase occurs when full autocracy is combined with effective transactional leadership. This reflects the ability of an autocratic government with effective transactional leadership to make positive institutional changes, as stated in Hypothesis 1. The result is consistent with the discussion in Section 5.2.5 and, specifically, with the arguments of Huggins (2013) and Frantz (2016), who claimed that autocracies could implement policies that were generally associated with democracies, including pro-business institutional reforms. The coverage score for the combination of effective transactional leadership and full autocracy suggests that this relationship can explain around 40% of the instances of extensive pro-business reforms.[128] To be sure, one reason for the high coverage score is that the SSA region still has many autocratic governments. Of course, this does not detract from the value of democratic governments for positive institutional change, as discussed below.

Table 5.7: Subset analysis – the additive value of leadership

Terms	Consistency	Coverage
LEADERSHIP*FRAGILE	0.889	0.540
LEADERSHIP*AUTOCRACY	0.876	0.404
LEADERSHIP*BUSINESS	0.856	0.666
LEADERSHIP*DEMOCRACY	0.846	0.554
DEMOCRACY	0.819	0.688
BUSINESS	0.807	0.742
FRAGILE	0.705	0.689
AUTOCRACY	0.572	0.491

Source: Selected content from Table 5.6

Hypothesis 2 states that economic and political trends that threaten the longevity of the dominant network would cause institutional changes to improve economic outcomes. Represented here by state fragility, this factor in isolation also fell short of the consistency threshold of 0.80. This could indicate that state fragility was either incorrectly measured or was an inappropriate proxy for deviated economic and political outcomes (see Section 6.3.1). Alternatively, and more likely, it could indicate that state fragility did not stimulate extensive pro-business reforms in the absence of other factors, but was influential in combination with some of them. For example, the consistency score for full democracy of 0.819 increased significantly to 0.969 when this causal condition was combined with state fragility. Similarly, the consistency score of 0.846 of the combination of full democracy and effective transactional leadership increased to 0.974 when state fragility was added to the configuration. Combining state fragility with full autocracy also yielded a higher consistency score.

[128] Buchanan and Tullock (1999: 77-78) found that dictatorship is "the most efficient rule for collective decision-making" when transaction costs are positive, provided that the "single decision-maker" behaves benevolently enough to minimise external costs imposed to private individuals by collective action.

Furthermore, the consistency score of 0.868 for the combination of effective transactional leadership, full democracy and a strong initial business environment increased to a very high 0.977 when state fragility was added to the configuration. The logical deduction from this is that state fragility added impetus to the dominant network's motivation for extensive pro-business reforms. Evidently, the alternative interpretation that a state needed to be made fragile to achieve institutional change did not make sense. As a result, Hypothesis 2 received qualified support from the fact that state fragility made a substantial contribution to the consistency scores of several configurations.

Hypothesis 3 states that an autocratic polity could implement institutional reforms aimed at improving the business environment for the private sector. 'Full autocracy' has the lowest consistency score of all the causal conditions in Table 5.5 and fell far below the threshold of 0.800. This causal condition appeared insignificant in isolation but did appear in some significant combinations with other factors. For example, the consistency score of 0.807 for a strong initial business environment improved to 0.877 when this causal condition was combined with full autocracy. Similarly, the combination of effective transactional leadership and a strong initial business environment had a consistency score of 0.856 which increased to 0.941 when full autocracy was added to the combination. In view of the contribution that full autocracy made to the consistency scores of several combinations of causal conditions, it could be argued that Hypothesis 3 also received qualified support.

It is notable that the consistency scores of the combinations of full autocracy and effective transactional leadership and of full democracy and effective transactional leadership were quite similar. The orthodox, liberal democracy view associates full democracy and effective transactional leadership with positive economic outcomes. As discussed in Section 5.2.5, the argument is that democratic polities are more likely to be held to account by the electorate, which forces leaders to make good decisions that support citizens and organisations in economic development. Hence, this perspective emphasises the potential influence of democratic institutions on pro-business institutional reform, while downplaying the quality of leadership in autocracies. However, as discussed in Section 5.2.5, autocracies frequently implement the same economic institutions that academics have historically viewed as hallmarks of democratic dispensations. This, however, requires effective transactional leadership. It follows that autocracies and democracies can implement pro-business institutional reforms when aspects such as effective transactional leadership are present.

Hypothesis 4 states that an institutional environment already supportive of private enterprise offers the foundation for the implementation of more reforms to improve business environments. The consistency score for the causal condition for a strong initial business environment (0.807) exceeded the threshold of 0.800, while the coverage score (0.742) was relatively high. Furthermore, strong initial business environments apparently also strengthened the significance of various causal combinations. The consistency score of 0.875 for a combination of effective transactional leadership and full autocracy, for example, increased to 0.941 when the influence of strong initial business environments were also taken into account. This finding was consistent with the hypothesis discussed in the preceding paragraph: autocratic regimes can implement positive economic institutions to foster benign business environments. Hence, the causal condition of a strong initial business environment also received qualified support for inclusion in this analysis.

On balance, the results in Table 5.7 suggested that the hypotheses are worthy of further consideration and that the stated premises are not undermined by contradictions. Hence, the results provided support for the theoretical ideas that informed the hypotheses and indicated that appropriate data sources were selected to quantify the outcome and causal conditions.[129] The importance of effective transactional leadership for institutional change to improve business environments is apparent in this sample of SSA countries: the addition of effective transactional leadership significantly increases the consistency ratios of several combinations of causal conditions, which implies that such leadership strongly influenced institutional change. In addition, effective transactional leadership appeared in six of the 10 combinations with the highest coverage scores. This also suggested that effective transactional leadership was a significant factor in pro-business institutional reforms in SSA countries.

The results about Hypotheses 1, 3 and 4 found resonance with the ideas about recent institutional change in Rwanda developed in Chapters 1 and 3. As highlighted in Section 5.2, the country's scores on autocracy, transactional leadership and the initial business environment were high in the SSA context. The preceding paragraph suggested that the influence of effective transactional leadership on reform success may well have been as crucial as Friedman (2012: 256) and Nsanzabaganwa (2012: 134) had suggested (see Section 1.1). The analysis conducted in this section not only yielded initial findings on the four hypotheses about institutional change in SSA countries but also provided support for the earlier narrative about recent institutional change in Rwanda. The next step in the identification of solution pathways for Rwanda and for SSA countries more generally is to construct a truth table.

5.4 Pathways to institutional change in SSA countries

The truth table is one of the key analytic elements of QCA as it examines cases sharing specific causal combinations to determine if they share a common outcome (Ragin 2008: 24-25). The truth table analysis simplifies the results from the subset analysis of sufficiency and generates pathway solutions that are possible explanations for institutional change. To this end, Table 5.8 contains 13 rows that each represent a combination of the causal conditions found in the data set. The five causal conditions define a five-dimensional vector space with 32 corners that each represents a logically possible configuration of the causal conditions. Although five causal conditions imply 32 (2^5) possible combinations, only 13 of these are present in the data set.[130] A score of 1 indicates membership while a score of 0 indicates non-membership in the sets associated with the causal conditions. The number of cases relevant to every row – each with a fuzzy membership score larger than 0.5 for that combination of causal conditions – is also listed.

The truth table indicates that three of the rows (representing 11 cases) reflect the orthodox view that associates extensive pro-business reforms with a democratic government and the absence of features of autocracies. Another six rows (representing 14 cases) reflect autocratic governments and the absence of democratic features. The latter is explored further in Section 7.4.4. Transactional leadership is present in six rows that represent 15 cases. In three of these rows, which represent 5 cases, effective transactional leadership combined with full autocracy to reach the outcome. One row, which represents eight cases, contains combinations of effective transactional leadership and full democracy. These results underscore the complexity of the connections between political systems

[129] To avoid a double error in quantification, whereby incorrect theoretical considerations are exacerbated by inappropriate data, Sections 6.2-6.4 and 7.3-7.4 review the data for Rwanda and Burundi, respectively. These reviews evaluate the appropriateness of the data for measuring the outcome and causal conditions.

[130] The objective of comparative research is to investigate truth claims across subsets of all possible worlds (Kogut 2011: 139). The 13 rows are the truth claims (realities) amongst the 32 possible worlds.

and pro-business institutional change. This is in line with Smith and Todaro's (2015) discussion of the ambiguity of empirical results on the impact of political systems on economic progress.

Table 5.8: Truth table

Row	LEADERSHIP	FRAGILE	AUTOCRACY	DEMOCRACY	BUSINESS	No. of cases	Consistency ratio
1	1	1	1	1	0	1	1.000
2	0	1	0	1	0	1	0.992
3	0	1	1	1	0	1	0.989
4	1	0	1	0	1	2	0.978
5	0	1	0	0	0	1	0.963
6	1	1	0	0	0	1	0.962
7	0	0	0	1	1	2	0.954
8	1	1	1	0	1	2	0.950
9	1	0	1	0	0	1	0.925
10	0	1	1	0	1	2	0.887
11	0	0	1	0	0	2	0.870
12	1	0	0	1	1	8	0.868
13	0	1	1	0	0	5	0.694

Source: Own calculations based on data in Table 5.4

The consistency ratios in Table 5.8 identified the degrees to which the various configurations of conditions were consistent subsets of the outcome. Row 13 was dropped from the remainder of this analysis as it was the only row that did not satisfy the consistency threshold of 0.8. None of the remaining 12 combinations, not even the rows that accounted for only one case, could be excluded from the remainder of this analysis. The economic and political experiences of countries in the SSA region were simply too diverse to have excluded a solution pathway because it was a possible explanation for only one case. After the researcher had identified the truth table configurations that were included in the remainder of the analysis, the software generated the pathway solutions. These solutions were obtained by using the Quine-McCluskey algorithm to simplify the Boolean functions depicted in Table 5.8.[131]

The resulting software output has two sets of solution pathways and the option of specifying a third set of pathways, with the different sets based on remainder combinations (Davey and Ragin 2008: 81). The remainders, which are also known as counterfactuals, are all the possible combinations that do not manifest in the dataset. Firstly, the complex solution does not use any remainders. The software simplifies only the combinations in rows 1 to 12 in Table 5.8. Secondly, the parsimonious solution includes all logical remainders (that is, all 32 possible configurations of the causal conditions) without any evaluation of their plausibility. Thirdly, the intermediate solution includes all remainders that the researcher identified as plausible. This solution relies on assumptions by the researcher about the nature of the relationship between the outcome variables and some or all of the causal conditions

[131] To derive solution pathways from the truth table, the fsQCA software uses the Quine-McCluskey algorithm to minimise the Boolean functions. This process is also known as the method of prime implicants and is functionally identical to Karnaugh mapping. If two Boolean expression differ in only one causal condition while at the same time producing the same outcome, the causal condition that distinguishes the two expressions from each other is removed in the minimisation process. The omission of the irrelevant causal condition creates a simpler combined expression (Ragin 1987: 93).

(Berg-Schlosser, DeMeur, Ragin and Rihoux 2009: 111). This dissertation does not consider any counterfactual cases, and reports only the complex solution.[132]

Table 5.9 reports these solutions, with the seven pathways arranged in descending order based on their consistency scores. The consistency score of the full complex solution exceeds the threshold of 0.8, and its coverage score of 0.827 suggests that the results provide plausible explanations for more than four-fifths of the cases – an excellent outcome. Individually, the seven pathway solutions also satisfy the consistency requirement. Furthermore, the coverage scores of all the pathways are non-trivial. The complex solution confirms the complexity and causal heterogeneity of factors influencing extensive pro-business reforms in SSA countries.

Table 5.9: Solutions of the truth table analysis

Model: Reforms = f [Leadership, Fragile, Business, Autocracy, Democracy]		
	Consistency	Coverage
Complex solution	*0.801*	*0.827*
*FRAGILE*AUTOCRACY*DEMOCRACY*business*	0.990	0.259
*FRAGILE*autocracy*democracy*business*	0.943	0.388
*LEADERSHIP*AUTOCRACY*democracy*BUSINESS*	0.941	0.351
*LEADERSHIP*fragile*AUTOCRACY*democracy*	0.917	0.334
*FRAGILE*AUTOCRACY*democracy*BUSINESS*	0.880	0.358
*fragile*AUTOCRACY*democracy*business*	0.865	0.344
*fragile*autocracy*DEMOCRACY*BUSINESS*	0.850	0.524

Source: Own calculations undertaken using the fsQCA software package.

The pathway solution with the highest consistency score (0.990) is *FRAGILE*AUTOCRACY*DEMOCRACY*business*. It is immediately apparent that this pathway solution includes full autocracy as well as full democracy. As indicated in Section 5.2.5, countries can have high set membership scores for both types of political regimes. Liberia and Niger, for example, have set membership scores on ‘full democracy’ and ‘full autocracy’ that both exceed the medians for these causal conditions, while Nigeria and the DRC have below-median set membership scores for both. This could indicate mixed political regimes or political systems in transition between the two types of systems. The existence of such mixed cases may be one of the reasons for the diverse empirical results on the impact of political systems on economic development. Smith and Todaro (2015: 569) found that a third of the empirical studies found no clear effect of democracy on development.[133] However, the low coverage of the pathway indicates that it explained the outcomes of few SSA countries.

The pathway solution with the highest coverage score (0.524) is *fragile*autocracy*DEMOCRACY*BUSINESS*. At first glance, this combination seems intuitive. It represents countries with strongly democratic political systems, few characteristics of autocracy, strong initial business environments, and no threats to the polity from state fragility. As indicated in Section 5.2, democracy is often strongly associated with liberal economic policies, a small state and a dominant role for the private sector. Some of the SSA countries with the most benign business

[132] Counterfactual analysis is often at the centre of case-oriented enquiry because such research will generally focus on a handful of cases. When only a few real-world cases exist, it may be beneficial to researchers to include hypothetical cases in their analyses (Ragin 2008: 150). However, the sample of cases in this dissertation is substantial enough to make it unnecessary to use remainders.

[133] It may be the case that observed variations in democracy used in empirical research ignore features of autocracies also prevalent in their political systems. If so, this would undermine the quality of empirical results.

environments have this configuration of causal conditions, including Mauritius, South Africa, Botswana and Namibia. This pathway also confirms David's (1985) notion of path dependence in the context of business environment reform: a strong initial business environment is conducive to further structural reform. It is this model of institutional change that donors, policymakers and the general public in the West have advocated for the development of SSA countries.

Although the highest-coverage pathway solution possibly confirms the notion of path dependence in business environment reform, the overall results are ambiguous. Three pathways contain a strong initial business environment, while three others contain a weak initial business environment. Benin and Mauritius, for example, had strong initial business environments and continued to make extensive pro-business reforms in the study period. Sierra Leone and Liberia also made many pro-business institutional changes, but had weak initial business environments to start with. These results distance some SSA countries from the path-dependence perspective and link their experiences with changes in institutions as proposed by Alston et al. (2016): some countries with weak initial business environments, which may have been symptoms of deviated economic and political outcomes, possibly experienced critical transitions in their institutional setups that resulted in pro-business reforms.

Effective transactional leadership is present in two of the seven pathways (unsurprisingly, ineffective transactional leadership does not feature at all). Both include full autocracy and non-democratic features and have relatively high consistency scores. This is consistent with the claim in Section 5.2.5 that an autocratic government with effective transactional leadership could implement institutions that favour the private sector. Rwanda and Uganda are two of the countries whose reform experiences may be explained by a pathway consisting of strong transactional leadership, high levels of autocracy and few democratic features. The solution *LEADERSHIP*AUTOCRACY*democracy*BUSINESS* adds a strong initial business environment to these three factors. This .pathway indicates that some autocracies with few features of democracy but with effective transactional leadership have had success in implementing extensive pro-business reforms, before as well as after the commencement of the Doing Business project. The other solution that incorporates effective transactional leadership (*LEADERSHIP*fragile*AUTOCRACY*democracy*) includes a stable state. In this case, fully-fledged autocracies with few characteristics of democratic regimes required effective transactional leadership to implement extensive pro-business reforms.

A highly autocratic regime is associated with extensive pro-business reforms in five of the pathway solutions:

- *FRAGILE*AUTOCRACY*DEMOCRACY*business*
- *LEADERSHIP*AUTOCRACY*democracy*BUSINESS*
- *LEADERSHIP*fragile*AUTOCRACY*democracy*
- *FRAGILE*AUTOCRACY*democracy*BUSINESS*
- *fragile*AUTOCRACY*democracy*business*

While this should not be surprising given that the majority of African countries are still autocratic, the individual pathways usefully identify causal conditions associated with structural reform. Put differently; the solution pathways associate autocracy not only with reforms but with extensive pro-business reforms. This is in line with the claim in earlier sections of this chapter that an autocratic polity can implement pro-business institutional reform for various reasons. Frantz (2016) pointed out that positive economic institutions are not limited to democracies. Cilliers (2016: 3) argued that autocracy could be useful for economic development off a low base, i.e. in poorer economies with lower levels of education. This is supported by the presence of full democracy in only two pathway solutions; including the ambiguous solution with the highest consistency score, namely *FRAGILE*AUTOCRACY*DEMOCRACY*business*. The presence of both democratic and autocratic features could signify that different processes may be needed to initiate and sustain extensive pro-business reforms.

The other pathway with full democracy is *fragile*autocracy*DEMOCRACY*BUSINESS*. This pathway, too, lacks effective transactional leadership. In this case, a reform process may already be underway and may have resulted in a strong initial business environment. Moreover, the absence of state fragility allows the democratic regime to sustain these reforms without the need for effective transactional leadership. In practice, this combination of factors is not unheard of. Countries like Lesotho, Kenya and Burundi have high set membership scores for 'full democracy' but also have low scores for 'effective transactional leadership'. While consistent with the neoliberal view of democracy-supporting economic development via a supportive environment for private enterprise, the viability of a system of governance that implements institutional changes without the capacity to form and implement policy (the essence of effective transactional leadership) seems questionable. An alternative explanation for the existence of this pathway may be that leadership and democracy are poorly measured. This possibility is explored further in Chapters 6 and 7.

While Hypotheses 1 to 4 are also explored in more detail in Chapters 6 and 7, it is worthwhile to indicate here that the pathway solutions are broadly consistent with several hypotheses. The combinations in Table 5.9 indicate that (i) effective transactional leadership plays a role in most episodes of institutional change; (ii) state fragility does not necessarily lead to reforms to improve business environments; (iii) autocracies can definitely implement institutional reforms aimed at improving the business environment for the private sector; and (iv) a strong initial business environment can, but does not necessarily, stimulate future pro-business institutional reform. The seven pathway solutions validate the two hypotheses regarding effective transactional leadership and the ability of autocracies to implement pro-business reforms. The other two hypotheses, which have to do with the initial business environment and state fragility, receive only qualified support.

These findings do not invalidate the theoretical ideas that served as the bases of the partially supported hypotheses. They do suggest, however, that further analysis of the theory may be required to refine the hypotheses in future research. All the findings in this section are for the entire sample of SSA countries. This suggests that it may be necessary to review Alston et al.'s (2016) critical transitions framework to determine whether other vital factors that influence institutional change have been omitted. This is not to say that the critical transitions framework has evident shortcomings, but that additional factors may be of importance in the SSA context. As was the case with the findings summarised in Section 3.7, this again reflects Alston et al.'s (2016: 208) view that applications of their model will yield more general lessons about the dynamic interplay of beliefs, power, leadership, institutions, and policies.

It is now possible to link specific countries to specific solution pathways. A pathway's explanatory power for a particular country is higher the closer that country's fuzzy membership score for the pathway is to the 45-degree lines in the graphs in Figure 5.2. Such lines through the origin identify perfect correspondence between countries' membership scores on particular solution pathways and their membership scores on extensive pro-business reforms. A case's fuzzy membership score for a pathway given by its lowest calibrated score for any of the causal conditions included in that pathway. Equality between its outcome score and its pathway score would place a case on the 45-degree line. In principle, the pathway then provides an excellent explanation for that case (Siebrits 2014: 76-77).

A perfect fit is uncommon and is achieved only four times (1.6% of instances) in this analysis. Hence, the problem facing the analyst when associating cases with pathway solutions is as follows: how far from the 45-degree lines do the explanatory power of the pathway solutions stretch? The fsQCA literature does not provide standard criteria for answering this question, and researchers have to apply their discretion (Duerr, Epstein, Kenworthy and Ragin 2008: 81-82). For the purposes of this dissertation, points on and within the parallel lines that lie 0.2 units above and below the 45 degree lines through the origins of the graphs are deemed indicative of strong associations.

Based on this, around one in three of the cases in each graph may be explained by the associated pathway solution. As indicated by the seven diagrammes in Figure 5.2, the first pathway solution *FRAGILE*AUTOCRACY*DEMOCRACY*business* provides possible explanations for the outcome scores of eight countries: the CAR, Chad, Eritrea (a perfect fit), Ethiopia, Guinea, Namibia, Niger and Zimbabwe. Of all the pathways, this one provides a possible explanation for the reform experiences of the smallest number of countries. Nonetheless, its consistency score is the highest amongst the seven pathways and none of the others offers possible explanations for Niger.

The second pathway solution *FRAGILE*autocracy*democracy*business* has a higher coverage score and provides possible explanations for the outcome scores of 10 countries: the CAR, Chad, DRC, Eritrea, Ethiopia, Guinea, Malawi, Mauritania, Namibia and Zimbabwe. Uganda is excluded from this list as it falls marginally outside the parallel lines. This is the only pathway solution that could explain the reform experience of the DRC. The solution emphasises the role that state fragility can play as a spur for extensive pro-business reforms.

The third pathway solution *LEADERSHIP*AUTOCRACY*democracy*BUSINESS* is the first to include leadership as a causal condition and provides explanations for the outcome scores of 12 countries: Cameroon, CAR, Chad, Eritrea (a perfect fit, as in the first pathway solution), Ethiopia, Guinea, Mauritania, Namibia, Rwanda, Tanzania, Uganda and Zimbabwe. Importantly for the further analysis in Chapter 6, this is the only pathway that could explain Rwanda’s outcome. It provides possible explanations for calibrated outcome scores ranging from Eritrea’s 0.05 to Rwanda’s 0.99.

The fourth pathway solution *LEADERSHIP*fragile*AUTOCRACY*democracy* provides possible explanations for the outcome scores of 12 countries: Angola, Cameroon, CAR, Chad, Ethiopia, Guinea, Mauritania, Namibia, Tanzania, Togo, Uganda and Zimbabwe. While this solution has a high consistency score and a higher coverage score than those of the first, second and third solutions, the countries it could explain all have outcome scores below the point of maximum ambiguity (0.5). Nonetheless, the third and fourth pathway solutions link the impact of transactional leadership to the reform outcomes of 14 countries: Angola, Cameroon, CAR, Chad, Eritrea, Ethiopia, Guinea, Mauritania, Namibia, Rwanda, Tanzania, Togo, Uganda and Zimbabwe.

The fifth pathway solution *FRAGILE*AUTOCRACY*democracy*BUSINESS* provides explanations for the outcome scores of 10 countries: Cameroon, CAR, Chad, Eritrea (a perfect fit), Guinea, Mauritania, Namibia, Tanzania, Uganda and Zimbabwe. Hence, the first, third and fifth pathway solutions provide potentially powerful explanations for Eritrea's reform experience: the country's weak initial business environment made its fuzzy membership score for the pathway solution (0.05) identical to its fuzzy membership score on the outcome (0.05). However, this has little value for explaining the outcome score of Eritrea, which was the lowest of all the SSA countries in the sample. As was the case with the fourth pathway, the fifth solution generally have more explanatory power for countries with low outcome scores.

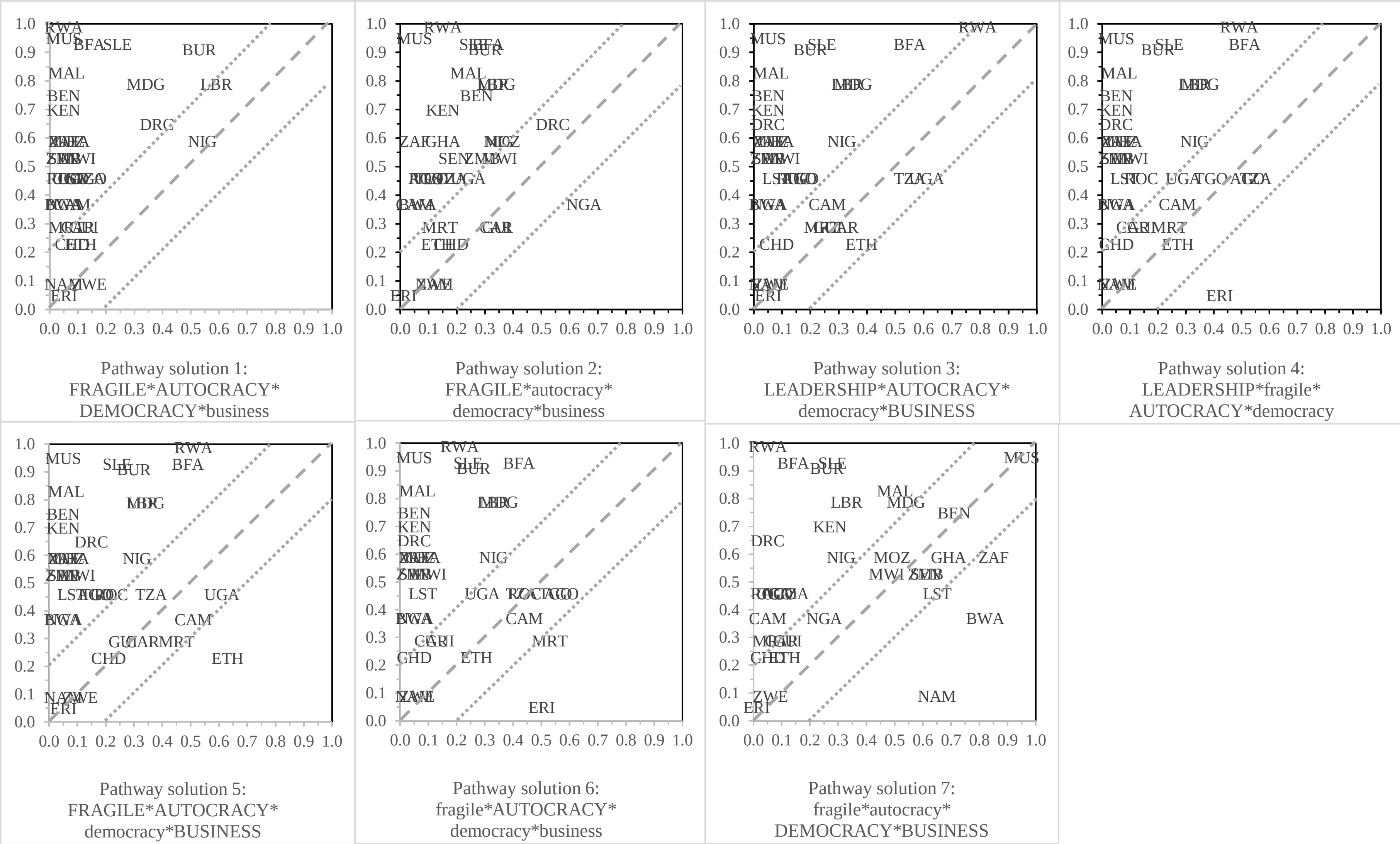
The sixth pathway solution *fragile*AUTOCRACY*democracy*business* provides possible explanations for the outcome scores of 12 countries: Angola, Cameroon, CAR, Chad, Ethiopia, Guinea, Namibia, the Republic of the Congo, Tanzania, Togo, Uganda and Zimbabwe. This is the only pathway solution that could explaining the reform experience of the Republic of the Congo. This solution, like the fourth and fifth ones, only offer possible explanations for countries with low outcome scores.

The seventh pathway solution *fragile*autocracy*DEMOCRACY*BUSINESS* provides possible explanations for the outcome scores of 15 countries: Benin, CAR, Chad, Eritrea, Ethiopia, Ghana, Guinea, Lesotho, Malawi, Mauritius (a perfect fit), Mozambique, Nigeria, Senegal, Zambia and Zimbabwe. This solution explains the largest number of countries and its coverage score is the highest of the seven pathways. The explanatory power of this pathway extends to several countries that cannot be explained by any of the others, namely Benin, Ghana, Lesotho, Mauritius, Mozambique, Nigeria, Senegal and Zambia.

In sum, the seven pathway solutions provide one or more possible explanations for the reform experiences of 26 of the 35 SSA countries. Despite the substantial number of pathways, however, only one possible explanation emerged for the following 12 countries: Benin, the DRC, Ghana, Lesotho, Mauritius, Mozambique, Niger, Nigeria, the Republic of the Congo, Rwanda, Senegal and Zambia. The nine countries whose reform experiences cannot be explained by any the pathways generated from the truth table are Botswana, Burkina Faso, Burundi, Kenya, Liberia, Madagascar, Mali, Sierra Leone and South Africa. This once again underscores the complexity of institutional change in SSA countries.

Returning to the main focus country of this dissertation, only the third pathway solution (*LEADERSHIP*AUTOCRACY*democracy*BUSINESS*) provides a possible explanation for the reform experience of Rwanda. This is a good result: it is advisable to focus analytical work on less ambiguous results, i.e. countries that cannot be associated with too many pathways. Despite the importance of equifinality, the value of further analysis may have been undermined if countries with multiple pathway solutions were studied. As indicated in Section 1.1, many commentators regard the strong leadership characteristics of Kagame as the basis of Rwanda’s economic and political turnaround since the genocide in 1994. His steering capability enabled him to reform the country’s operating environment even before the start of the Doing Business project. This drive has made the country a top performer with regards to Doing Business reforms to establish or strengthen institutions conducive to private sector growth. Chapter 6 will discuss these reforms in more detail.

Figure 5.2: Explanatory power of complex solution pathways



Pathway solution 1: FRAGILE*AUTOCRACY*DEMOCRACY*business

Pathway solution 2: FRAGILE*autocracy*democracy*business

Pathway solution 3: LEADERSHIP*AUTOCRACY*democracy*BUSINESS

Pathway solution 4: LEADERSHIP*fragile*AUTOCRACY*democracy

Pathway solution 5: FRAGILE*AUTOCRACY*democracy*BUSINESS

Pathway solution 6: fragile*AUTOCRACY*democracy*business

Pathway solution 7: fragile*autocracy*DEMOCRACY*BUSINESS

Source: Own calculations undertaken using the fsQCA software package

5.5 Conclusions

Following the motivation in Chapter 4 for using Doing Business data and the fsQCA method to explore recent institutional change, this chapter implemented these tools to explain institutional changes to improve business environments in SSA countries. The analysis was based on a set of four hypotheses grounded in theoretical and empirical considerations about institutional change. These were:

- Hypothesis 1: strong leadership is required to implement institutional changes such as pro-business reforms.
- Hypothesis 2: economic and political trends that threaten the longevity of the dominant network will cause institutional changes to improve economic outcomes.
- Hypothesis 3: institutional reforms to improve the business environment for the private sector are possible under democratic and autocratic political dispensations.
- Hypothesis 4: a business environment that is already supportive of private enterprise offers the foundation for implementing further pro-business institutional reform.

Data to test these four hypotheses were collected from the BTI, FFP, Polity IV and IIAG and used to construct measures of causal conditions that may have been associated with the outcome, pro-business institutional reform. These causal conditions were transactional leadership, state fragility, autocracy and democracy, and the nature of the business environment before the commencement of the Doing Business project. The data for transactional leadership were based on the ability of a polity to coordinate the planning, implementation and monitoring of policy, and were weighted with difficulty factors based on the extent to which structural factors complicated policymaking in the various countries. The fsQCA software made it possible to transforming the raw data into usable set membership scores. Analysis of this data indicated that none of the individual causal conditions was necessary or sufficient to guarantee the outcome. This result underscored the importance of considering the effects of combinations of causal conditions. Subset analysis confirmed the additive value of these elements, in particular, transactional leadership. In addition, interpretation of the results from the subset/superset analysis also yielded qualified support for the four hypotheses.

In the next step of the fsQCA, a truth table established that the data exhibit 13 of the theoretically possible 32 combinations of the causal conditions. The fsQCA software simplified the truth table to produce a complex solution consisting of seven pathways to structural, institutional reform. The consistency scores of all the results indicated significant set-theoretic relationships. Effective transactional leadership was present in two of the pathways alongside full autocracy and non-democracy. Full autocracy appeared in five of the seven pathways. On this score, the findings were consistent with the argument that autocratic governments, which remain more prevalent than democratic ones in Africa, sometimes incorporate input from the private sector into policymaking processes (see Sections 5.2 and 5.4). The influence of the strength of the initial business environment on pro-business reforms during 2002-2013 varied.

The fsQCA results underscored the diversity of the institutional reform experience of SSA countries: the analysis yielded seven pathways that constituted possible explanations for the reform experiences of 26 of the 35 countries. The findings implied strong set-theoretic relationships between transactional leadership and the outcomes of 14 countries. The pathway solution that seemed most appropriate for explaining Rwanda's experience was *LEADERSHIP*AUTOCRACY*democracy*BUSINESS*. This solution identified four causal conditions associated with the extensive pro-business reform in Rwanda, namely effective transactional leadership, full autocracy, a non-democratic political order, and a strong initial business environment. The solution pathway did not contain the causal condition 'state fragility'. Chapter 6 will provide a more detailed analysis of recent institutional change in Rwanda and the influence of transactional leadership.

CHAPTER 6: THE ROLE OF LEADERSHIP IN PRO-BUSINESS INSTITUTIONAL CHANGE IN RWANDA (2002-2013)

6.1 Introduction

Chapter 1 highlighted the dramatic change in Rwanda's economic and political outcomes after the 1994 genocide. Several scholars have attributed this to the strong leadership shown by President Paul Kagame. A key aim of this dissertation is to explain the role of leadership in institutional change in Rwanda. To this end, Chapter 2 identified Alston et al.'s (2016) critical transitions framework as a tool for delineating epochs of institutional change and identifying moments of effective leadership. The application of this framework to Rwanda's history in Chapter 3 identified five distinct eras of institutional change. These included the most recent post-genocide period. The results also showed that the post-1994 period brought notably different economic and political outcomes in Rwanda, especially with regards to the role of agriculture in the economy.

The RPF's focus on private sector-led growth has been an important factor in the growth of non-agricultural GDP since 1994. The ruling party views economic development and poverty alleviation as key to dismantling the ethnic divisions in the country. Chapter 4 discussed data collected by the World Bank Doing Business project on reforms that make the business environment more business-friendly. From 2002 to 2013, Rwanda performed very well with regards to such reforms. Chapter 4 also explained why QCA is a suitable method for analysing institutional change in SSA countries. The fsQCA in Chapter 5 identified several pathways that might explain the relationship between institutional change (such as extensive pro-business reforms) and a number of causal conditions.

The set-theoretic analysis in Chapter 5 associated Rwanda's pro-business institutional reforms from 2002 to 2013 with effective transactional leadership, a governance style with few democratic features and many autocratic elements, and an already-supportive business environment at the start of the period. This suggests that the polity could implement pro-business reforms even though the country already offered an attractive business climate to the private sector in the early 2000s. Chapter 6 discusses Rwanda's reform experience in more detail. Such case studies are used by QCA researchers to verify aspects of set-theoretic analyses, including the specification of the causal conditions, the accuracy of the quantitative measures of these conditions, the degree of fit between the solution pathways and qualitative information, and the relevance of hypotheses for specific countries.

The following three sections discuss the data values assigned to Rwanda (as summarised in Table 6.1), whether qualitative information verifies or challenges the accuracy of the data, and the implications of the results for the hypotheses. The remainder of this chapter is structured as follows. Section 6.2 reviews the outcome variable with the aid of these criteria, while Section 6.3 evaluates state fragility – the causal condition excluded from the pathway solution identified for Rwanda in Chapter 5. Section 6.4 evaluates the causal conditions included in Rwanda's pathway solution, namely a strong initial business environment, full autocracy and democracy, and effective transactional leadership. The discussion focusses on the influence of transactional leadership. Section 6.5 links the included causal conditions to Rwanda's ethnic challenges. The section also discusses the problem of rebuilding trust amongst Rwandans. Nsanzabaganwa's (2012) connectedness model is used to explore the importance of trust (an informal institution) and relationships in policymaking concerned with institutional reform. Section 6.6 concludes.

Table 6.1: Rwanda outcome and causal condition data (raw and calibrated)

	Reforms	Leadership	Fragile	Autocracy	Democracy	Business
Raw data	31.000	6.166	90.450	3.333	0.000	59.220
Calibrated score	0.99	0.83	0.51	0.85	0.05	0.79

Sources: Tables 5.1 and 5.3

6.2 The outcome: extensive pro-business reforms

Table 6.2 provides a verbatim list of Rwanda's 31 pro-business reforms recorded by the Doing Business project in the years from 2005 to 2013. The country was placed in the top 10 of reformers worldwide in the 2010, 2011 and 2014 editions of the annual Doing Business report and made the most reforms of all countries since the project was launched in 2002. The World Bank (2012: 37) observed that Rwanda has made private sector development a priority, and that it is one of the 35 countries that established government structures with the primary purpose of designing and implementing business regulation reforms. Along with Cambodia, Georgia, Kenya, Liberia and Yemen, Rwanda specifically identified regulatory reforms as an important part of the country's development strategy. This placed investment and business climate reforms at the top of the economic policy agenda for promoting private sector development (World Bank 2008: 11, 16).

As the custodian of the Doing Business project, the World Bank is actively involved in many countries' business environment reforms. The multilateral organisation noted that Rwanda started a comprehensive and ambitious reform programme in 2000. The World Bank set up a Competitiveness and Enterprise Development Project (CEDP) in 2001 aimed at helping Kigali to establish a favourable business environment for private sector growth. Apart from updating the country's commercial laws, supporting the state's privatisation programme, and assisting in overhauling the financial sector, the CEDP also collaborated with the World Bank's Rwanda Investment Climate Reform Programme to set a reform agenda for the overall business environment. This led to the establishment of Rwanda's Doing Business Unit, which was tasked with spearheading the country's reform initiatives. The unit is located within the RDB (the country's investment promotion agency) and is responsible for identifying and monitoring the implementation of reform opportunities. The unit has a small, full-time team that coordinates the activities of all stakeholders in the reform process (World Bank 2012: 37-38).

Recommendations from the Doing Business Unit are sent to the Doing Business Steering Committee. The latter oversees a technical task force made up of six working groups that focus on different areas of reform. This task force crucially includes private sector representatives, which ensures that private business can to share experiences and opt into the reforms. The task force creates annual plans for regulatory reforms, which are communicated to the cabinet. The reform plans are then discussed and accepted by attendees of the annual leadership retreat. The Doing Business Unit monitors the implementation of these plans and reports back about progress to the steering committee, the prime minister (who is ultimately responsible for implementation), the RDB, and the head of the Strategy and Policy Unit (SPU) in the Office of the President (World Bank 2012: 38). A critical success factor in this process is the assignment of responsibility for Rwanda's performance under various Doing Business pillars to specific ministers. Each minister's performance is critically reviewed during the annual Government Leadership Retreat with rewards to officials where appropriate.[134] Hence, the cabinet is accustomed to having and achieving targets under the supervision of Kagame (Alpert 2012).

Table 6.2: Pro-business reforms in Rwanda (2005-2013)

Doing Business publication	Pillar	Reform
2014	Starting a Business	Rwanda made starting a business easier by reducing the time required to obtain a registration certificate.
	Dealing with Construction Permits	Rwanda made dealing with construction permits easier and less costly by reducing the building permit fees, implementing an electronic platform for building permit applications and streamlining procedures.
	Registering Property	Rwanda made transferring property easier by eliminating the requirement to obtain a tax clearance certificate and by implementing the web-based Land Administration Information System for processing land transactions.
	Getting Credit	Rwanda strengthened its secured transactions system by providing more flexibility on the types of debts and obligations that can be secured through a collateral agreement.
	Protecting Minority Investors	Rwanda strengthened investor protections through a new law allowing plaintiffs to cross-examine defendants and witnesses with prior approval of the questions by the court.
	Paying Taxes	Rwanda made paying taxes easier and less costly for companies by rolling out its electronic filing system to the majority of businesses and by reducing the property tax rate and business trading license fee.
	Trading Across Borders	Rwanda made trading across borders easier by introducing an electronic single-window system at the border.
	Resolving Insolvency	Rwanda made resolving insolvency easier through a new law clarifying the standards for beginning insolvency proceedings, preventing the separation of the debtor's assets during reorganisation proceedings, setting clear time limits for the submission of a reorganisation plan, and implementing an automatic stay of creditors' enforcement actions.
2013	Enforcing Contracts	Rwanda made enforcing contracts easier by implementing an electronic filing system for initial complaints.
	Getting Electricity	Rwanda made getting electricity easier by reducing the cost of obtaining a new connection.
2012	Starting a Business	Rwanda made starting a business easier by reducing business registration fees.
	Registering Property	Rwanda made transferring property more expensive by enforcing the checking of the capital gains tax.
	Getting Credit	In Rwanda the private credit bureau started to collect and distribute information from utility companies and also started to distribute more than two years of historical information, improving the credit information system.
	Paying Taxes	Rwanda reduced the frequency of value added tax filings by companies from monthly to quarterly.
2011	Dealing with Construction Permits	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits.
	Getting Credit	Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit reports and mandating that loans of all sizes be reported to the central bank's public credit registry.
	Trading Across Borders	Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and

[134] Rewards for public sector workers include receiving up to 5% of annual salary as a prize (Leaver, Ozier, Serneels and Zeitlin 2014: 2).

Doing Business publication	Pillar	Reform
		other neighbours, leading to an improvement in the trade logistics environment.
2010	Starting a Business	Rwanda made starting a business easier by eliminating the notarization requirement; introducing standardised memoranda of association; putting publication online; consolidating name-checking, registration fee payment, tax registration and company registration procedures; and reducing the time required to process completed applications.
	Registering Property	Rwanda reduced the time required to transfer property through ongoing improvements in the property registration process.
	Getting Credit	Rwanda strengthened its secured transactions system by allowing a wider range of assets to be used as collateral, permitting a general description of debts and obligations in the security agreement, allowing out-of-court enforcement of collateral, granting secured creditors absolute priority within bankruptcy and creating a new collateral registry.
	Protecting Minority Investors	Rwanda strengthened investor protections through a new company law requiring greater corporate disclosure, increasing director liability and improving shareholders' access to information.
	Trading Across Borders	Rwanda reduced the time required for trading across borders by introducing administrative changes such as expanded operating hours and enhanced border cooperation and by eliminating some documentation requirements.
	Resolving Insolvency	Rwanda improved its insolvency process through a new law aimed at streamlining reorganisation procedures.
2009	Dealing with Construction Permits	Rwanda made dealing with construction permits easier by streamlining project clearances for the second year in a row – combining the procedures for obtaining a location clearance and a building permit in a single application form – and by introducing a single application form for water, sewerage and electricity connections.
	Registering Property	Rwanda reduced the cost and time to register property by replacing the 6% registration fee with a flat rate, regardless of the property value, and by creating a centralised service in the tax authority to speed up the issuance of the certificate of good standing.
	Trading Across Borders	Rwanda reduced the time for exporting and importing by extending the opening hours of customs points, implementing or improving electronic data interchange and risk-based inspection systems and making improvements in the transport sector.
	Enforcing Contracts	Rwanda made enforcing contracts easier by launching three commercial courts – in Kigali, in Northern Province and Southern Province.
2008	Dealing with Construction Permits	Rwanda made dealing with construction permits easier by decentralising the permit system—which reduced the time for getting a building permit and an occupancy permit—and by reducing the time for obtaining an electricity connection.
	Trading Across Borders	Rwanda made trading across borders easier by expediting the acceptance of customs declarations and liberalising the warehouse services market.
2007	Starting a Business	Rwanda scrapped a law, originally adopted by King Leopold of Belgium during colonial times, which allowed only one notary in the entire country. Now 33 notaries are working throughout the country, reducing start-up delays.
	Paying Taxes	Rwanda reduced profit tax rates.
	Enforcing Contracts	Rwanda introduced or expanded the scope of specialised courts.

Source: Doing Business website, World Bank (2006: 40, 49, 77)

The reforms that have resulted from this process have been diverse, and ministers have achieved improvements in all facets of the business environment. The reforms captured by Doing Business reports are found under all 10 of the project's pillars. The outcome was that Rwanda had the second-best Doing Business rating amongst African countries in 2014 behind Mauritius. The World Bank (2012: 41) argued that the reforms contribute substantially to the government's overarching goals of promoting national reconciliation and prosperity. The country's poverty rate declined from 56.7% in 2005-2006 to 44.9% in 2010-2011, according to the National Institute of Statistics of Rwanda (NISR) (2012). Collier described these outcomes as "deeply impressive" and attributed Rwanda's success to it being more akin to an East Asian-style developmental state than any other African country (Alpert 2012). This type of state is characterised by a government focused on growing the economy and a president managing a "tight ship" based on performance rather than patronage. Collier observed that the improved business environment had enabled the capital Kigali to grow and provide poverty-alleviating benefits to rural areas.

Section 4.2 discussed various aspects of the Doing Business data in detail, including the motivation for using this data as an indicator of institutional change to improve the business environment. The data on Rwanda's reform achievements were compiled systematically by the World Bank, and there is no reason to believe that factual errors were made. The comments by Collier, reports by the World Bank, and assessments from the Mo Ibrahim Foundation indicate that the country's business environment has indeed improved immensely. This confirms the appropriateness of the outcome score for Rwanda in the set-theoretic analysis in Chapter 4.

6.3 Excluded causal conditions

The subset analysis in Table 5.5 indicated that none of the causal conditions was necessary or sufficient for achieving the outcome, which suggested that factors omitted from the model might have influenced the scope of pro-business reforms in SSA countries. Based on the information in the truth table, the pathway solution that provided the most likely explanation for the pro-business institutional reforms in Rwanda (*LEADERSHIP*AUTOCRACY*democracy*BUSINESS*) excluded the causal condition state fragility. The calibrated score on this causal condition (0.51) was too close to the point of maximum ambiguity to have made a meaningful contribution to an explanation of the country's reform success. It is now necessary to determine whether the calibrated set membership score was accurate, especially given its closeness to the crossover point. Furthermore, this factor is a vital element of the country's economic and political context from 2002 to 2013. State fragility in Rwanda includes various ethnic dimensions that have been important in the process of institutional change, as discussed in Chapter 3. Hence, understanding state fragility in Rwanda enhances understanding of the country's reform trajectory. It is also crucial in the further evaluation of Hypotheses 1 to 4.

6.3.1 State fragility

Reyntjens (2013: xvi) expressed concern that the country's "dangerously flawed political governance" was stoking the risk of renewed ethnic violence in the country. Turner (2013: 8) also warned of the risk of renewed violence. Likewise, the FFP classified Rwanda's state fragility in the 'alert' category with an average reading of 90.45 from 2005 to 2013 – a score between 80 and 90 was placed in the 'high warning' category. The average score for the period was 7.5 out of 10 for each of the 12 components of the FSI (higher scores denoted less favourable assessments). The calibrated score on the 90.45 figure was a very ambiguous 0.51, in part because a large number of SSA countries had very high FSI scores above 100. According to the fsQCA analysis, state fragility did not feature in potential explanations of Rwanda's stellar reform performance. To provide important background information about the country and to verify the accuracy of the score, the remainder of this section touches on some factors incorporated in the FSI, including demographic pressures, human rights and the rule of law, uneven economic development, human flight and brain drain, and the security apparatus.

Rwanda is one of the most densely populated countries in the world and has very little undeveloped land. Apart from swamps and a few nature reserves, the landscape is dominated by hills and cultivated lands. The visibility of people due to the physical topography and lack of geospatial “exit options” contributed significantly to the extent of the genocide killings. In post-genocide society, the high population density has facilitated effective use of state power (Straus 2006: 8, 214-215). Nonetheless, overpopulation has also undermined the quality of service delivery by the government. The Rwandan population increased from 8.36 million in 2002 to 10.50 million in 2013, that is, by 2.5% per annum on average. Hence, population density increased from 346 people per km^2 to 449 people per km^2. The demographic problems has apparently had adverse effects on food security, especially if the land inheritance system, according to which farms are divided between all male descendants, is also taken into consideration.[135] While off-farm income could help mitigate these problems, opportunities are limited in the context of the overall size of the labour force (Pottier 2002: 184). Overall, the FFP scored demographic pressures 8.90 out of 10 (higher FFP scores consistently indicate weaker performance).

Reyntjens (2013: 98, 122), who reported an appalling record of abuses, criticised the Rwandan government for its dismal human rights record. For the most part, the country's positive international image has remained untainted by this because the RPF has limited information and independent investigations into human rights issues. Human rights organisations have been obliged to join the country’s National Civil Society Platform, which the government has side-lined in political and social matters. Major donor countries and international organisations have either ignored the country’s human rights violations or have only expressed their concerns diplomatically behind closed doors (Bertelsmann Stiftung 2014a: 8, 28). The constitution provides for separation of powers, though Kagame has had decisive power over military and administrative entities. Parliament has had limited counterbalancing powers. The judiciary has also been independent in a formal sense, but in reality it has been subordinated to the will of the executive, especially in politically sensitive matters (Bertelsmann Stiftung 2014a: 9). Overall, the FFP scored human rights and the rule of law 7.72 out of 10.

Rwanda is an unequal society: according to the World Bank, the country’s Gini coefficient has exceeded 0.50 since the early 2000s. The wealthiest 10% of the population received nearly 45% of the country's income in 2010, while the poorest 10% received only 2%, according to the BMI. Poverty is most acute in the more remote and rural provinces in the south and west of the country and generally lower in Kigali and the Eastern Province (NISR 2012: 5). While rapid economic growth has been a state priority, uneven economic development has been present in Rwanda as in most other SSA states. Rural areas have largely remained excluded from progress, which is particularly concerning given that farming in those areas generates some 75% of the country’s employment and 35% of its GDP (these World Bank was the source of these statistics). The slow pace of formal employment creation – only around 5% of the more than five million members of the labour force in 2010 had formal jobs (UN Conference on Trade and Development [UNCTAD] 2014: 7) – has led to the expansion of the

[135] Some 90% of farms were smaller than one hectare due to this tradition (Bertelsmann Stiftung 2003: 6).

informal sector. The informal nature of the economy helps explain the country's weak domestic tax revenue performance. Overall, the FFP scored uneven economic development 7.56 out of 10.

The Rwandan government has limited migration from rural to urban areas to avoid the growth of slums, while member states of the East Africa Community (EAC)[136] have restricted cross-border movements to professionals and academics for fear of uncontrolled immigration by unskilled workers from Rwanda (Bertelsmann Stiftung 2014a: 13, 15). As a result, only educated Rwandans have had real freedom of movement, with associated negative effects on the skills of the domestic labour force. The country's brain drain has been an acute concern for the state, who knows that neither good governance nor poverty reduction will be achieved without an adequate supply of skilled workers. The goals set out by the Vision 2020 to transform the country into a knowledge-based economy are very dependent on the quality of the country's human resources (Kimanuka 2009: 15, 72, 80-81). Consistent with this aim, the state has given incentives for educated members of the diaspora to return home, and has encouraged an exchange of skills by opening the labour market to immigrants from other economies within the EAC (World Bank 2012: 40). Overall, the FFP scored human flight and brain drain 7.40 out of 10.

Rwanda's best category score from the FFP has been for the security apparatus. The influence of the military on public life has been significant, and the country's authoritarian rule has been described as a mix of military and entrepreneurial leadership (Bertelsmann Stiftung 2014: 25). This partly reflects the reality that the president is a former general who remains the head of the country's armed forces. Kagame has used the security establishment so effectively as a tool to solidify the RPF's rule that Sidiropoulos (2002) referred to the political system as a 'securocracy'. In fact, Reyntjens (2013: 71) described Kagame and the Rwanda Defence Force (RDF) as an army with a state rather than a state with an army. Irrespective of the terminology used, the RDF has been an effective security force despite the low level of government spending on the military. Dubious sources of income is a near certainty. Many military personnel are also involved in the economy by directly securing funding from donor organisations. Overall, the FFP scored the security apparatus 5.15 out of 10.

The above discussion did not identify any problems with the quality of the FFP's data for state fragility in Rwanda. While the international image of Rwanda is that of a peaceful country, underlying challenges like population density, human rights abuses, inequality, restricted freedom of movement and the militarised nature of society place pressure on the country and the stability of the state. The premise of Hypothesis 2 is that economic and political trends that threaten the longevity of the dominant network will cause institutional changes to improve economic outcomes. However, the results of this discussion show that this does not hold true for Rwanda. This may be because of changes affected by the genocide and before 2002, when state fragility almost certainly played a significant role in institutional reform. Furthermore, the omission of state fragility from the solution pathway also reflected the country's ambiguous set membership score on that causal condition. Rwanda's calibrated score for state fragility of 0.51 was virtually identical to 0.5 – the score that indicates maximum ambiguity between membership and non-membership of a set.

[136] At the time of writing, these were Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

6.4 Included causal conditions

The preceding section reflected on Rwanda's challenges regarding the fragility of the state. The government has been highly successful at implementing pro-business reforms despite these issues, which have included limited influence from civil society organisations (CSOs), human resource weaknesses, and extensive involvement of the military in the economy. The reforms have helped the state to effect a significant reduction in poverty. The following three sub-sections examine the validity of the pathway solution suggested for Rwanda by the fsQCA in Chapter 5. These sub-sections discuss the initial business environment, the autocratic and democratic features of the political system and, crucially, the role of transactional leadership.

6.4.1 Strong initial business environment

Rwanda had a relatively positive operating environment for private enterprise even before the Doing Business project released its first major report in October 2002. The IIAG ranked the country's business environment in the eight position out of 52 African countries in 2002 (in the sample of 35 SSA countries analysed in Chapter 5, Rwanda ranked seventh behind Mauritius, South Africa, Botswana, Namibia, Tunisia and Cape Verde). The foundation's score of 59.22 for 2002 represented a calibrated fsQCA score of 0.78. What made the strong foundations for a competitive market economy at the time so surprising was that the country's economy remained dominated by families practising subsistence agriculture on small patches of land. The post-independence republics had championed the country as an agrarian society; thus, Habyarimana – who often referred to himself as a peasant – credited farmers for making Rwanda a developmental success story (Ansoms 2011: 242). By 1993, some two-thirds of the economy's land area was dedicated to agriculture, and more than 90% of Rwandans lived in rural areas. The government focussed as much as possible on promoting agricultural exports, given the political turmoil in the country.

In contrast, the post-genocide political and military elite of the RPF grew up in exile and had little working knowledge of the farming sector. Official policy formulations insisted that "past delusions of viable subsistence-based agriculture" had to be transcended and that the family farm unit was no longer viable. Instead, the RPF favoured a decline in the population's reliance on subsistence agriculture alongside increases in commercial mono-cropping and off-farm employment (Ansoms 2011: 243-244). This was part of the higher goal of national reconciliation: the RPF believed that greater private sector activity and employment creation would have accelerated the resolving of ethnic divisions and lack of trust within the country (Kimanuka 2009: 15). Kagame has been acutely aware that the country needs economic development to avoid another bloodbath (Soudan 2015: v). Social science research since the 1950s has shown that economic development is positively correlated with trust between stakeholders, although the direction of causality has remained controversial. Kiwuwa (2012: 31), for example, found a positive relationship between trust within Rwanda, as measured by the 1990 edition of the WVS, and the level of economic development.

The Mo Ibrahim Foundation's annual assessment of a country's business environment considers a multitude of factors. These include customs procedures, the investment climate, bureaucracy and red tape, the soundness of banks, and the investment climate and development of financial services in rural areas. The foundation obtains information on these factors from various entities, including the African Development Bank (AfDB), Economist Intelligence Unit (EIU) and the International Fund for Agricultural Development (IFAD). After a period of post-conflict reconstruction, rehabilitation and reforms from 1994 to 2002, and even before the World Bank launched its Competitiveness and Enterprise Development Project, these assessments reflected relatively positively on Rwanda's post-genocide progress. In addition, the AfDB's Country Policy and Institutional Assessment (CPIA) ranked the country in the top 10 of African states in 2002.[137] In light of the leadership and state fragility challenges discussed above, the government should be credited with considerable progress in a short space of time, especially as far as the country's economic transformation was concerned. Table 6.3 provides the component scores used by the Mo Ibrahim Foundation for Rwanda for 2002.

Table 6.3: Business environment component scores (out of 100), 2002

Competitive environment	66.53
Customs procedures	79.22
Investment climate	33.33
Bureaucracy and red tape	66.67
Soundness of banks	50.34
Rural business climate	69.17
Investment climate for rural businesses	78.33
Rural financial services development	66.67
Overall	59.22

Source: Various sources collected by the Mo Ibrahim Foundation

The pro-business reforms between the genocide and the first Doing Business publication are not well documented, because the Doing Business project and other sources of data used in this research were launched in the early 2000s. Nonetheless, it is well documented that the Rwandan government embarked on a three-pronged strategy to promote investment and private sector development soon after the genocide. Firstly, the government took an activist approach with the establishment of the RPF holding company Tri-Star Investments late in 1994. This organisation was created to pioneer investment and business activity for which there was no appetite from the domestic private sector. Secondly, the government privatised nearly all the parastatals inherited from the Habyarimana regime during the late 1990s and early 2000s (Kelsall 2013: 127, 131). Finally, the government adopted a policy framework paper (PFP) in 1998 that outlined its existing economic policy goals in support of its ongoing reconciliation goals (Kimanuka 2012: 15).[138] By 2002, the IIAG scored the competitive environment 66.53 out of 100 (a higher IIAG score indicates a more favourable assessment).

Tri-Star Investments (which was later renamed Crystal Ventures Limited and which is now the country's second-largest employer after the state) developed subsidiaries in the areas of construction, telecommunications, security, property development, media, printing, construction, international trade and manufacturing (Reyntjens 2013: 73). Initial funding for the enterprise came from RPF supporters, including those in the diaspora, and from the ruling party. The organisation undoubtedly benefitted from unhindered access to the government and aid-related contracts. Many of its subsidiaries were not exorbitantly profitable, however, because they were managed by technocrats, not business people. Nonetheless, the full backing by the RPF and the state machinery endowed Tri-Star Investments with considerable political and financial power, which it used to fund investments with expected high socio-economic returns (Kelsall 2013: 127-129). While this arrangement was controversial in the eyes of some donors, it provided the country with early-stage venture capitalism

[137] The CPIA provides an annual assessment of the quality of policies and the performance of institutional frameworks in African countries.

[138] Kagame's business-mindedness is said to have come from his father who was a farmer and business man. Kagame senior founded the country's first coffee cooperative (Soudan 2015: 14-15).

required to lift the economy from its 1994 lows. Tri-Star Investments generated respectable rates of investment and socio-economic progress under otherwise unfavourable conditions. In the late 1990s and early 2000s, the company was the largest domestic firm and largest local investor in almost all the sectors in which it operated (Booth and Golooba-Mutebi 2012: 388).

Public enterprises have played an important role in Rwanda's economic development since the colonial era. However, the privatisation of state entities put the private sector at the forefront of economic development in post-genocide Rwanda. With the aid of multilateral organisations, the government restructured these entities during the latter part of the 1990s by providing equity injections and reducing subsidies. Dozens of parastatals were privatised within the first decade after the genocide in a well-supervised process – when privatised companies failed to remain afloat; the state re-privatised them to new buyers (Kelsall 2013: 131). A strict set of procedures were put in place to promote success and public support. The authority to negotiate with buyers, process sales, and oversee the privatisation campaign was separated to enhance the transparency of the process (UNCTAD 2006: 62). The success of the scheme quickly drowned dissenting voices. Between 1996 and 2005, more than 40 of the planned 75 public enterprises were privatised, which generated approximately \$20 million for the government (Kimanuka 2012: 64- 66). With parastatals privatised, the government could concentrate on policy matters while the private sector took the lead in creating jobs.

The government sought to diversify economic activity and to build an open and inclusive economic system that would benefit the broader population. The RPF aimed to establish a liberal, private sector-led, market-oriented economy by creating the legal, institutional and infrastructure frameworks needed to stimulate private sector activity and to achieve external competitiveness (Kimanuka 2012: 15). Economic reforms, which started early in 1995, were diverse:

- Monetary and financial regimes were liberalised
- Import tariffs were reduced
- Trade operations were liberalised
- Restrictions on capital flows were reduced
- A flexible exchange rate was introduced
- The marketing of crops was liberalised

The government's commitment to trade, financial and exchange reform from 1994 to 2002 resulted in cost- and value-reflecting prices instead of arbitrary ones imposed by the government (Malunda 2012: 12). Further progress was achieved under a PFP developed with the support of the World Bank and IMF. Donors and multilateral agencies pledged \$250 million in support of the programme. After adoption of the PFP, the World Bank observed accelerated reforms in key areas such as privatisation, the civil service, trade, fiscal policy and budgetary management (World Bank 1999: 2, 7, 12). Administrative efficiency was a key focus as well. The ministerial structure was reorganised from 1997 to 1999 to rationalise the functions of the civil service. During this process, public sector employment was reduced by about 10% by removing 3,576 ghost employees from the payroll, while 2,086 unqualified civil servants were retrenched. In turn, some 300 qualified former civil servants who had returned from exile were reabsorbed into the public sector. Other improvements included upgraded recruitment processes, the establishment of an anti-corruption bureau to help the Office of the Auditor-General, and the creation of the Central Tender Board (World Bank 1999: 9-11). By 2002, the IIAG scored bureaucracy and red tape 66.67 out of 100.

The reform process during the second half of the 1990s and early 2000s was formalised in a Poverty Reduction Strategy Paper (PRSP) completed in June 2002. PRSPs were introduced in the mid-1990s as mechanisms to link poverty reduction to debt relief under the HIPC initiative. These programmes, which set out macroeconomic, structural and social policies as well as programmes aimed at promoting economic growth and poverty reduction, are created by national governments through a participatory process involving donors, civil society, the IMF and World Bank. Rwanda's PSRP prioritised agro-processing, garment exports, commercial services, information and communication technology (ICT) services, tourism, mining, and skills export in the East African region (Musoni 2004: 63). When assessing the PSPR at its completion in mid-2002, the IMF found that the programme and its premises had been an encompassing and innovative private sector-led growth strategy. Its elements included structural and institutional reforms to facilitate private investment, enterprise development, exports, and market-based agriculture (IMF 2002: 1, 6). By 2002, the IIAG scored the investment climate for rural businesses 78.33 out of 100. The IIAG also scored the rural business climate 69.17 out of 100.

The involvement of the private sector was a notable factor in this reform process. Unlike the previous government, the Kagame regime has realised the importance of involving the populace in policy processes that affect their day-to-day lives. For example, the government hold annual leadership retreats attended by the president, the heads of ministries and parastatals, and representatives from the private sector. (See Section 6.5.1 for more detail on these retreats.) The retreats address priority issues aimed at achieving private sector-led growth in Rwanda (Malunda 2012: 49), including discussions of reforms emanating from the Doing Business Unit. Kagame is committed to open lines of communication with entrepreneurs, civil society and other stakeholders (World Bank 2012: 41). The 11th leadership retreat held in March 2014 included more than 250 attendees from the public and private sectors, for example, and the three days of discussions generated more than 40 recommendations that were selected for implementation to boost the country's economic development.[139]

As a final positive point regarding the business and investment environment for private enterprise, it is important to note the property rights regime – a critical factor in NIE. The RPF ensured that property rights on capital (especially land) were respected in the aftermath of the genocide. Observers noted that few local and foreign investors faced difficulties in reclaiming movable assets that were seized during the conflict. Returning refugees also had the right to reclaim their property within ten years. This strong stance on property rights minimised the potential disruption that the return of refugees could have had on the economy, and contributed significantly to a quick recovery in food production. According to the FAO, food crop production dropped from nearly 18 million tonnes in 1992 to less than 10 million tonnes in 1994, but subsequently recovered steadily to reach more than 18 million tonnes by 2000. Robust property rights also facilitated the return of foreign investors whose activities had been interrupted by the genocide. The majority of large foreign firms present in Rwanda before the genocide did not divest from the country after the conflict (UNCTAD 2006: 18). Overall, the IIAG scored the business environment 59.22 out of 100.

[139] While this involvement of the private sector could suggest a more democratic state than Rwanda's autocracy scores indicate, it should be noted that a private-sector led economic recovery after the genocide has been at the core of RPF economic policy. It has formed part of the country's 'consociational democracy' – a form of government that aims to regulate the sharing of power amongst groups by allocating equal rights to these groups, or proportionally more extensive rights to minorities. Consociationalism stands in contrast to the concept of 'majoritarian' democracy. See Section 5.2.5 for a discussion of the relationship between this apparent democratic process and the autocratic nature of the polity.

The two weaknesses identified by the Mo Ibrahim Foundation were the investment climate and the soundness of banks. On the first point, the Heritage Foundation gave Rwanda a score of 30 out of 100 for investment freedom, but did not explain this score in qualitative terms. UNCTAD (2006: 29) commented in 2006 that a significant portion of investment-related laws retained from the pre-genocide period were "either outdated or not adapted to a market economy", and that significant work remained by 2005 "to establish a modern and fully operational legal and regulatory framework for investment". By 2002, the IIAG scored the investment climate 33.33 out of 100. On the second point, Rwanda's banks were in trouble during the early 2000s, with almost half of the loans classified as 'weak' during 2001-2002 (Bertelsmann Stiftung 2003: 7). In 2002, the IMF expressed concern about the precarious health of the country's banking sector. The reasons for the significant volume of non-performing loans – according to the World Bank, more than 70% of gross loans fell in this category during 2001 – included the effects of the genocide on household finances and the influence of political decisions on the activities of public and semi-private banks (Bertelsmann Stiftung 2006: 9). By 2002, the IIAG scored the soundness of banks 50.34 out of 100.

The above review of the business environment at the hand of qualitative information did not identify any problems with the quality of data provided by the Bertelsmann Stiftung. While such an assessment is mostly based on a composite of variables, which includes strong and weak assessments, the majority of Rwanda's component scores were positive in 2002. This resulted in a positive business environment ranked amongst the top 10 on the continent. The robust reform performance after 2002 appears to have been a consequence of the turnaround in the country's business climate after 1994. This is consistent with the premise of Hypothesis 4: a business environment that already supports private enterprise offers the foundation for implementing further pro-business institutional reform. Rwanda's strategy to support private sector activity as a conduit towards a more prosperous and less divided society was implemented throughout the two decades after the genocide, with the Doing Business reports reflecting an ongoing process of institutional change.

6.4.2 Full-autocracy and non-democracy

Amongst the 35 SSA countries considered in this dissertation, Rwanda had the ninth-highest average autocracy score (3.33) for the period 2002-2013 from Polity IV (2015), and the joint lowest score (0) for democracy along with Eritrea and the Republic of the Congo. Principles of democracy are legally enshrined in the Constitution of 2003, but the post-genocide period witnessed the concentration of power in the hands of a powerful clique. This difference between the de jure system and the de facto regime can be traced back to the RPF's progressive marginalisation of opposition voices in the 1994-2003 transitional government and restrictions on the formation of opposition parties. While the local government elections in 1999 were ostensibly used to identify levels of support at the local level, this information was used to further the RPF's control of the political space. Similar trends were seen with the district elections in 2001. By the time the presidential and parliamentary elections were held in 2003, the RPF was able to paralyse opposition forces through various tactics (Daley 2009: 168, 172, 176-177).[140] Instead of being a constitutionalised democracy, Rwanda by 2003 was ruled by an autocratic government. Table 6.4 lists the data used by Polity IV (2015) to construct the autocracy measure.

[140] These presidential and parliamentary elections were originally scheduled to take place in 1999. However, it appears that the RPF first wanted to ensure an electoral landslide before holding polls.

Table 6.4: Polity IV scores for autocracy components (1994-2014)

Year	Regulation of Chief Executive Recruitment	Competitive-ness of Executive Recruitment	Openness of Executive Recruitment	Executive Constraints	Regulation of Participation	Competitive-ness of Participation	Autocracy
1994	1	0	0	2	4	1	6
1995	1	0	0	2	4	1	6
1996	1	0	0	2	4	1	6
1997	1	0	0	2	4	1	6
1998	1	0	0	2	4	1	6
1999	1	0	0	2	4	1	6
2000	1	0	0	2	3	2	4
2001	1	0	0	2	3	2	4
2002	1	0	0	2	3	2	4
2003	2	0	0	3	3	2	3
2004	2	0	0	3	3	2	3
2005	2	0	0	3	3	2	3
2006	2	0	0	3	3	2	3
2007	2	0	0	3	3	2	3
2008	2	0	0	3	3	2	3
2009	2	0	0	3	3	2	3
2010	2	0	0	3	4	2	4
2011	1	0	0	3	4	2	4
2012	1	0	0	3	4	2	4
2013	1	0	0	3	3	2	3
2014	1	0	0	3	3	2	3

Source: Polity IV (2015)

Polity IV (2015) classified the regulation of Rwanda's chief executive recruitment in the period from 1994 to 2002 as "through forceful seizures of power". As discussed in Section 3.5, Kagame used military action to seize control of the chief executive position in July 1994. The Polity IV database maintains the "through forceful seizures of power" classification until the de facto leader of a coup d'état is replaced by a head of government chosen either through designative or competitive modes of executive selection (Gurr, Jaggers and Marshall 2013: 20). Polity IV (2015) changed this assessment in 2003 to classify chief executive recruitment as being driven by the political elite without formal competition, i.e. a one-party system or a rigged multiparty election (Gurr, Jaggers and Marshall 2013: 21). Multi-party elections held in 2003 were seen as the country's first substantive post-genocide political test as it would have been a departure from the country's autocratic past. However, the polls were not in any meaningful way considered to have been competitive (Kiwuwa 2012: 140, 149), with the run-up to the elections on August 3 marred by arrests, disappearances and intimidation. Transparency International argued that the RPF "stage-managed" the pre-election period, and the US National Democratic Institute (NDI) called the elections "significantly flawed". A European observer mission also lamented the undemocratic nature of the poll that gave 95% of the vote to Kagame. This was achieved through a rigged multiparty election that recorded a staggering voter turnout of 96.55% (Reyntjens 2013: 37-38).

The local government elections of 2006 and the parliamentary elections in 2008 were similarly cosmetic from a democratic perspective (Reyntjens 2013: 44). For the period from 2011 to 2014, Polity IV (2015) again classified Rwanda's chief executive recruitment as "through forceful seizures of power". This classification can also include countries experiencing periods of so-called guided democracy (transitions from military to civilian rule) or regimes securing electoral victories through the intimidation of opposition leaders or by declaring ‘states of emergency’ before elections (Gurr, Jaggers and Marshall 2013: 21). The 2010 elections in Rwanda were associated with significant levels of intimidation: a Commonwealth observer mission – the only significant observer grouping – found a lack of notable opposition voices on the campaign trail due to various forms of intimidation (Reyntjens 2013: 54).[141] Longman's (2011: 26) assessment, which was based on widely recognised elements of democratic governance, concluded that Rwanda fell far short of the standards of liberal democracy. Not surprisingly, the repeated non-democratic nature of chief executive recruitment during 1994, 2003 and 2010 resulted in Polity IV (2015) also classifying the competitiveness and openness of executive recruitment as uncompetitive.

Polity IV classified constraints on executive authority in the period from 1994 to 2002 as being between the categories of ‘unlimited authority’ and ‘slight-to-moderate limitation’. The RPF militarised the political landscape and suspended the activities of political parties from 1994 to 2003. The Republican-Democratic Movement (MDR) was the main opposition party but was virtually silent from 1995 onwards while civil society progressively disappeared. As was the case under the Habyarimana regime, Parliament was largely sidelined and a small ruling-party elite took significant decisions in an opaque manner (Reyntjens 2013: 21, 23, 25). For the period from 2003 to 2014, Polity IV classified the constraints on executive authority as slight to moderate, with some real but limited restraints on the executive. This was only slightly better than the classification for the 1994-2003 period. The constitution of 2003 institutionalised the Forum of Political Parties as a mechanism for joint decision making between the RPF and the remnants of the opposition parties. The unlimited authority that characterised the decade after the genocide hardly changed, however, because the RPF still controlled the multi-party forum – which had the power to remove any Member of Parliament (MP) at any time (Mullane and Sebarenzi 2011: 346).

Polity IV (2015) categorised the situation in Rwanda from 1994 to 1999 as one in which some organised political participation was permitted, albeit with regular exclusion from the political process of significant stakeholders, pertinent issues, and types of conventional participation (Gurr, Jaggers and Marshall 2013: 26). Rwandan political parties were suspended during this period, but not banned outright (Reyntjens 2013: 21). The switch by Polity IV (2015) to classify the country as ‘sectarian’ from 2000 to 2009 was questionable. This classification involves multiple identity groups, factionalism, a group securing power and excluding another, as well as political groups based on restricted membership. The RPF has suppressed ethnicity-related rhetoric in the country because of its pivotal role in the genocide, and continues to believe that ethnic divisions have to be quashed to prevent reversal of the country's progress since the genocide. All citizens are officially known as Rwandans only, and distinctions such as Hutu, Tutsi and Twa no longer exist (Daley 2009: 169). Membership of the country’s leading political group is also far from restricted: affiliation to the RPF is mandatory, while membership of other parties is restricted. Polity IV (2015) classified political participation in the periods 2010-2012 and 2013-2014 as similar to that in the 1994-1999 and 2000-2009 periods, respectively, namely ‘restricted’ and ‘sectarian’. The ‘sectarian’ classification for 2013 and 2014 was equally dubious.

The Polity IV rating for the competitiveness of political participation was an apt assessment of the autocratic nature of the political system in Rwanda from 2002 to 2013. When considering the extent

[141] Kagame’s three rivals in the 2010 elections were part of a long-standing tactic in Rwandan elections of placing opponents merely for show. These candidates are known as “bridesmaids” and accepted that they are not actually supposed to garner many votes (Reyntjens 2013: 51).

to which alternative preferences for policy and leadership could have been pursued in the political arena, no significant opposition activity was permitted from 2000 to 2014. In theory, such situations were associated with totalitarian party systems, authoritarian military dictatorships, and despotic monarchies (Gurr, Jaggers and Marshall 2013: 26) – the first two were specifically associated with Rwanda. Ever since its first report on Rwanda in 2003, the Bertelsmann Stiftung has lamented the autocratic political system in the country. The current government and the ruling elite stand for an authoritarian developmental state, firmly believing that the reconstruction of state and society requires strong, authoritative leadership. The developmental state approach in Rwanda has left no room for the opposition and a viable multiparty system. Donor organisations have described the political space as being "controlled" (Hayman 2011: 125).

In contrast, the RPF sees the political system as a "consociational democracy" or "power-sharing consensus democracy" (Bertelsmann Stiftung 2014a: 2, 7). Kagame has admitted that this form of representation does not conform to the standards of liberal democracy, but added that there was no one-size-fits-all strategy for implementing democracy. He regards the architecture of the country's representative system as a product of Rwanda's history, traditions and culture, and as one of many possible types of democracies. In his own words: "A democracy must reflect the aspirations, history, and culture of the people within which it is attempting to take root; otherwise it is bound to fail. This is what we are trying to accomplish in Rwanda" (Soudan 2015: 92-93). Kagame's leadership style has been likened to that of a corporate leader with a comprehensive vision, a knack for details, and a drive for execution by his subordinates (Crisafulli and Redmond 2014). The Institute of Management and Leadership believes that Kagame is "running the country like a CEO of a company" and ensures "that every director is accountable for their department" (Smith 2012).[142]

His autocratic governance system has allowed for tight control of the economy from the highest levels of government. As discussed in Section 3.6, the government has indicated a preference for a decentralised administration as opposed to the centralised decision-making system that authorities had maintained for several centuries before that. However, the decision-making abilities of the civil service and public entities have been limited by a system of performance contracts set by the RPF. Because ministers and mayors are directly responsible for the performance of their offices, the dominant network have been able to coerce lower levels of government to address the issues that they have deemed essential (Kelsall 2013: 126). Accordingly, the state has had a "top-down developmental agenda" that has left very little room for bottom-up feedback mechanisms (Ansoms 2011: 240, 248). The government believes that the system had "undoubtedly played a significant role" in the country's development progress (IPAR 2015: 3).

This structure has allowed Kagame to impose his vision of private sector development on the process of policy reforms. This ability to affect change has enabled rapid change in the business environment. As discussed in Section 5.2.1, the same conclusion holds when the reform process is scrutinised. The executive branch has made private sector development a priority and an essential part of the country's development strategy. Investment and business climate reforms have been at the top of the economic policy agenda as decided on by the dominant network.[143] While reform ideas and processes have

[142] This perspective on what is needed for economic development – an authoritative government with an efficient bureaucracy – is a philosophy and approach shared with many of the East Asian Tigers.

[143] Along with Cambodia, Georgia, Kenya, Liberia, and Yemen, Rwanda specifically identified regulatory reforms as an important part of the country's development strategy. This placed pro-business reforms high on the economic policy agenda for promoting private sector growth and development (World Bank 2008: 11, 16).

originated from the Doing Business Unit, steering committee and technical working groups, the cabinet has had the final say on implementation. In addition, progress has been reported directly to the prime minister and high-level officials in the president's office. As confirmed by Rwanda's status as the most active Doing Business reformer, this system has enabled the dominant network to implement significant numbers of reforms.

The above analysis of Polity IV data at the hand of information about the country's political sphere has broadly verified the data. The only exception was the classification of 'regulation of participation' during certain times, specifically the periods from 2000 to 2009 and from 2013 to 2014. However, the difference in the scores of restricted and sectarian societies is only one point, and this affected only one of the six elements used to calculate the autocracy score. Hence, the impact on the overall autocracy score was limited, and it is most unlikely that the questions raised about the classification of 'regulation of participation' had a meaningful impact on the outcome of the fsQCA in Chapter 5. In general, the measure of the autocratic nature of Rwanda's governance reflected an authoritarian political system that has been downplayed by supporters and highlighted by critics. This system has enabled Kagame to enforce his vision of private sector-led economic development and the pro-business institutional change needed to achieve this. This affirms the premise of Hypotheses 3 that an autocratic polity can implement institutional reforms aimed at improving the business environment for the private sector.

6.4.3 Effective transactional leadership

The ability of the state to manage reforms and achieve its strategic objectives has attested to the quality of transactional leadership, while the ability to realise policy objectives has attested to the quality of management by the executive and legislature (Bertelsmann Stiftung 2016a: 38). As discussed in Section 5.2.2, this dissertation uses the Bertelsmann Stiftung measure of policy coordination as a proxy for transactional leadership. This component of the BTI matched the definitions of transactional leadership by De Groot et al. (2009: 5-6). Furthermore, the policy coordination data are weighted by a level of difficulty index to reflect the policy coordination challenges faced by the polity. Application of the level of difficulty index, which was 7.7 out of 10, reduced Rwanda's unadjusted average transactional leadership score of 6.50 out of 10 to an adjusted mean of 6.17. This notable adjustment suggested that knowledge of the level of difficulty data is a prerequisite for understanding leadership in Rwanda. The following two sub-sections provide separate discussions of policy coordination and issues related to the level of difficulty measure.

6.4.3.1 Policy coordination

Rwanda's adjusted score for policy coordination implied a set membership score of 0.83. This ranked the country fifth in the sample of SSA countries after Botswana, Mauritius, Ghana and Niger, and ahead of Uganda, Senegal, South Africa and Mozambique. Unlike the IIAG and Polity IV, the Bertelsmann Stiftung does not give component scores for the three factors considered by its analysts when they quantify the quality of policy coordination. It does provide component scores for the level of difficulty measure, though. The lack of detail about the policy coordination score makes a review of this causal condition even more important. The criteria set by the Bertelsmann Stiftung and the definition of transactional leadership provided by De Groot et al. (2009) suggest that the following three factors are important for assessing leadership in Rwanda:

- Dialogue and engagement with stakeholders outside of the ruling party in order to balance policy goals and agree on trade-offs in the decision-making processes.
- Coordination of actions amongst state departments and other stakeholders to ensure that policy implementation is aligned with and succeeds in achieving agreed-upon policy goals.
- Creation of an environment of commitment amongst stakeholders to implement projects and policies, including assignment of responsibilities and evaluation of performance.

The following three examples illustrate Rwanda's experience in this regard by discussing ongoing actions taken by the country's leadership. These examples of successful transactional leadership at the highest level demonstrate the hands-on philosophy of the Kagame regime. The focal points of the examples are dialogue and engagement, coordination, and commitment and accountability.[144] These solutions to macro-level policymaking problems draw on aspects of Rwandan culture and tradition; as such, they are examples of what the Rwanda Governance Board (RGB) refers to as home-grown solutions.[145]

A) Dialogue and engagement in the decision-making processes

The mid-2000s witnessed several innovations in Rwanda that were aimed at strengthening the relationship between politicians and other stakeholders in the policymaking and implementation process. These included the creation of the National Dialogue Council, Government Leadership Retreat and public sector performance contracts (Nsanzabaganwa 2012: 144). The National Dialogue Council (umushyikirano) was established by the Constitution of 2003 and convenes annually. Chaired by the president, the council brings together ministers, MPs, legal entities, delegates from the diaspora, as well as representatives of all 416 sectors in the 30 districts of the country. Meetings of the council are opportunities for all stakeholders in the country to build consensus around important development programmes (Nsanzabaganwa 2012: 17, 144-145). The umushyikirano (meaning 'a meeting where participants can exchange ideas, share experiences and question each other') acts as a forum for stakeholder debate about the state of the nation. To broaden the inclusiveness of the process, those who are unable to attend in person at the parliament building can participate via electronic media (telephone, text message, Twitter and Facebook) and follow the debates live on radio, television and the internet (Government of Rwanda 2017).[146]

The 11th National Dialogue Council held in December 2013, for example, accommodated more than 1,000 representatives. The aim of the dialogue was to refine the strategic national orientation for sustainable development, and it generated 20 resolutions for implementation over the next 12 months. Participants agreed on the following points about the economy:

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[144] Section 2.5 discussed the value of case study examples for deepening understanding of a specific concept. Case studies can enable analysis of the determinants as well as the consequences of events. Case studies are particularly important in interdisciplinary research, which is common in NIE. This is true for this dissertation as well, especially at a time when social science is increasingly becoming 'post-disciplinary' in conceptualisation and practical application.

[145] The RGB, which is the country's centre of excellence in governance policy, focusses on research, application of innovations, and provision of services to foster accountability in governance and sustainable development.

[146] While it is reasonable to expect that such interaction in a tightly controlled political space will allow limited debate and disagreement, the Girinka programme discussed C below illustrates that views contrary to those of the state can be aired and can have a meaningful impact.

- To improve awareness of and capacity to deliver services by the Business Development Fund (BDF)
- Mobilise local investors to operate under grouped investment schemes to increase productivity
- Sensitise Rwandans about the operations and benefits of the capital and stock markets
- Promote a culture of savings
- Develop strategies to sensitise Rwandans about avoiding unnecessary expenditures
- Encourage Rwandans in the diaspora to open saving accounts in Rwandan banks and assist them in doing so
- Sensitise Rwandans – in particular, farmers and business people – to optimally use the number of working hours
- Put in place measures to eradicate tax evasion, especially in the informal sector (Government of Rwanda 2014: 7-8)

The annual National Dialogue Council is more than a talk shop: the government reported 12 months after the 11th umushyikirano that implementation of 85% of all resolutions was on track (Government of Rwanda 2015b: 6). The ability of the political leadership to create a broad consensus about strategic economic goals has supported policymaking, policy implementation, and institutional change more generally. Such consensus has included support from all stakeholders, including political parties, interest groups, and economic actors (Bertelsmann Stiftung 2016a: 41). The RPF, international donors, multilateral organisations and the private sector have all been in favour of a market-oriented economy.

Another example of dialogue and engagement – albeit of a once-off nature – was the creation of the Vision 2020 plan, which outlines the country's strategic development priorities. During the period from 1997 to 2000, a broad-based national consultative process took place to formulate this vision, with consensus building mechanisms used to determine the goals (Nsanzabaganwa 2012: 135). Stakeholders that provided input into the vision included civil society organisations, private businesses, government departments, donor agencies, experts from China, Singapore and Thailand (Kinzer 2008: 226-227), academics, multilateral organisations like the World Bank, and consulting firms (McCreless and Porter 2008: 11). What makes this list significant is that such a wide variety of inputs in policymaking would not be expected in a post-conflict, authoritarian African government. The short-term objectives of the Vision 2020 economic plan included the promotion of macroeconomic stability as a foundation for private sector confidence. The focus of its medium-term aims was transformation of the country from a predominantly agrarian society to a knowledge-based economy, while creation of SMEs through the development of entrepreneurship was one of the long-term goals. Ultimately, Vision 2020 attempted to move Rwanda to middle-income country status by 2020 (Nsanzabaganwa 2012: 135-136).[147]

B) Coordination of actions for policy implementation alignment

Kagame launched the annual Government Leadership Retreat (umwiherero) in 2004. Chaired by the president, the week-long event brings together top officials from government ministries, district governments, state entities and agencies, ambassadors, army leaders, as well as representatives from

[147] The pillars of the strategy include government and administrative efficiency, agricultural productivity, private service sector competitiveness, human resource development, modern infrastructure and regional integration (Bertelsmann Stiftung 2012a: 19).

the legislature, the judiciary, and the private sector (Nsanzabaganwa 2012: 17). Traditionally, the umwiherero was a retreat during which Rwandan leaders assembled to reflect on issues affecting their communities. The modern version of the retreat have consisted of discussions of policy implementation challenges that aim to rectify these issues. Topics covered have included a broad range of development challenges, including the economy, governance, justice, infrastructure, healthcare, and education (Government of Rwanda 2017). The retreat was designed mainly to address the coordination challenges policymakers and stakeholders face when attempting to reach relevant goals. By reviewing policy progress, the retreats have focused on ironing out shortcomings and obstacles that hinder effectiveness and efficiency in the delivery of public goods by all levels of government (Nsanzabaganwa 2012: 17, 149).

Cluster working groups identified policy gaps, implementation gaps and strategy gaps before the Government Leadership Retreat in 2010. The three clusters (economic, social and governance) each delivered presentations and recommendations on their respective topics.[148] This was followed by several hours of open debate and brainstorming about the proposals. Based on the presentations and stakeholder interaction, the SPU in the presidency and the retreat steering committee made extensive notes that were returned to the cluster representatives. In the evenings and early hours of the mornings, clusters revised their proposals and determined outlines for relevant action plans (Iyer 2012: 8). On the final day of the retreat, the clusters again presented proposals based on initial work and the feedback received. Where necessary, Kagame questioned what he called “somehow” attitudes, which referred to the attitudes of government officials who expected policy outcomes to somehow realise without driving implementation in a direct manner. In the month after the retreat, clusters honed action plans that detailed the implementation of policies to address each of the retreat priorities. These plans included measurable outcomes and indicators, stated the actions that ministries had to take each quarter, and identified the people responsible for actions. The president then assigned measurable outcomes that were specified in delivery contracts between himself and the ministers (Iyer 2012: 9).

C) Creation of commitment and accountability of performance

The imihigo performance contracts are based on an ancestral cultural practice whereby a subject would set performance goals in the presence of the master (Nsanzabaganwa 2012: 3). In the modern era, this values-based concept has served as a management tool for politicians to address the principal-agent problem.[149] The contracts are performance-based, results-oriented statements of priorities signed between the president and mayors. The mayors sign on behalf of other civil servants in their districts, which enhances ownership of the contracts and on-the-ground cooperation. Furthermore, the private sector is empowered to contribute to and demand accountability for these goals by opportunities to make inputs into these contracts (Nsanzabaganwa 2012: 150). The contracts outline the priorities that district governments aim to achieve within one year. In turn, these priorities are aligned with national objectives (Nsanzabaganwa 2012: 3). The performance contracts are reviewed

[148] The 11 priorities preselected by the clusters were: increase energy production and distribution; significantly reduce the trade deficit; increase the number of viable SMEs, increase agricultural productivity through crop intensification programmes; accelerate Doing Business reforms; develop Rwanda’s strategic position within the EAC and the Economic Community of the Great Lakes Countries (ECGLC); improve land use management administration; improve public service delivery, especially at the local government level; deliver the nine-year basic education programme; increase the provision of skills development through initiatives for youth and employment promotion programs; and sustain campaigns to reduce malnutrition focussed on at-risk groups (Iyer 2012: 7-8).

[149] In the governance context, the principle-agent problem has to do with information asymmetries between politicians (the principals) and civil servants (the agents) due to the cost to the former of monitoring the latter.

every six months, while a main review once every year ranks districts according to their performance.[150] The principal annual evaluation is followed by a ceremony (which is broadcast live via radio, television and the internet) during which the best performers are rewarded and the next year's performance contracts are signed (Nsanzabaganwa 2012: 150).[151]

The National Dialogue Council is an annual opportunity to hold leaders and civil servants to account for their performance on the imihigo contracts. For example, the aim of the Girinka ("to own a cow") programme of the Ministry of Agriculture and Animal Resources was to provide each needy family with a cow to improve income opportunities, nutrition and agricultural productivity (Nsanzabaganwa 2012: 144-145).[152] Local government leaders were responsible for implementation of the programme and distribution of the cows. Although intended for poor households, local leaders distributed the animals to relatively well-off families. The rationale for this decision was the belief that the latter would take better care of the cows because they have access to land for growing fodder and resources for building stables. Moreover, some local leaders allocated cows to themselves. At the National Dialogue Council in 2009, Kagame allowed ordinary Rwandans to provide feedback on the Girinka programme. Via telephone calls broadcast live during the session, citizens publically denounced local leaders who misallocated the cows (Nsanzabaganwa 2012: 145-146).

The president instructed the local leaders to find solutions to the inability of the poor households to care for cows, such as the construction of community cowsheds, and ordered the relevant minister to correct the misallocations. This happened "in record time" after the poor evaluation of local leaders' performance and the intervention of the president (Nsanzabaganwa 2012: 145-146). Non-deserving beneficiaries returned their animals to the common pool from where the cows were reallocated to poor households. The cows given to poor families did not suffer as was feared, because local leaders constructed community cowsheds and other cooperative structures. The result of the communal rearing strategy was that the Girinka programme reached its intended policy goals: the availability of manure increased, the delivery of extension services and access to milk collection facilities improved, and communities could share the costs of hiring community veterinarians (Nsanzabaganwa 2012: 146-147).

6.4.3.2 Level of difficulty

A level of difficulty score weights the raw policy coordination data to generate a final adjusted reading for effective transactional leadership. The level of difficulty score reflects the policy coordination challenges faced by the polity. Where challenges are few, the level of difficulty adjustment reduces

[150] Reyntjens (2013: 182-183) expressed concern about the accuracy of performance reporting in Rwanda. Citing anecdotal evidence, he indicated that feedback from district level highlighted good performance and underplayed poor performance, which resulted in overly positive evaluations and raised questions about the data generated from the information. Such problems are not limited to Rwanda's performance contracts, however, and are risks in all feedback systems. Incorrect reporting can also be a symptom of societal factors and the political system in general, and not necessarily of the imihigo system. The anecdotal evidence did not indicate that the imihigo system was less effective than similar systems found elsewhere. Importantly, the anecdotal evidence did not prove that an excessively positive image of the extent of consultation and efficacy of policy implementation was being presented.

[151] Prior to 2014, performance evaluations were conducted by a committee comprised of representatives from the presidency, the prime minister's office, the Ministry of Local Government, and the Ministry of Finance and Economic Planning. (The IPAR took over this responsibility in 2014 to provide independent performance analyses.). The first step in the imihigo process is the defining of objectives based on the quantifiable indicators. The second step involves the implementation of plans to attain these goals. The third step involves scoring and grading the outcomes to determine the overall quality of performance (Ndahiro 2015: 16-21).

[152] As indicated in Section 3.2, cattle farming formed the basis of Rwanda's pastoral agriculture since the 15th century.

the raw policy coordination score by a large margin. For example, in Mauritius, the country in the SSA sample with the lowest level of difficulty reading (3.13), the adjustment reduces the raw policy coordination score of 8.00 by a significant margin to 6.78. In the case of the CAR, the country with the highest level of difficulty score (8.81), the process effects a small reduction from a raw policy coordination score of 3.83 to an adjusted score of 3.73. The Bertelsmann Stiftung's level of difficulty index has several components:

- Stateness and the rule of law
- GNI per capita scaled according to purchasing power parity (PPP)
- UN education index
- Physical constraints (e.g. infrastructure and geography)
- Conflict intensity
- Civil society traditions (e.g. social trust)

Table 6.5 contains the component scores for Rwanda. With regards to human rights and the rule of law, Section 6.3.1 pointed out that the judiciary is formally independent but in actual fact subordinated to the will of the executive, especially when it comes to politically sensitive matters. However, Haverman (2012: 7) emphasised that the rule of law is a contentious topic in Rwanda and pointed to the existence of some positive factors. These include low levels of corruption, the redevelopment of the judiciary after its implosion during the genocide, and ready access to justice through legal aid. Stateness, which is defined as the ability of a state to deliver on its fundamental tasks, is the outcome of state strength. This ability enhances containment of anti-systemic forces and management of socioeconomic and security-related crises (Andersen 2017: 19). Hence, stateness is interpreted as the direct opposite of state failure. As discussed in Section 6.3.1, the pathway solution associated with Rwanda does not contain state fragility. Nonetheless, it is a factor in the calculation of the level of difficulty score. As was the case with the rule of law, the result of the attempt to measure the degree of fragility of the Rwandan state was ambiguous – the calibrated score of 0.51 was virtually identical to the point of maximum ambiguity between set membership and set non-membership. The Bertelsmann Stiftung scored stateness and the rule of law 5.063 out of 10. Higher scores on components of the level of difficulty index consistently indicated more significant strains on leadership.

Table 6.5: Level of difficulty component scores – Rwanda

Stateness and the rule of law	GNI per capita	Level of education	Physical constraints	Conflict intensity	Civil society traditions	Overall
5.063	9.167	7.500	9.000	7.000	8.500	7.70

Source: Own calculations based on data from the Bertelsmann Stiftung

GNI per capita and the level of education in the country are used as proxies for human development. As indicated in Section 3.6, the socio-economic conditions experienced by Rwandans have improved markedly since the genocide. For example, the country made significant progress as far as reducing malnourishment, infant and child mortality, and the share of the population living in urban slums was concerned. Following the elimination of tuition fees in 2003, primary school enrolment reached more than 90% by the mid-2000s. In spite of this progress, World Bank data for 2010 indicated that 60.4% of the population subsisted on less than $1.90 a day (at 2011 international prices). Furthermore, the UNDP ranked Rwanda 166th out of 187 countries based on its HDI for 2011. Extreme poverty remained very high and affected men and women equally (Bertelsmann Stiftung 2014a: 13, 21). The progression from primary to secondary education was also troubling: World Bank data indicated that secondary school enrolment rates were less than 30% in the mid-2000s. As a result, the UNDP classified Rwanda as a 'low human development country'. This makes leadership particularly challenging. The Bertelsmann Stiftung scored GNI per capita and the level of education 9.167 and 7.500, respectively, out of 10.

The physical constraints to transactional leadership in Rwanda are formidable. More than 60% of the country's high-density population live below the poverty line (Kimanuka 2009: 42, 75) in a small landlocked territory with few natural resources apart from fertile soil (Kelsall 2013: 120) and underutilised hydroelectric potential (Sellstrom and Wohlgemuth 1997: 19). The genocide decimated the country's human resource base through the killing and displacement of many educated people (Kimanuka 2009: 39). This left Rwanda with a poorly qualified workforce and insufficient employment creation outside the agricultural sector (Bertelsmann Stiftung 2014a: 3). While health pandemics are under control, Rwanda's health care system was inefficient until a compulsory system of health insurance was introduced in 2008. The involvement of CSOs in political processes is limited outside of public forums like the National Dialogue Council due to a fear of the consequences for expressing strong opinions (Gruzd and Herbert 2008: 224). The Bertelsmann Stiftung scored physical constraints 9.000 out of 10.

Although Rwanda has projected an image of calm and unity, conflict and structural violence have remained (Reyntjens 2013: xiii). One of the critical issues in the small, densely populated country is access to land. Most inhabitants of the rural areas lack employment opportunities and enough arable land. While urban dwellers have a better chance of finding jobs, migration controls have prevented urbanisation by landless and jobless peasants in rural areas (see Section 6.3.1). To deal with land conflict, the government is strongly promoting an agricultural modernisation process that involves the formation of cooperatives, land sharing, specialisation in certain crops, the increased use of fertiliser, and the terracing of land (Bertelsmann Stiftung 2014a: 13, 20).[153] More generally, freedoms and civil rights in Rwanda remain vulnerable to vigilante justice and violence against women, as well as the absence of effective accountability for these violations (Haverman 2012: 74). Ethnic tensions are buried beneath the surface due to the prohibition of discussions of the issue. Some believe that this situation threatens a renewed outbreak of large-scale violence (Reyntjens 2013: xvi, 200-201). The Bertelsmann Stiftung scored conflict intensity 7.000 out of 10.

Institutional trust (a civil society tradition) is a requirement for moving from positions of dissensus to ones of consensus. Institutional trust "is based on the conviction that the system in place is effective enough to address the trustor's interests". An open society "makes a good citizenry and, within the context of transition, a resource. On the other hand, the absence of trust can be detrimental to the stability and viability of transition" (Kiwuwa 2012: 32, 34). Inter-group trust as well as the macro-level trust between citizens and the government were "completely obliterated" in Rwanda during the Second Republic. Crucially, the lack of trust has also adversely affected political competition and cooperation in post-genocide Rwanda (Kiwuwa 2012: 30, 90). Cultural theory hypothesises that trust in institutions – the basis for consensus building – is rooted in cultural norms determined by socialisation over time. The dominant cultural and ethnic norms in Rwanda are those of hostility between citizens as well as between citizens and the state. This has created an environment in which generalised trust – also called 'blind trust – is absent beyond immediate familial relations (Kiwuwa

[153] Section 6.5 refers to this modernisation programme.

2012: 33-34). This has complicated consensus-building. The Bertelsmann Stiftung scored civil society traditions 8.5 out of 10. The issue of trust – an informal institution – is discussed further in Section 6.5.1 and again in the context of suggestions for future research in Section 8.3.

Overall, the Bertelsmann Stiftung scored level of difficulty 7.70 out of 10. The qualitative information in this section did not contradict its data for Rwanda, and the level of difficulty score appears correct. The six component scores of the index reflect a very challenging environment for transactional leadership in Rwanda. In fact, Rwanda's difficulty score was the seventh highest amongst those of the 35 SSA countries considered in Chapter 5 (the countries with higher scores were the CAR, DRC, Chad, Burundi, Ethiopia and Eritrea). In combination with the policy coordination data, the country's transactional leadership score was a relatively high 6.17 out of 10. Hypothesis 1 states that strong leadership is required to implement institutional changes such as business environment reforms. The data and narrative for Rwanda in Section 6.4.3 has supported this assessment. This underscores the importance of effective transactional leadership in the recent institutional change in Rwanda.

6.4.3.3 Moral authority

It is vital also to reconsider some of the other elements of leadership identified in earlier chapters in order to further understanding of this factor in Rwanda. For example, Kagame exhibits the main characteristics of leadership that Ahlquist and Levi (2011: 5) suggested most scholars are likely to agree on (see Section 2.4). He also exhibits at least two of the three leadership aspects identified by Alston et al. (2016: 15) and discussed in Section 1.1: identifying and understanding the problem facing society, and the ability to coordinate others in affecting changes. It is the third aspect identified by Alston et al.'s (2016: 15) – having the moral and ethical authority to make all stakeholders accept the implemented changes –.that requires further discussion There are no guarantees that a leader will be able to convince others to accept his or her new ideology (Storr 2009: 104). Such an ideology will be inextricably interwoven with stakeholders' moral judgements about the truthfulness of the leader, which implies that adoption of the ideology depends on its moral and ethical implications (North 1981: 49).

Internationally, Kagame's moral authority rests on several factors, namely his leadership of a group (the RPF) that stopped the 1994 genocide; his status as the ruler of a poor country that was decimated by human suffering; and the global promotion of a favourable image of his leadership by the "Friends of the New Rwanda". While this has nothing to do with his ideology, the external perception of the man is that of a leader with substantial moral authority.[154] This has placed the country in good standing with most international donors. The extent of bilateral, regional and multilateral international cooperation has reflected the willingness and ability of the political leadership to work with external supporters and organisations (Bertelsmann Stiftung 2016a: 44). To be fair, Rwanda has had little choice but to accept money from abroad because the domestic revenues of the government have barely covered public sector wages; furthermore, Vision 2020 would have had no credibility without money from abroad (Bertelsmann Stiftung 2012a: 29). However, it must be emphasised that the government has done a laudable job in using donor funding and support. Britain's Department for International Development (DfID), the country's largest bilateral donor, has provided several positive

[154] Nelson Mandela, for example, had moral authority because of his time spent in prison (Alston et al. 2016: 188) and his forgiveness of the apartheid regime in order to build a new South Africa.

reviews of the results Rwanda has achieved by using donor money to support pro-poor growth (Kimanuka 2009: 74).[155]

At home, Kagame also built his moral authority on these genocide-related credentials. In the years after 1994, the RPF based its moral authority on the contempt for the international community and its role in allowing the country to descend into chaos. Kagame's moral authority have grown less robust over time both at home and amongst many Rwanda scholars. These dissenting voices have denounced the dominant network for its autocratic rule, flawed elections, human rights abuses, growing economic inequality, victimisation, injustice, limited press freedom and control of information (Reyntjens 2013: xiii-xvii). Because such dissenting opinions have been muted in the country, however, few challenges to Kagame's moral authority from within Rwanda have reached the international community. The freedom of the press and dissemination of information have been contingent on the official interpretation of 'national unity'. Any criticism of the president and other high-ranking officials can be interpreted as a violation of this principle. As a result, both state-owned and private media outlets have been forced to practice self-censorship to avoid government interventions (Bertelsmann Stiftung 2014a: 9).

Quotes about the quality of transactional leadership in Rwanda are more common in international media: "Rwanda continues to demonstrate its significance because of its forward-thinking, results-orientated leadership that has moved the country from poverty to prosperity", wrote Musiitwa and Sodipo (2012: 114). Politicians such as Bill Clinton and Tony Blair have also complimented the country's leadership. At the same time, critics such as Reyntjens (2013: xiii-xvii) have highlighted the country's abuses and shortcomings. Nonetheless, Section 6.4.3 showed that theoretical considerations as well as qualitative and quantitative assessments have confirmed the high quality of transactional leadership in Rwanda. This leadership has manifested in home-grown, context-specific strategies rooted in the country's culture – an informal institution. As a result, Rwanda's leadership score was 6.17 out of 10.

6.5 The role of trust in Rwandan policymaking

Sections 6.3 and 6.4 assessed the causal conditions identified by the fsQCA as possible causes of Rwanda's success in undertaking reforms to improve the business environment. These influential factors were many elements of autocracy, few characteristics of democracy, a strong initial business environment at the start of the Doing Business project, and effective transactional leadership. A common denominator behind these factors is the country's violent ethnic conflict that culminated in the 1994 genocide.[156] The motivation behind economic reforms to improve the business environment was to support national reconciliation through poverty alleviation. The government believes that it can suppress the shared memory of ethnic divisions by creating a better economic future for all Rwandans. In the same way, the motivation for having an autocratic governance system with limited democracy elements has been to prevent the re-emergence of ethnic problems in an open political sphere. For this reason, dissenting voices are strongly controlled. In short, business reforms as recorded by the Doing Business project are implemented to stave off the single biggest threat to the country's stability: the return of ethnic violence. According to the Political Instability Task Force

[155] This is a much better situation compared to that in the late 1980s. As indicated in Section 3.5, the country's finances were in such disarray at the time that skimming donor funds was basically the only viable source of revenue for the dominant network.

[156] Sections 3.2 and 3.3 discussed the country's ethnic origins.

(2017) Worldwide Atrocities Dataset, Rwanda has not experienced any ethnic-related conflict since 2001.

The reality that many changes in the country's governance revolved around ethnic factors explains the important role of such elements in pro-business institutional change in Rwanda. Chapter 3 used Alston et al.'s (2016) critical transition framework to identify five epochs of institutional change in Rwanda, and noted significant influence from ethnic factors in these periods of change. It is with these often-violent changes in mind that Kagame and the RPF formulated the policy of downplaying ethnic factors, growing the economy to the benefit of all Rwandans, and structuring the political environment in such a way that these goals overshadow any simmering ethnic problems.[157] The main difference from the past has been that the Kagame regime appears to have learned a lot more from the country's history than, for example, the Habyarimana regime did. It could also be argued that Rwanda's past ethnic divisions are for the first time being used as a source of motivation for creating a uniting governance style.

In downplaying ethnicity, Kagame has undoubtedly followed a similar line of thought to that of North (1990: vii), who wrote: "History matters. It matters not just because we can learn from the past, but because the present and the future were connected to the past. The past shaped today's and tomorrow's choices." The need to rebuild trusting relationships between Rwandans has been at the centre of this process. As discussed in Section 2.2.3, more trusting relationships between individuals and organisations reduce the need for complex contracts, increase information sharing, and decrease the cost of transactions by reducing searching, contracting, monitoring and enforcement costs. Rwanda's institutions had to be rebuilt post-1994 after the genocide had destroyed the country's social fabric (see Section 3.6). While the preceding sections of this chapter outlined the causal conditions associated with institutional rebuilding in Rwanda, the micro-level human interaction process of policymaking has also influenced the outcome of the institutional change process.

Rwanda's policymaking processes are very country specific (Kigabo 2010: 95-96). An additional layer of analysis is required to untangle how policies are made and implemented, i.e. how Rwandan institutions are changed by human interaction. As was pointed out by Acemoglu and Johnson (2010), economic institutions are collective choices that are outcomes of political processes of human interaction (Acemoglu and Johnson 2010). These interactions are at the core of institutional change. The continuous interaction between institutions and organisations (groups of individuals held together by some common objectives) is the key to both deliberate and evolutionary institutional change (North 2005: 22). Policymaking and implementation, the processes whereby institutions are changed, can be interpreted as processes in which dominant networks and governance structures interact with various stakeholders in the private sector (Romp 1997: 5). It is in these processes where informal institutions like trusting relationships matter Extra-economic variables such as trust play an important role in determining the behaviour of individuals in policymaking (Eggertsson 1990: 35).

[157] Ironically, the state's underplaying of ethnicity in the country has masked this key reason behind the reform process. The Kagame regime has been accused (with significant evidence) of creating an image of the country and its politics that has eschewed ethnic differences. Carefully controlled media and a political system that has limited dissenting voices have caused the virtual disappearance of the country's ethnic history – a primary driver in its political history – from the eyes of international observers. There may also be an element of guilt involved: it has been argued that the rest of the world has been plagued by guilt for not doing enough to stop the genocide. Frankly, there has been no real need for the RPF to explain its motives to development partners. After all, striving for economic development is a noble cause. International supporters, whom Reyntjens (2013: xiii) referred to as 'Friends of the New Rwanda', are also not asking too many questions about the finer details behind the government's plans – afraid that dissenting voices would soon be ostracised from a perceived African success story.

6.5.1 The connectedness model and policymaking

As indicated in Section 6.4.3, policymaking in Rwanda is a dynamic and interactive process that involves many stakeholders. Leadership in policymaking is exemplified by home-grown, context-specific strategies that are rooted in the country's culture. Ubudehe, a traditional Rwandan practice of cooperative problem solving, forms the basis of this process (Kigabo 2010: 91, 95).[158] Nsanzabaganwa (2012: 11) identified four key agents in the process of policymaking, namely:

- The politician who sets the vision and broad policy direction
- The policy expert or administrator who designs and administers policy
- The change manager whose role is to enlighten the private sector actors in their rational decision processing
- Private sector actors (the policy targets) who stand to be the real implementers of the change via the market mechanism[159]

Nsanzabaganwa (2012: 12, 22) used the relationships between these agents to formulate a 'connectedness model' of a policymaking process. The model defines nexuses of connections (relationships) between the agents and the policy process and among the actors themselves. These connections create conditions for success. Institutional settings with high degrees of connectedness and trust among these players increase the likelihood of policy success (Nsanzabaganwa 2011: 2-3). The opposite is also possible. Nsanzabaganwa (2012: 8-9) indicated that the aim of her research was to contribute to answering North's (1993) question about why it was sometimes so hard to get policy implementation right even when leaders had the best of intentions. Nsanzabaganwa (2012: 6-7) emphasised the role of leadership in this policymaking process and quoted Eng, Robinson and Tan (2010: 110) to explain that effective leaders (politicians) contribute to successful policy implementation "by their ability to envision the road ahead, to mobilise the people, and to build consensus for their policies through a politics of convergence, not divergence".

The four key agents in the connectedness model engage in eight distinct levels of interaction. The identities of the politician[160] and the private sector actors[161] in the model are intuitive, but those of the other two agents require explanation. While the politician and the policy expert are often referred to interchangeably as 'policymakers', the connectedness model makes a clear distinction between the two agents: the politician defines the policy framework in broad terms, but relies on the policy expert to operationalise this framework. The policy expert has specialised knowledge and has to provide advice to the politician on the best methods to achieve desired economic and political outcomes, monitor the overall performance of solutions and strategies, and adjust policy where required (Nsanzabaganwa 2012: 107). The policy expert defines the details of the policy and administers them with the aid of the central and local government machinery. The two important ingredients of successful policymaking in the connectedness model are the participation of private sector actors as

[158] The literal meaning of the word 'Ubudehe' is the digging up of fields and preparation of soils before the rain arrives and the planting season starts (Kigabo 2010: 91).
[159] These definitions of the four agents are derived from the critical social theory model (Nsanzabaganwa 2011: 2).
[160] In the context of this dissertation, the politician can be seen as a member of the dominant network. The politician provides transactional leadership (as discussed in Section 5.2.2) by sharing a clear vision of and broad policy for the direction in which the other agents should take the economy.
[161] The private sector comprises of households, firms and financial intermediaries. These agents are also referred to as the policy implementers and are not mere stakeholders (Nsanzabaganwa 2011: 2, 24, 27).

well as deliberate efforts on the part of the policy expert to gain a proper understanding of the operating conditions for private sector actors (Nsanzabaganwa 2012: 2, 111).

Although the interactions among all four agents are important, the crucial element of policy success is the connection between the policy expert and the private actor (Nsanzabaganwa 2012: 100). Policy experts should endeavour to also fill the role of change manager. This will increase private actors' trust in the policy expert and in the proposed policy as the broad role of change manager will also be elevated in importance (Nsanzabaganwa 2012: 124). The role of the change manager is to enlighten (not persuade or force) the private sector agents in rational decision processing. The brokering of consensus between policy expert and private actor requires change managers capable of fostering enlightenment and empowerment of both parties (Nsanzabaganwa 2011: 2, 7). To this end, change managers do not pretend to be masters of all policy solutions and logical processes. Instead, they apply their talent and skills to a certain topic to broker a nexus between policy measures and their implementation areas. This often involves ironing out of information asymmetries between agents (Nsanzabaganwa 2011: 2, 30).

At the centre of the functioning of the connectedness model is the relationships among agents. By explaining the dependence of the relationship between the policy expert and the private sector on the support of the change manager, the model further affirms the importance of nurturers of change. Within this dynamic, the policy expert and the change manager provide the “hard stuff” and the “soft stuff”, respectively (Nsanzabaganwa 2012: 110). This underscores the importance for a successful outcome to the policy expert-private actor relationship of the change manager’s relationships with both parties. In this arena, the change manager helps private actors articulate their needs. Trust forms an important part of the relationship between the change manager and the private actor, because the private sector agent must have certainty about the character of the person to whom he or she discloses his or her needs. The change manager has to inspire confidence, has to be compassionate as well as knowledgeable of the system, and must lead by example. As the example below confirms, the ideal is that the change manager should be a member of the target community (Nsanzabaganwa 2012: 110).

As an illustration of this process, Nsanzabaganwa (2012: 151) used the connectedness model to explain how policy experts, change managers and private actors cooperated to facilitate a paradigm shift in the agricultural sector in Kirehe District in Rwanda's Eastern Province. In 2007 the government (politicians) launched a Crop Intensification Programme (CIP) to encourage farmers in different districts to synchronise their planting calendars, seasonal choices of crops, and application of agricultural inputs (Nsanzabaganwa 2012: 162). Agricultural officials (policy experts) were met with resistance when they proposed changes to crop cultivation methods. Kirehe farmers (private actors) were apprehensive about switching their crop planning from drought-resistant sorghum to maize or beans, even though the latter two offered better yields and income potential.[162] Many farmers were sceptical that maize alone could generate enough income to feed their families. Even those who adopted the new strategy initially combined their maize plantings with plantings of other crops (Nsanzabaganwa 2012: 163-164).

A definite policy outcome was obtained by change managers who mediated between the policy experts and private actors. These change managers included a first-mover farmer, an agronomist,

[162] Kirehe is the driest district in the country. Sorghum yields were falling annually because failure to rotate crops reduced the quality of the soil. Furthermore, sorghum could be harvested only once a year, while the maize planting model desired by the state could yield two harvests per year (Nsanzabaganwa 2011: 46).

extension workers, and the prime minister of the country. The first-mover farmer volunteered a piece of land to the policy experts to display their proposed reforms. The agronomist and extension workers used different methods to cultivate crops as per their proposals. The volunteering farmer's neighbours were convinced of the positive outcomes of the CIP by comparing the yields they obtained from the traditional method with that on the demonstration field (Nsanzabaganwa 2012: 164). One farmer reflected in an interview that he was still not convinced by this, but changed his mind when he observed Prime Minister Bernard Makuza working in the fields to help launch the CIP (Nsanzabaganwa 2012: 165). The change managers had various occupations but worked resolutely to bring policy experts and private actors together to achieve positive policy outcomes.

The strategic planning behind this agriculture transformation was a highly participatory process, in line with the thrust of the connectedness model. While undoubtedly state-led, the agricultural reform was a heterogeneous phenomenon that incorporated private sector actors, local and international NGOs, donors, and other actors in policymaking processes and in multiple institutional structures (Huggins 2013: 7). The mayor of the Kirehe District underscored the importance of leadership in this example of successful reform. By being active in the fields and guiding farmers, leaders (the politicians) were empowering rather than authoritarian (Nsanzabaganwa 2012: 165). As a result, maize cultivation and crop rotation were for the most part implemented without further resistance (Nsanzabaganwa 2011: 46). After this success, the district government implemented a system of role-model farmers who were selected to act as links (change managers) between policy experts and private actors in ongoing reform processes. This provided farmers with more voice in the reform of policies and moved them to take ownership for implementing these changes (Nsanzabaganwa 2012: 165).

The connectedness model can also be used to study the policymaking process behind the changes to the local business environment that were aimed at improving the competitiveness of the economy and its attractiveness to investors. In this case, the politician is well known: Kagame has driven a private sector-led growth agenda for the past two decades. Section 6.4.3 reported on his defining role in the development of the broad policy framework and his effective transactional leadership by means of dialogue and engagement in decision-making processes, coordination of actions for alignment of policy implementation, and creation of commitment and accountability for performance. This is the core role required from the politician in the connectedness model. Regarding the second component, policy experts are found in two entities, namely the SPU in the president's office and the RDB – the Doing Business Unit's mother body. The SPU's tasks are policy design and analysis, as well as broad monitoring of government activities to ensure consistency in policy implementation (AfDB 2009: 1). Policy experts at the SPU have included Diane Karusisi, who was chief economist and head of the unit from 2012 to 2016. She holds a PhD in Economics from the Fribourg University in Switzerland, where she also served as an assistant professor from 2000 to 2006. Karusisi was also a former Director General of the NISR (2009-2012) and a fixed income portfolio engineer at Credit Suisse Asset Management in Zurich (2007-2009).

The RDB is an umbrella organisation that brings together government agencies and departments associated with private sector growth and the attraction, retention and facilitation of investments. It contains offices involved in investment promotion, business registration, privatisation, specialist agencies (that provide support to the tourism and ICT sectors, among other things), and human resource development. The creation of the RDB was based on international best practice examples from Costa Rica and Singapore (Common Market for Eastern and Southern Africa [COMESA] 2018).

The RDB champions the country's nation branding and investment promotion activities, and plays a crucial role in making the local business environment investor-friendly (Nkundimana 2013: 6, 53). The RDB is intended to be a one-stop shop for all investors and has offices in Shenzhen (China), Quebec (Canada) and Istanbul (Turkey). While nominally independent, the RDB reports directly to the president.

The organisation has a senior management team (policy experts) of 11 individuals with excellent academic and experience credentials for dealing with business environment reforms. Thus, the CEO of the RDB at the time of writing, Clare Akamanzi, has 15 years of experience in areas such as economic development; private sector growth, business environment reforms, and foreign investment promotion. The LinkedIn profile for Akamanzi (2018) shows that she was previously the head of the SPU (2016-17), a former COO of the RDB (2008-2015), and Deputy Director General of the Rwanda Investment and Export Promotion Agency (RIEPA) before it was merged with the RDB (2006-2008). These are some of the most important positions in policymaking related to the business environment. A lawyer skilled in international trade and investment issues, Akamanzi was previously a trade diplomat in London and a negotiator for Rwanda at the World Trade Organisation (WTO). She studied at the Harvard Kennedy School of Government (2015-2016) and the University of Pretoria (2003-2004), and received an honorary doctorate from Concordia University in Canada (2018). As the CEO of the RDB, Akamanzi is also an ex officio member of Rwanda's cabinet.

Considering the private sector agents, the COO of the RDB at the time of writing, Emmanuel Hategeka, was previously the CEO of the Private Sector Federation (PSF) (2006-2010) during his tenure in the management of telecommunications company MTN. The LinkedIn profile for Hategeka (2018) shows that his work at PSF included policy advocacy for an attractive business environment. His activities at the PSF included involvement in key reforms that made the country a leading reformer in the Doing Business reports. His tenure at the PSF culminated in Rwanda being named amongst the 10 leading reformers in the 2010 edition of the Doing Business publication. He also introduced and organised investor roundtables chaired by Kagame to foster dialogue between the public and private sectors. Hategeka’s also served as Permanent Secretary at the Ministry of Trade and Industry (2010-2016), where he was involved in strategic planning and policy formulation.

From 1994 to 1999, the Rwandan Chamber of Commerce represented private sector actors. This entity was government-driven and had three key shortcomings: a lack of autonomy, weak coverage of the private sector, and inadequate support services. Hence, various industries in the private sector created their own associations. The PSF was established in December 1999 as a replacement for the struggling chamber. The PSF is a professional organisation and was identified as the country’s flagship business entity, dedicated to promoting and representing the interests of the business community. PSF members look to the organisation to address and facilitate solutions to constraints on private sector activity (PSF 2012: ii). By 2013, the organisation’s membership included 17 sectoral and six provincial business associations. The federation was organised into ten chambers associated with agriculture, arts and crafts, ICT, liberal professions, female entrepreneurs, commerce, finance, industry, tourism, and young entrepreneurs (Nkundimana 2013: 2, 38).

The Kirehe District example showed that managers are a diverse group. This group could include community leaders, community-based organisations, private associations, research institutions and academics (Nsanzabaganwa 2011: 28). Change managers could come from the government (e.g. the prime minister), private sector (e.g. a volunteer farmer), or an enabler (e.g. an agronomist and extension workers) employed by the state, private sector, both, or another entity like a donor organisation that is not affiliated to either sector. The objective measure of a change manager is a person with the ability to build trust between policy experts and the private sector and to use his or her talent and skills for the specific policy matter to reach a positive policy outcome. When it comes to institutional reforms to improve the business environment, one of the main change managers in Rwanda has been Harvard Business School Professor Michael Porter. The academic's talent and skills are widely recognised: he is an authority on competitive strategy for businesses as well as the competitiveness and economic development of sovereign nations. Various rankings and surveys have listed him as the world's most influential thinker on management and competitiveness. He refers to himself as a 'friend of Rwanda'.

Porter has been working with the Rwandan public and private sectors since the early 2000s to build the capabilities and strengths needed to foster economic development. He has also provided guidance and inputs on many policymaking processes. In a 2009 interview, Porter emphasised that he has not been a paid consultant but has acted as a catalyst (change manager) for changes that have stimulated private sector development. He described himself as a "counsellor and advisor" who has in a friendly way tried "to get things [to] move along" in policymaking processes involving the central government (policy experts) and the private sector (Asiimwe 2009). For example, Porter worked with the public and private sectors to obtain consensus amongst stakeholders on the need for cluster development (AfDB 2009: 4). Clusters are concentrations of firms in particular industries that share specialised skills, infrastructure, and supporting institutions. Such clusters boost the productivity and microeconomic competitiveness of firms through these externalities.

The reforms recorded by the Doing Business project have been the outcomes of the interplay of these four actors. Kagame (the politician) has determined the broad policy direction that has emphasised private sector development as a key factor in Rwanda's post-genocide recovery and fight against poverty. Highly qualified and experienced officials (policy experts) at the SPU and RDB (including Akamanzi in the capacity of COO) were tasked in the early 2000s with the development of policies to improve the competitiveness of the domestic private sector and were key stakeholders in decisions made at the Government Leadership Retreat and National Dialogue Council. In turn, the PSF (private sector actor) under Hategeka worked with these public entities to develop a business-friendly environment. The reforms implemented after policy consensus was reached catapulted Rwanda to one of the leading business environment reformers in the world. Porter (the change manager) brought skills and knowledge of international best practice to this policymaking process by facilitating the flow of necessary information to and between the policy experts and private sector actors. He facilitated this change with the blessing of Kagame. Porter also serves on the country's Presidential Advisory Council.

The emphasis in the connectedness model on relationship factors such as trust and the factors that have determined the level of difficulty of transactional leadership are manifestations of the role of informal institutions in macro-level institutional change. As indicated in Section 2.2.4, informal institutions are elements of a society's heritage – such as the ethnic divisions of Rwanda's past – that influence how people process and use information. The change manager plays a crucial role in the processing and use of policymaking-related information. In fact, some cultural variables determine economic policymaking choices that culminate in changes to formal institutions. Trust is vital for the success of such changes. Furthermore, Alston et al. (2016: 15) underscored the importance for effective leadership of trust between the polity and the citizenry. It is difficult to develop measures of trust and other informal institutions, however, because the available sources of information are surveys of individuals and setting-influenced laboratory experiments (Voigt 2018: 18-19). Even researchers that that have argued for the inclusion of social norms such as trust in NIE research (e.g. Keefer and Knack 2005: 72) have advised that attempts to quantify informal institutions should proceed with caution. The development of such measures falls outside the scope of this dissertation. Section 8.3 emphasises that future research into the relationship between institutional change and leadership would have to incorporate more detailed study of the role of informal institutions.

6.6 Conclusions

This chapter explored various factors underlying the pathway solution associated in Chapter 5 with Rwanda's reform success: *LEADERSHIP*AUTOCRACY*democracy*BUSINESS*. It explored the outcome and causal conditions to determine the accuracy of the data that generated this pathway solution. Sections 6.2–6.4 established that the data adequately reflected prominent factors in institutional change and that the indicators accurately measured the phenomena in question. The only sources of uncertainty were elements of Rwanda's autocracy score in the Polity IV database. Such uncertainty, however, affected only one subcomponent of the Polity IV score for autocracy and had very little impact on the country’s overall calibrated score used in the fsQCA. On balance, Sections 6.2-6.4 confirmed the accuracy of data and satisfactorily explained the role of the different causal conditions in recent, pro-business institutional change in Rwanda. This served the purpose of such an analysis, as outlined in Section 6.1.

By explaining and validating the solution pathway, this chapter also reflected on the four hypotheses formulated in Section 5.2. The results supported Hypotheses 1, 3 and 4. Effective transactional leadership was required in Rwanda for the implementation of pro-business institutional change, as postulated by Hypothesis 1. Regarding the autocratic nature of the government, it was found that this feature of the political system supported institutional change from 2002 to 2013. This finding verified Hypothesis 3, which states that reforms to improve business environments that are more often associated with democracies can also be undertaken by autocracies. Hypothesis 4 was also found to be valid in the case of Rwanda: a business environment that is already supportive of private enterprise provided the foundation for further institutional reform to improve the business environment. Hypothesis 2, however, could not be verified in the case of Rwanda. The country’s assessment of state fragility was too close to the point of maximum ambiguity to have played a clear causal role in its institutional change from 2002 to 2013.

Based on the overall theme of this dissertation, Chapter 6 also explicitly considered the relationship between transactional leadership and institutional change. As with the other causal conditions, the data used to develop a measure of effective transactional leadership accurately described the Rwandan reality. A qualitative review of the elements of transactional leadership showed that Rwanda has had strong policy coordination attributes. Policymaking in the country has included processes like the annual National Dialogue Council that have ensured dialogue and engagement in decision-making as well as the creation of commitment and accountability. Furthermore, the annual Government Leadership Retreat has ensured coordination of actions for alignment of policy implementation. This chapter also considered the impact of factors that complicate exercising of transactional leadership by the Rwandan government. These included the effects of stateness-related problems, the rule of law, poverty, education, infrastructure, geography, civil society traditions, and conflict intensity.

Civil society traditions include macro-level trust between the government and citizens as well as micro-level trust among individuals involved in policymaking processes. The connectedness model implied that the relationships and trust between four actors have been critical for successful policymaking, as was illustrated by the agricultural modernisation process in the Kirehe District. These actors are the politician who gives broad policy direction, policy experts who formulate and implement policies, private sector actors involved in such formulation and implementation of policies, as well as change managers who broker consensus between policy experts and a private actor. Chapter 6 identified four key actors in policymaking processes to improve the business environment in Rwanda: the politician Kagame, policy experts like Clare Akamanzi from the RDB, private sector representative Emmanuel Hategeka during his time as the head of the PSF, and change manager Michael Porter. The importance of trust between these actors underscores the vital role of informal institutions in policymaking and overall institutional change. It is difficult to measure this element of policymaking accurately, though. Section 8.3 returns to this issue.

CHAPTER 7: ADDITIONAL INSIGHTS FROM ANALYSING INSTITUTIONAL CHANGE IN BURUNDI

7.1 Introduction

Many parallels have been drawn between Rwanda and its neighbour Burundi. Their population densities, climates, topography, the ethnic and socio-demographic composition of their populations, religious profiles, and languages are very similar (Uvin 1999: 253).[163] The countries had similar pre-colonial political systems (Turner 2013: 7) and both were colonies of Germany (1897-1916) and Belgium (1916-1962) before gaining independence simultaneously on 1 July 1962. Their respective post-independence governments were most often centralised, unrepresentative, single-party regimes controlled by a single ethnic group (the Hutu in Rwanda and Tutsi in Burundi). Political changes frequently happened via coup d'états in the decades after independence before both countries embarked on democratic transitions in the 1990s. Both countries experienced genocidal violence[164] and warfare over the past three decades (Daley 2009: 167). This caused economic ruin, large-scale human suffering and state failure (Acemoglu and Robinson 2013: 344). Both conflicts were fought over identity issues rooted in long-standing ethnic challenges (Cunningham 2011: 138). Economic similarities include the dominant roles of agriculture as sources of jobs, farming activities (crops, animals, etc.), and export items (coffee and tea are vital for both countries).[165]

To this list of parallels can be added the two countries' stellar performance with regards to pro-business institutional reforms. Burundi was amongst the Doing Business project's top 10 reformers in 2012, 2013 and 2014, and Rwanda featured in the same list in 2010, 2011 and 2014. Both countries established high-level committees that report directly to their respective presidencies to drive business environment reforms (World Bank 2013: 26). Since the project started in 2002, Rwanda was the top reformer globally while Burundi was joint 33rd out of 190 countries, i.e. in the first quintile. As was the case in Rwanda, Burundi's reforms were diverse and extended to nine out of the project's ten pillars.[166] In terms of the outcome variable used in Chapter 5, Burundi's reforms were calibrated to a reading of 0.91. This was the fifth-highest fuzzy membership score after those of Rwanda, Mauritius, Burkina Faso and Sierra Leone, and it did not fall far short of Rwanda's calibrated reading of 0.99. These reforms enabled Burundi to improve its Doing Business ranking from 42nd out of 50 African countries in 2007 to 19th out of 54 African countries in 2014. The momentum built by this "radical economic surgery" led the IMF to predict that Burundi could by 2035 graduate from low-income to middle-income status (Briscoe, Gasana and Specker 2010: 10).

Despite their many similarities, Chapter 5 found that Burundi's outcome could not be explained by the pathway solution associated with Rwanda's reform success. In fact, none of the seven pathways

[163] Based on ethnic, religious and linguistic data from the Encyclopaedia Britannica, Alesina, Devleeschauwer, Easterly, Kurlat and Wacziarg (2003) calculated ethno-linguistic fractionalisation scores of 0.32 for Rwanda and 0.30 for Burundi. Only three African countries – Lesotho (0.26), Seychelles (0.20) and Swaziland (0.06) – have lower readings that point to more homogenous societies.

[164] Burundi's genocide resulted in the death of 200,000 people. Six genocide episodes since 1950 had caused the deaths of larger fractions of countries' populations (Diamond 2005: 313).

[165] Unlike the two Koreas, Rwanda and Burundi do not represent a natural experiment, as the two countries have been separate states for centuries. While a single indirect administration governed both during the colonial period, they were separate entities in the pre- and post-colonial eras.

[166] Getting Credit was the only area in which reforms have been lacking.

identified in Section 5.4 offered a potential explanation for Burundi's reform success. To be sure, it is not necessarily the case that pathways identified in an fsQCA provide plausible explanations for the outcomes of all cases, and the outcomes of eight other SSA countries (listed in Section 5.4) could not be explained by the solutions either. This, however, creates an opportunity for further analysis of the fsQCA data that may enhance interpretation of the results. This deeper analysis resorts under the last step in Lobe and Rihoux's (2009: 230-237) list of operations performed during a QCA (see Section 4.3.3): attempts by researchers to revisit and reinterpret the fsQCA results. The process could include a re-examination of the data used for a specific case to verify accuracy, reducing the sample of cases, exploring the possibility of adding additional causal conditions, or changing the way some causal conditions have been calibrated. The outcome of this "dialogue with the cases" is a deeper understanding and potential improvement of the information used (Lobe and Rihoux 2015: 1050).

The aim of the review of Burundi in this chapter is two-fold: to re-examine the data used in the fsQCA to determine whether the causal conditions were measured well, and to explore the possibility that important causal conditions were overlooked in Chapter 5. The remainder of Chapter 7 is structured as follows. Section 7.2 provides a broad overview of Burundi's economic and political history that identifies components of the critical transitions framework. Section 7.3 reviews the precision of the values assigned to Burundi's causal conditions in Chapter 5. Section 7.4 attempts to uncover driving forces of the reform process in Burundi by revisiting the nature of the outcome. Section 7.5 considers the results of the preceding sections and the possibility that a previously unidentified causal condition linked to regional integration processes in East Africa may have been influential in pro-business institutional reforms in SSA. It also comments on the implications of this additional factor for interpretations of Rwanda's reform success. Section 7.6 concludes.

7.2 Background

A Tutsi aristocracy and elite ruled pre-colonial Burundi. The majority Hutu (85% of the population) were organised under chiefs who were accountable to the Tutsi elite. As was the case in Rwanda, the ethnic and socio-economic class lines between Tutsi and Hutu were blurred and up to 70% of Burundians are of mixed ethnicity (Watt 2008: 26). This structuring of society caused small-scale conflict, because princely clans (baganwa) were inevitably rivals in a system that was less centralised that that of Rwanda. Many of the princedoms were semi-independent of the central royal court (Turner 2013: 13). Nonetheless, oral history indicates that no wars occurred during the pre-colonial period. The pre-colonial economy was structured around agriculture: Tutsi leased land or cattle to Hutu who, in turn, provided labour and in-kind payments to Tutsi landlords (Watt 2008: 25). The Tutsi aristocracy and elite continued to rule during the colonial period with only indirect influence from Germany[167] and later Belgium. Again parallel to Rwanda was that ethnic, social and class divisions became more rigid under the Belgian administration. The state also intervened more heavily in ordinary citizens' economic lives by imposing new taxes, mandatory cropping and, occasionally, forced labour. The Belgians created an interventionist state, albeit with low capacity (Uvin 2009: 7-8), with the Rwandan model in mind (Turner 2013: 13).

Ethnic divisions in political parties made the post-independence government unstable. A bloodless coup d'état in 1966 heralded three decades of military rule under Michel Micombero (1966-1976),

[167] Support from the Germans mostly consisted of assistance to the royal court when local rebellions had to be quashed. Contestation among princedoms and rival clans were common, and alliances were constantly negotiated to maintain power (Turner 2013: 13-14).

Jean-Baptiste Bagaza (1976-1987) and Pierre Buyoya (1987-1993). The Union pour le Progres National (UPRONA) party dominated the governance system, with little separation between the party, executive, legislature, judiciary and army. The government controlled the military and aid inflows, and actively sidelined Hutu. By 1985, the 65-strong central committee of UPRONA contained only two Hutu. Likewise, only two of the 15 provincial governors were Hutu. The 37 top positions in the army were all held by Tutsi. This structure enabled the state to control all aspects of society during the 1970s and 1980s. On the economic front, a plethora of state enterprises crowded out the private sector; clientelism, graft and corruption were rife; elites used extra-legal methods to confiscate arable land; and monopolies over import and sales licenses secured massive profits for connected officials. Under these economic and political outcomes, the economy stalled and public debt mounted (Uvin 2009: 8-11).

In the wake of these growing disparities between desired and actual economic and political outcomes, Buyoya implemented economic and political reforms to stave off the risk of being overthrown. The executive became more representative of the population, and a new multi-party constitution was drafted. Following elections in 1993, the country's parliament consisted of 85% Hutu and 15% Tutsi, which closely paralleled the ethnic composition of the population. Barely 100 days later, however, the new government was shocked by a coup d'état that killed the head of state as well as the president and vice president of the national assembly. This was seen as a fight-back by Tutsi groups that feared the so-called Hutufication of the state. These events triggered the start of a civil war after three decades of increasingly violent political competition in the country. Truce negotiations were almost completed when President Cyprien Ntaryamira died along with Rwandan President Habyarimana in a plane crash in 1994 (Uvin 2009: 12-14).[168] A shock had plunged the country into an unsustainable economic and political outcome.

The civil war was at its most intense from 1995 to 2000, and the Burundian economy suffered significant setbacks during this period. Real GDP contracted by a cumulative 14.8% from 1995 to 1997, with recovery growth of 4.8% in 1998 followed by another 1% contraction in 1999. The production of export-oriented crops declined significantly: coffee output, for example, fell by 58.7% between the 1994/1995 and 1998/1999 crop seasons as conflict disrupted farming activity. Despite rising prices in Dar es Salaam and Mombasa, cotton fibre exports declined from 3,665 tonnes in 1994 to just 151 tonnes in 1996 and zero from 1997 to 1999. Manufacturing was similarly hit: items that experienced output decline of more than two-thirds during the years from 1994 to 1999 included carbonated beverages, flour, cottonseed oil, animal feed, cigarettes, paint, insecticides, mattresses, household soap, matches and batteries. The weak economy could not provide the inputs required for production nor the reliable demand for the sector's outputs. Double-digit consumer price inflation was experienced throughout the period as fuel prices more than doubled. Moreover, real wages in Burundi francs more than halved (IMF 2000: 3, 13, 15-18).

This was a clear deviation from the preferred economic and political outcomes of the dominant network. Following ten international summits to secure peace in the country from 1996 to 2000[169], a window of opportunity for leadership emerged with the signing of the Arusha Peace and Reconciliation for Burundi Agreement in August 2000. The agreement stipulated the establishment of a transitional government with representation from all political parties, and that Buyoya should

[168] See Section 3.5.
[169] These negotiations involved the USA, EU, South Africa, Tanzania, neighbouring heads of state, and the Organisation for Africa Unity (OAU) (Uvin 2009: 15-16).

leave his post after 18 months. In a show of leadership that was regarded as a milestone for the country's peace process, Buyoya left his desk on 1 May 2003. Yet fighting continued in the country as the main Hutu rebel groups were not party to the peace agreement, and a ceasefire agreement with these groups was only signed in September 2006. Demilitarisation and disarmament were slow as soldiers stood little chance of finding employment in the decimated private sector (Uvin 2009: 16-17, 19-20). Nonetheless, the resignation of Buyoya set in motion a period of institutional change and economic recovery in the country. Data from the IMF (2016) indicate that real GDP increased by an average of 4.4% per annum from 2004 to 2013. Real GDP per capita remained very low, however, and poverty was still rife.

Regarding the key elements of the critical transitions framework, the dominant network was expanded to incorporate elites from all Burundian stakeholders in the peace agreement. The politics of compromise prevailed as the peace pact created incentives for cooperation and compromise.[170] A new constitution was approved by referendum in February 2005 and started a four-phase electoral process. All relevant stakeholders accepted the consociational democracy enshrined in the 2005 constitution, albeit in some cases reluctantly. This system included a complex ethnic and gender quota system for all publically elected and administrative bodies (Bertelsmann Stiftung 2014b: 33). President Pierre Nkurunziza was elected in August 2005 as the majority Hutu electorate voted against the parties that previously held power. However, he inherited a civil service that consisted mostly of bureaucrats from the losing parties, which complicated reform implementation (Uvin 2009: 18-20, 22). The new constitution created an effective system of checks and balances in law-making and enforcement by apportioning powers among various state organs. The judiciary was formally independent: the minister of justice, for example, had to be a judge with no affiliations to political parties (Bertelsmann Stiftung 2012b: 13). Compared to its state before the civil war, these changes markedly improved the legal system. Institutional progress, in general, was of such a nature that Burundi was allowed to join the EAC in 2009.

7.3 Causal conditions

The causal conditions used in Chapter 5 are explored in this section to provide a clearer picture of the context of the recent institutional change in Burundi. This also adds an additional level of validation for the data used to analyse the reform process in Rwanda. Table 7.1 extracts the raw and calibrated scores for Burundi from Tables 5.1 and 5.3.

Table 7.1: Burundi outcome and causal condition data (raw and calibrated)

	Reforms	Leadership	Fragile	Autocracy	Democracy	Business
Raw scores	19.00	3.19	96.59	1.10	6.40	42.04
Calibrated scores	0.91	0.20	0.74	0.53	0.70	0.44

Source: Tables 5.1 and 5.3

As was stated before, none of the pathway solutions identified in Chapter provided plausible explanations for the extent of Burundi's business environment reforms.. While Burundi performed well as far as undertaking pro-business institutional reforms were concerned, the factors associated with Rwanda's success and those of other strong performers were not present in Burundi. The seven

[170] Whereas the RPF secured a military victory in Rwanda that ended the genocide and made it the main political party, the change in Burundi was a negotiated settlement (Turner 2013: 7).

pathway solutions identified in Table 5.8 all had at least four causal conditions. The calibrated scores on two of Burundi's characteristics (full autocracy and strong initial business environment) were ambiguous, while those on the other three (effective transactional leadership, state fragility and full democracy) did not match any of the pathway solutions. The following four sub-sections assess the values assigned to Burundi’s causal conditions in Chapter 5 and Table 7.1.to understand the measurement of this data.

7.3.1 State fragility

The FFP deemed Burundi’s state fragility in the ‘high alert’ category with an average reading of 96.59 from 2005 to 2013. The average score for the period represented a mean reading of 8.05 out of 10 for each of the 12 components of the index. The calibrated score on the 96.59 number was 0.74. This section touches on aspects of Burundi’s poor FSI values, including poverty and economic decline, demographic pressures, capacity and other problems in the public sector, and the dependence on donor aid. FFP scores referred to in this subsection are out of 10, with a higher score denoting weaker or poorer assessments.

Burundi’s real GDP per capita was stagnant or declined in all but two years from 1992 to 2014. Hence, its value in 2014 was virtually the same as it was a decade earlier. This reflected an average annual population growth rate of 3.5% from 2003 to 2014 matched by a similar real GDP growth rate (World Bank 2016). Three political economy obstacles contributed to these poor growth outcomes: internal conflict, self-interested economic policy decisions by politicians, and wealth inequality. Firstly, the conflict disrupted manufacturing production, led to extensive livestock losses, and encouraged short-term oriented risk-averse behaviour not conducive to long-term investment, inter alia. Secondly, the private sector was marginalised by a large public sector, with state-run companies controlling trade and investment. Private companies also were subjected to an opaque tax system. In turn, public sector investment was concentrated in urban areas although seven out of eight Burundians lived in rural areas. Thirdly, social inequality and privileged access to resource remained (Briscoe, Gasana and Specker 2010: 10-13). Overall, the FFP scored poverty and economic decline 8.40 out of 10.

A high rate of population growth intensified demographic pressures. Like Rwanda, Burundi is one of the most densely populated countries in the world and has very little underutilised land. The country’s fertile soils, moderate climate (it has two rainy seasons per annum) and the absence of severe disease allowed population density to increase from 111 people per km^2 in 1961 to 465 people per km^2 in 2014 – in the latter year, the global average was 56 people per km^2. Family plots used for subsistence farming are routinely subdivided to accommodate the farming needs of successive generations (Watt 2008: 23, 165). Many Burundians see farming as “a prison” as they are unable to escape the confines of subsistence farming without education or migration to urban areas (Uvin 2009: 185). As a result of these confines, some 88% of Burundians lived in rural areas during 2014 (World Bank 2016). Population pressure is weighing on food security, and the under-nourishment of a large portion of the Burundian population makes it necessary to import food on a regular basis. Overall, the FFP scored demographic pressures 9.00 out of 10.

Hampered by weak institutional capacity and pressure to deliver to impoverished citizens, public service delivery was feeble after the civil war. In the post-war period, the government improved essential services such as maternal and child health care and primary education. However, much of this improvement was an increase in the volume of service provision, with little progress made in quality enhancement and other areas. Although objective developmental goals were not necessarily achieved, the ruling party viewed the progress as significant because the gains cemented its political appeal (Bertelsmann Stiftung 2014b: 7, 30-31). The Bertelsmann Stiftung's weak assessment of resource efficiency reflected this underwhelming performance. The World Bank (2011a: 13) identified four challenges to the delivery of public services: excessive expenditure on the security sector, the presence of ghost workers on payroll, a lack of fiscal transparency and discipline, and inadequate professionalism. Burundi's government had historically been inefficient at utilising financial and human resources due to the bloated nature of the bureaucracy, the need to channel resources to dominant security organs, and the patronage system in general. Political influence was rife in procurement matters while independent auditing was almost non-existent. Furthermore, national budgets were often too ambitious due to overoptimistic growth and revenue forecasts (Bertelsmann Stiftung 2016b: 33-34). The Heritage Foundation classified the country's fiscal health as 'repressed' during 2005-2013. Overall, the FFP scored public services 8.70 out of 10.

Like Rwanda, Burundi has little choice but to accept help from abroad to bolster its fiscal health. As a result, the state endeavours to positively utilise external support. At the same time, the government is acutely aware that foreign donors are keen to implement their programmes in Burundi effectively to present the country as an example of successful post-conflict peacebuilding. According to the World Bank, significant amounts of aid money flowed into the country, despite pervasive corruption: net official development assistance and official aid averaged $450 million per annum from 2002 to 2013 (Bertelsmann Stiftung 2016b: 37-38).[171] As an example of its commitment to outside support, the government was nominally dedicated to establishing a socially responsible market-based economy through its Vision 2025 socio-economic programme. However, this document was based on international guidelines and did not take Burundi's social, economic and political idiosyncrasies into account. It has undoubtedly been successful in generating significant volumes of donor support. Nonetheless, this need to appease donors and multilateral organisations has severely limited the state's ability to formulate economic policy in an autonomous manner (Bertelsmann Stiftung 2016b: 31). This has added to the limits that the pressing need for improvement in the country's socio-economic situation had placed on the government's ability to pursue long-term strategic goals (Bertelsmann Stiftung 2016b: 32). Overall, the FFP scored external intervention 8.93 out of 10.

The above review of four FSI elements suggests a very complex environment in Burundi. The information collected from various sources corroborated the quantitative information the fragility of the Burundian state provided by the FFP. In conjunction with Burundi's pro-business reform performance from 2002 to 2013, this evidence of state fragility also supports Hypothesis 2, which stated that economic and political trends threatening the longevity of the dominant network would stimulate institutional changes to improve economic outcomes.

7.3.2 Initial business environment

When the World Bank launched Doing Business project, Burundi had a sub-par business environment by SSA standards. The Mo Ibrahim Foundation's IIAG placed the country's business environment in the 28th position out of 52 African countries in 2002; Burundi's raw score for that year of 42.04 (see Table 7.1) implied a calibrated fsQCA score of 0.43. The inadequate business environment reflected

[171] Lemarchand (2009: 41-42) claimed that no other conflict-ridden country on the African continent has received more "sustained remedial attention" from the international community than Burundi has since 1994. This partly explained why it took so long to resolve the civil war despite all the international attention to the country's plight.

that the transitional government established under the peace agreement only came into power in November 2001. At the time, the country was still struggling with military conflict – including a failed coup attempt in April of that year – and the result was that the 2000 power sharing agreement failed to secure the peace and good governance envisioned by negotiators (Falch 2008: 1). The country’s economy was crippled by the three obstacles identified in Section 7.2.2. The political economy was characterised by discretionary public intervention and social stratification. Structural features weighing on the country included being landlocked between war-torn and destitute neighbours (Briscoe, Gasana and Specker 2010: 10-13).

These factors contributed to Burundi's serious economic difficulties (IMF 2003). The presence of state-facilitated monopolies hamstrung the private sector. The government allowed members of certain ethno-regional entities (mainly Tutsi from the south) to accumulate wealth and reinvest in the patronage systems that enabled their riches. Unequal access to national resources caused by ethnic and geographic factors affected the majority of Burundians. Specifically, corruption and patronage systems constituted ethno-regional barriers against entry into economic activity by Hutu and non-southern Tutsi (Ndikumana 2000: 437, 449). Ngaruko and Nkurunziza (2000: 370) found that these policies of exclusion and conflict over control of the country’s limited resources were the leading causes of the five major conflicts in Burundi since its independence.

The weaknesses in Burundi’s business environment were outcomes of poor governance in the post-independence period. Instead of encouraging productivity and growth, taxation of domestic economic activity and the organisation of markets and industries generated rents for those in power. These predatory policies left households stuck in subsistence activity, and the modern private sector remained rudimentary. As an example, the government still tightly controlled the central bank’s foreign currency market during the late 1990s, whereas other countries in the region had unified their foreign exchange markets earlier in that decade. Hence, purchasers of foreign currency operated on a two-tier system between 1990 and 2000 that imposed an average premium of 45% on those not favoured by the state. This, in turn, raised the import costs of private companies excluded from the patronage system. Money supply data also indicate that the country was less monetised than other poor countries, which implied severe financial repression and a lack of openness. Public sector occupations accounted for 80% of formal jobs (Ngaruko and Nkurunziza 2005: 1-2, 14 & 16).

In the early 2000s, around 93% of the country’s workforce was employed in agriculture, with only 10% of the population living in urban areas and fully 90% dependent on subsistence agriculture. Thus, there was limited non-agricultural private sector activity. Except for large public enterprises and a few significant private companies, the bulk of the private sector in 2002 comprised small or micro-enterprises. These small operations were overwhelmingly unregistered enterprises. In a diagnostic analysis of the constraints on private business in Burundi, Webber (2006: 5-6, 9-20) identified structural, policy-induced, regulatory, and supply-side challenges. The factors grouped into these four elements included:

- An unfavourable geographic location and associated high transport costs
- A lack of physical infrastructure
- Weak links between the rural economy and downstream market and value chains
- Low rural productivity
- Corruption
- High import tariffs

- Legal, regulatory, and procedural frameworks that were outdated, inefficient, open to misuse, and poorly implemented
- Weak technical and management skills
- The limited availability of financial services and credit

The information provided in this section supports the unfavourable assessment of the weak initial business environment by the IIAG. However, Section 7.1 showed that Burundi implemented significant reforms in the period after the introduction of the Doing Business reports. Hence, Burundi's experience in this period contradicts Hypothesis 4, which states that a business environment that already supports private enterprise offers the foundation for implementing more pro-business institutional reforms. It also contradicts the notion of path dependence in institutional change.

7.3.3 Autocracy and democracy

Polity IV scores for Burundi identified a transition period between 2001 and 2004 – the years that culminated in the signing of the Burundi Power-Sharing Agreement in August 2004 between the state and the Conseil National Pour la Défense de la Démocratie-Forces pour la Défense de la Démocratie (CNDD–FDD) rebel group. The agreement ensured all ethnic groups a proportional share in political power as stipulated in the constitution. The power-sharing agreements were implemented in 2005 via national elections that brought a resounding victory for the CNDD–FDD and President Pierre Nkurunziza (Falch 2008: 3). Compared to the situation in 2000, the openness of executive recruitment and the strength of constraints on the executive improved significantly from 2005 onwards. Hence, Polity IV's democracy score for Burundi improved from marginally more than zero in 2001 to a very positive 7 in the period from 2005 to 2013. In the period under consideration, which included the transition phase, the country's average score was 6.40. It ranked 11th out of the 35 countries included in the analysis in Chapter 5. The country's autocracy score declined from a reading of 2.00 in 1998-2000 to 1.00 in 2005 (and thereafter), averaging 1.10 from 2002 to 2013. The reading was constant at 1.00 from 2005 to 2014 (the bulk of the period under review in this dissertation). However, even at this low level, the calibrated score for autocracy was 0.53.

All major political parties accepted the results of the 2005 elections. At the time, the prospect of a stable government and an end to conflict gave rise to optimism even among opponents to the new regime. Nkurunziza's inauguration speech was reconciliatory, and his appointments inclusive (Watt 2008: 189). By 2013, the state had retained monopoly power on the use of force with formerly antagonistic groupings balanced by an elaborate quota system in all state security organs. (Nonetheless, numerous small incidents of armed violence against state institutions or civilians had taken place.) The 2010 elections contained some irregularities, but most domestic and international observers provided a positive overall assessment of the process (Bertelsmann Stiftung 2014b: 8, 11). International observers took the high number of formally registered political parties and civic groups as indicative of "relatively liberal practice" regarding the rights of political association and assembly. All conventionally required legal foundations of democracy exist in Burundi, and function by the constitution and other laws. This is relevant to parliament, the judiciary, government entities at various levels, and the professional arm of the public administration (Bertelsmann Stiftung 2014b: 13, 16).

Despite the existence of these formal foundations, questions have arisen about the underlying state of democracy in Burundi and, hence the accuracy of the country's Polity IV scores. Antagonists argue that the legitimacy of the 2010 elections was impaired because many opposition parties boycotted the poll. Furthermore, it has been alleged that the ruling party uses an authoritarian mode of governance. While this pushes critics to argue that the de jure democratic features of the political system are not reflected in reality, the blame can also be placed with the opposition parties. Their boycott tactics could be considered selfish and counterproductive in nurturing democracy in the country. As a result, it could be misleading to question the legitimacy of the government because an effective, formal political opposition is lacking. The reality that government processes run smoothly because frictions caused by competing political forces are largely absent does not necessarily made the political system authoritarian in nature (Bertelsmann Stiftung 2014b: 11). While generally accepted democratic standards are not met, this could not be blamed exclusively on the RPF. The radical Hutu opposition parties and their tactics (which include election boycotts) should bear equal responsibility for the current situation (Bertelsmann Stiftung 2014b: 16).

Opinions vary about the precise nature of the political system in Burundi. Arguments can be made for and against high democracy and low autocracy scores. This raises questions about the quality of the Polity IV scores for Burundi, but further investigation of this issue falls beyond the remit of this dissertation. Furthermore, it should not be assumed that a smaller disparity between the country's autocracy and democracy readings would elevate one or more of the pathway solutions identified in Chapter 5 to plausible explanations for Burundi's reform success. Compared to the outcome of a similar analysis for Rwanda, the additional information about Burundi's political governance raises more difficult questions. This complicates assessment of Hypothesis 3, which states that institutional reforms to improve the business environment for the private sector are possible under both democratic and autocratic political dispensations. Data quality issues often hamper the efforts of fsQCA researchers and NIE scholars. Case studies are often undertaken from afar and reliant on secondary sources of information. Be that as it may, these results underscore the importance of the cumulation step in fsQCA. If this dissertation had a focus on Burundi instead of Rwanda, a much broader investigation into the nature of Burundian politics (and associated data) would have been necessary.

7.3.4 Transactional leadership

Burundi's average unadjusted transactional leadership score was only 3.33 out of 10. It dropped to an adjusted mean of 3.19 when structural difficulties that constrained the capacity to govern – scored at 8.17 out of 10 – were taken into account. These score indicated weak transactional leadership in a country with political leaders who remain relatively inexperienced leaders when it comes to technical and administrative duties. The next two subsections consider policy coordination and the level of difficulty of governance in Burundi.

7.3.4.1 Policy coordination

The coordination of financial and human resources in the policymaking sphere is complicated by the tendency of some politicians in decision-making positions to pursue priorities outside of the overall government strategy (Bertelsmann Stiftung 2016b: 33). Because of this disjointed management of resources, corruption can be found at all levels of government, the police and the judiciary.[172] Burundi's adjusted score for policy coordination implied a set-theoretic membership score of 0.20. This ranked the country fifth from the bottom in the sample of SSA countries ahead of the DRC,

[172] In 2013, Burundi was ranked 157th out of 177 countries based on Transparency International's Corruption Perceptions Index, with a higher ranking indicating a higher level of perceived corruption.

Zimbabwe, Chad and the Republic of the Congo. As was done for Rwanda in Section 6.4.3.1, the following issues are discussed to provide insight into leadership in Burundi:

- Dialogue and engagement with stakeholders outside of the ruling party to balance policy goals and agree on trade-offs in the decision-making processes.
- Coordination of actions amongst different state departments and other stakeholders to ensure that policy implementation is aligned with and succeeds in achieving agreed-upon policy goals.
- Proper assignment of responsibilities and evaluation of performance to create an environment of commitment to project and policy implementation amongst stakeholders.

In contrast to the situation in Rwanda, however, these three elements did not complement effective transactional leadership in Burundi.

A) Dialogue and engagement in the decision-making processes

Burundi's constitution stipulates that the country is a consociational democracy. This system includes a complex ethnic and gender quota system for all publically elected and administrative bodies. It also requires dialogue and engagement to function effectively. Lemarchand (2009: 167) observed that the Burundian constitution comes closest to the theoretical model of consociationalism of all African constitutions. Nonetheless, Watt (2008: 190) questioned whether the country is actually governed by a power-sharing system that protects the rights and considers the views of minorities.[173] Since the contested national elections in 2010, there has been only a vague general consensus on economic policy (Bertelsmann Stiftung 2014b: 34). This is of great concern: while the conflict in the country's past has been associated with ethnic divisions, it was also an issue of exclusion of the majority Hutu from access to resources and decision-making processes (Wilen 2012: 64). Mokoena (2006: 22) found that economic, political and social exclusion of Hutu may well have been the single most important cause of conflict in Burundi.[174]

Despite the positive intentions of the 2005 constitution, governance in Burundi suffers from a lack of transparency and efficiency. A highly personalised line of command is still evident with the CNDD-FDD intervening in the work of ministers and civil servants (the policy experts). Through this process, and in contradiction of the spirit of consociationalism, the ruling party asserts itself as the only legitimate decision-maker when it comes to government business (Lemarchand 2009: 184-185). This is not a serious departure from the country's pre-war situation. Throughout the post-colonial period, policy choices have been structured by the dominant network to ensure their control over the economy, foreign aid and other available rents (Ngaruko and Nkurunziza 2005: 1). A more inclusive policymaking process that includes dialogue and engagement with a broader spectrum of stakeholders would not allow for this concentration of economic power in the hands of the CNDD-FDD.

Policymaking in Burundi has been hampered by an inclination among politicians and policy experts within the CNDD-FDD to engage in ad hoc interventionism, often in contravention of laid out

[173] Consociationalism works best where ethnic segments of the society are roughly of the same proportion. This makes Burundi a poor candidate for this kind of government system (Lemarchand 2009: 167).

[174] An alternative explanation for conflict in several Great Lakes countries is Collier and Hoeffler's (2002 and 2004) opportunity thesis. They argued that the presence of conflict is not caused merely by grievance but also by circumstances that enable the aggrieved to rebel, especially the capacity to finance protracted and escalating violence. Put differently, a reason as well as the capacity to rebel have to be present.

principles. The country's clientelistic political environment routinely tempts policy experts to intervene directly in the economic sphere and elsewhere. The result has been that political and personal preferences have dominated those of a broader domestic community of stakeholders when it comes to influence over economic activity (Bertelsmann Stiftung 2012b: 18). Overall steering capability is weak. The ruling party finds it difficult to focus on the dialogue and engagement necessary to achieve long-term policy goals, and short-term goals often take precedence in order to keep the fragile political landscape from unravelling. External influence is also an important factor due to Burundi's dependence on foreign aid. As a result, socio-economic policymaking is not shaped strongly by ideological or consensus processes. Instead, it tends to be pragmatic and aligned with the requirements of donors (Bertelsmann Stiftung 2012b: 26-27).

B) Coordination of actions for policy implementation alignment

The Burundian government has a complex composition, as mandated by the constitution to ensure representation of all groups in the public sector. While this soothes some of the country's historical ethnic tensions, the resulting complexity of the bureaucracy makes it very difficult to efficiently coordinate the activities of ministries and other public entities for successful policy implementation. Against a backdrop of ongoing political rivalries, politicians and policy experts would focus on personal priorities and their public images, for example, instead of adherence to government policy goals (Bertelsmann Stiftung 2012b: 31). Other persistent challenges faced by the public sector further hamper policy implementation. These include a high turnover of technical staff, low compensation and an associated lack of motivation, as well as an ineffective performance evaluation system. These issues have contributed to high levels of civil servant absenteeism. An evaluation of the execution of programmes under the first PRSP (2007-2011) revealed a serious lack of capacities for designing and implementing economic and social policies (IMF 2012: 54-55).

C) Creation of commitment and accountability for performance

The UNDP (2011: 7) pointed out that the public sector lacked a culture of commitment and accountability. This was associated with what the IMF (2012: 55) deemed an ineffective system for evaluating the performance of government officials and, consequently, weak commitment to reaching targets. The review of the country's first PRSP also highlighted the absence of a culture of accountability within the public sector because of the poor performance evaluation process. The country also fared poorly when it comes to the financial management of processes to achieve policy outcomes (AfDB 2016: 3). The IIAG found that the accountability of public officials in Burundi deteriorated gradually from 2007 to 2012 (Mo Ibrahim Foundation 2017: 28).

7.3.4.2 Level of difficulty

As indicated in Section 6.4.3.2, the Bertelsmann Stiftung weighs countries' policy coordination scores by a level of difficulty measure to get the final score for effective transactional leadership. The Stiftung's level of difficulty index is made up of several components, as listed in Table 7.2, with higher scores indicating more severe structural constraints to effective leadership.

Table 7.2: Level of difficulty component scores – Burundi

Stateness and the rule of law	GNI per capita	Level of education	Physical constraints	Conflict intensity	Civil society traditions	Overall
5.354	10.000	9.333	9.167	7.167	8.000	8.170

Source: Own calculations based on data from Bertelsmann Stiftung

Section 7.3.1 already reflected on the vulnerability of the country's state. The FFP deemed Burundi's state fragility in the 'high alert' category with an average reading of 96.59 (out of 120) from 2005 to 2013. Its challenges included poverty and economic decline, demographic pressures, the weak capacity to provide public services, and the strong dependence on donor aid. Regarding the rule of law, the IMF (2011: 22) found the post-conflict judicial system in Burundi to have been ineffective. Judges handled only a small number of cases, a large backlog of more than 27,000 cases had developed by 2006, and only 46% of judgments were enforced. The justice system lacked resources and qualified personnel. In addition, available personnel were unevenly distributed among the provinces. Prisons had more than double the number of inmates for which they were built. The main reason for the excessively large prison population were the heavily reliance on preventative custody. The IMF's (2009a: 28) assessment of the judicial system added a low degree of judicial independence to the other issues that had persisted from the post-conflict assessment in 2005-2006. The Bertelsmann Stiftung assigned a score of 5.354 out of 10 for stateness and the rule of law. The information in this paragraph suggests that this scored may have been a little flattering to the country.

The Bertelsmann Stiftung gave GNI per capita the worst possible score. Using a cost of basic needs calculation, Bundervoet (2006) estimated the incidence of poverty at 71.5% in rural areas and 36.5% in urban areas. The IMF (2009: 4-9) found that civil conflict contributed to declining levels of income per capita in Burundi from the late 1980s onwards. An economic embargo by neighbouring countries during the late 1990s contributed to Burundi being one of the poorest counties in the world. According to the IMF, however, civil conflict and international sanctions could not suffice to explain the lack of sustained income growth over prolonged periods. Other factors included inefficient investment, as indicated by estimates of incremental capital-output ratios (ICOR), with distortions largely caused by inappropriate state intervention in the economy. Even when infrastructure investment was sufficient, inadequate maintenance of key facilities (e.g. the electricity network) during the conflict caused deterioration of public assets (IMF 2009: 4-9). The Bertelsmann Stiftung scored GNI per capita 10 out of 10.

Burundi achieved good results in education and healthcare provision; the country introduced free primary education and healthcare for pregnant women and children under the age of five, among other things. This was achieved by increasing the budget shares of these two sectors. One of the key outcomes was gender parity in primary school attendance. However, while this improved the country's HDI assessment, Burundi was still ranked a lowly 183rd out of 185 countries in 2011. Indeed, while data on access to education improved significantly after the civil war, performance and outcomes data remained poor (African Economic Outlook 2012: 2, 11). Thus, enrolment rates improved significantly, but this overburdened the schooling system's absorption capacity. Pupil/classroom and pupil/teacher ratios deteriorated and grade repetition rates remained very high. Progress in secondary and tertiary education also remained relatively limited. The Bertelsmann Stiftung scored level of education 9.333 out of 10.

Physical constraints include severe poverty and a low level of economic development, the effects of being landlocked, fragile environmental and ecological conditions, and weak quality of infrastructure. Burundi has extreme infrastructure gaps, with the overall quality of infrastructure scored 30 out of 100 in 2014 by the IIAG. The World Bank (2011a: 16-18) specifically identified the road network, power generation, communications infrastructure, and water and sanitation infrastructure as severe shortcomings. As far as agriculture is concerned, nearly nine out of 10 Burundians live in rural areas, though only a relatively small proportion of these people have access to roads that can be used during all seasons. The road network in Burundi's most arable areas is substantially less dense than elsewhere in SSA and other low-income countries. The poor state of power infrastructure raises costs and hampers new investment in the country. Almost 75% of firms surveyed by the World Bank ranked poor access to and the reliability of electricity as the most significant obstacle to new investment. The Bertelsmann Stiftung scored physical constraints 9.167 out of 10.

From 1993 to 2008, internal conflict in Burundi caused the deaths of 200,000 people (of whom the majority were civilians) and forced another 1.2 million to flee their homes (IMF 2009a: 20). Amongst the factors identified by the IMF (2009a: 30-31) for improving post-war governance and security in the country was the resolution of risks of conflict associated with the country's land tenure system. The issue was considered an acute challenge that was exacerbated by the return of repatriated and displaced persons to their places of origin. This results in increased population pressure on productive agricultural land. Some 56.3% of court cases in Burundi during 2007 were linked to land tenure issues. Such cases were heard in the appeals court, administrative court, Court of High Instance, Commercial Tribunal and Residential Tribunal. Land tenure problems often involved opposing families and were "genuine hotbeds of tension, and even of violent conflicts". Media reports indicated that these conflicts could degenerate into fatal brawls (IMF 2009a: 31). The Bertelsmann Stiftung scored conflict intensity 7.167 out of 10.

Civil society traditions include institutional trust (trust within society that the government does what is best for the citizenry) and interpersonal trust. Practically everyone in post-civil war Burundi has been exposed to ethnic mistrust, both in the public sphere and on an interpersonal level. Uvin (2009: 19) suggested that an acute awareness among ordinary Burundians of the pointlessness of ethnic divisions has contributed to an apparent softening in ethnic mistrust. However, this ostensible relaxation of divisions between ethnic groupings should be interpreted carefully. Some (e.g. Turner 2013: 35) have argued that a profound lack of trust remains, and that Burundians have maintained a more extensive number of societal relations to cope with the possibility that some relationships may turn out to be flawed. Furthermore, ethnic mistrust is increasingly overshadowed by mistrust along political party membership lines. The rejection by the opposition of a one-party state has contributed to a definite divide between members of the CNDD-FDD and those associating with other parties.[175] Uvin (2009: 160) also highlighted a lack of trust between communities and the judiciary. The Bertelsmann Stiftung scored civil society traditions 8.000 out of 10. Overall, the Bertelsmann Stiftung scored the structural difficulties that policy coordination more difficult 8.170 out of 10.

The above paragraphs found that the measures for three elements of policy coordination and the majority of the sub-components of the level of difficulty variable in Table 7.1 accurately reflect conditions in Burundi. The only exception is the score for stateness and the rule of law; in these cases, the overall assessments are possibly too favourable. While further investigation of this issue falls

[175] While the country was not officially a one-party state, the CNDD-FDD had an absolute majority in both houses of the legislature.

outside the scope of this dissertation, this subsection amplified concerns raised in Section 7.3.3 about the quality of the data for Burundi. Hence, it is worth considering the possibility that data problems, rather than the omission of important causal conditions, were the reasons why none of the solution pathways identified in Chapter 5 provided plausible explanations for Burundi's reform performance. To explore this possibility, Section 7.5 discusses possible additional causal conditions.

7.4 The outcome: pro-business reforms

Because the fsQCA failed to identify a pathway that might explain Burundi’s outcome, the country's business environment reforms should be analysed more deeply than those of Rwanda. Such an analysis should reveal the drivers of the reforms, including omitted causal conditions (i.e. factors others than the causal conditions considered thus far). A summary of Burundi's reforms is an appropriate starting-point for the discussion of the driving forces behand institutional changes to improve the business environment. To this end, Table 7.3 provides a verbatim list in chronological order of the 19 pro-business reforms recorded in the annual Doing Business publications from 2005 to 2013.

The reforms recorded in the 2007 edition had to do with contract enforcement and resolving insolvency. The country’s judicial system was reorganised by means of the Code of Organisation and Judicial Competence of March 2005. At the time, Burundi was addressing broader problems in the judicial system, including delays in commercial court rulings and dispute resolution. The government set time limits for the finalising of commercial court cases and proceeded with the computerisation of commercial court information systems (IMF 2009b: 15). This contributed to a reduction in the portion of cases before the Commercial Court that extended beyond the 60-day mandated deadline from 40% in 2007 to 10% in 2009 (World Bank 2011b: 3). The aim of the increase in the size limit on cases in the small claims court was to reduce the overall backlog of cases in the judicial system. The number of backlogged cases increased from almost 24,500 in 2005 to nearly 31,000 in 2007 (IMF 2012: 43).

The Doing Business website reports that the motivation for the property registration reforms in 2008-2009 was the desire to satisfy the MCC eligibility criteria. The MCC is a US government agency that provides grants to countries that demonstrate “a commitment to just and democratic governance, investments in its people and economic freedom as measured by different policy indicators”. As an MCC Candidate Country, Burundi’s performance on indicators related to these three elements had been tracked since 2004. However, despite the property registration reforms, Burundi’s scores on the eligibility criteria exceeded the averages in only three of the 16 tracked indicators, namely political rights, primary education expenditure, and consumer price inflation. The full list of 16 indicators are:

- political rights,
- civil liberties,
- control of corruption,
- government effectiveness,
- the rule of law,
- voice and accountability,
- immunisation rates,
- health expenditure,
- primary education expenditure,

- girls' primary education completion rate,
- regulatory quality,
- cost of starting a business,
- days to start a business,
- trade policy, and
- inflation and fiscal policy (MCC 2007).

The process of becoming an MCC Candidate Country is mostly outside the control of such a country. Firstly, the MCC Board of Directors determine a list of eligible countries based on per capita incomes and the absence of political sanctions. Secondly, they consider these countries' performance on the three elements mentioned above, the availability of funds and the scope for reducing poverty and generating economic growth. Thirdly, the MCC starts collecting data to track the 16 key indicators and publish annual scorecards. Once the Board has selected an eligible country after these three steps, its government finally is invited to develop Compact Proposal with the Corporation (MCC 2017). Thus the process is external to the government until it is officially invited to develop a proposal. Burundi had not yet developed a proposal by 2014 as it failed to meet some of the quantitative benchmarks for the 16 key indicators.

This initial set of MCC-focussed institutional reforms, which notably lagged those in many other SSA countries, did not inspire much confidence amongst academics such as Briscoe, Gasana and Specker (2010: 5). Rwanda's reform process had by then resulted in a 76-position improvement in the country's Doing Business ranking. The AfDB (2010: 4, 18) commented that Burundi still needed to strengthen its business environment, infrastructure and human capital to boost investment, suggesting that the country had one of the least business-friendly economies in the world. The World Bank concern reflected the belief that a supportive business environment, and more specifically an accommodative investment climate, was essential for successful diversification of the country's economy. According to the World Bank (2011a: 70), Burundi's private sector faced a multitude of significant constraints, including:

- A poor regulatory framework
- Cumbersome administrative and bureaucratic procedures
- One of the highest tax burdens in the world
- Outdated legislation, including a weak capacity to enforce contracts
- An economy dominated by financially-strained public enterprises
- An underdeveloped financial sector

Several months before the AfDB (2010) publication, the IMF (2009b: 3, 13) also classified the Burundian economy as among the least business-friendly countries in the world. The multilateral organisation warned that if the situation continued it would be difficult to secure the private investment needed for sustained post-conflict economic growth. This was important for Burundi, which was considered one of the poorest countries in the world at the time. The multilateral organisation's modelling suggested that the quantity and quality of the country's capital stock were instrumental in its long-term economic growth prospects and that Burundi would be able to graduate from the low-income country group by 2035-2040 (or even sooner) if significantly higher capital investment could be realised. This could be achieved if the magnitude of investment increased to 15%-20% of GDP from a reading of 10.8% of GDP observed during 1970-2007. The IMF (2009: 15) signalled that it was of utmost importance for Burundi to continue to improve the business climate and reinforce institutions to make the economy more attractive to investors. The country needed to move to a market-friendly economy with strong institutions that could maximise the impact of the investment.

Table 7.3: Pro-business reforms in Burundi (2005-13)

Doing Business publication	Pillar	Reform
2014	Starting a Business	Burundi made starting a business easier by allowing registration with the Ministry of Labour at the one-stop shop and by speeding up the process of obtaining the registration certificate.
	Dealing with Construction Permits	Burundi made dealing with construction permits easier by establishing a one-stop shop for obtaining building permits and utility connections.
	Registering Property	Burundi made transferring property easier by creating a one-stop shop for property registration.
	Paying Taxes	Burundi made paying taxes less costly for companies by reducing the corporate income tax rate.
	Trading Across Borders	Burundi made trading across borders easier by eliminating the requirement for a pre-shipment inspection report of findings.
	Getting Electricity	Burundi made getting electricity easier by eliminating the electricity utility's monopoly on the sale of materials needed for new connections and by dropping the processing fee for new connections.
2013	Starting a Business	Burundi made starting a business easier by eliminating the requirements to have company documents notarised, to publish information on new companies in a journal and to register new companies with the Ministry of Trade and Industry.
	Dealing with Construction Permits	Burundi made obtaining a construction permit easier by eliminating the requirement for a clearance from the Ministry of Health and reducing the cost of the geotechnical study.
	Registering Property	Burundi made property transfers faster by establishing a statutory time limit for processing property transfer requests at the land registry.
	Trading Across Borders	Burundi reduced the time to trade across borders by enhancing its use of electronic data interchange systems, introducing a more efficient system for monitoring goods going through transit countries and improving border coordination with neighbouring transit countries.
2012	Dealing with Construction Permits	Burundi made dealing with construction permits easier by reducing the cost to obtain a geotechnical study.
	Protecting Minority Investors	Burundi strengthened investor protections by introducing new requirements for the approval of transactions between interested parties, by requiring greater corporate disclosure to the board of directors and in the annual report and by making it easier to sue directors in cases of prejudicial transactions between interested parties.
	Paying Taxes	Burundi made paying taxes easier for companies by reducing the payment frequency for social security contributions from monthly to quarterly.
	Resolving Insolvency	Burundi amended its commercial code to establish foreclosure procedures.
2011	Paying Taxes	Burundi made paying taxes simpler by replacing the transactions tax with a value-added tax.
2009	Registering Property	Burundi made registering property cheaper by reducing the registration fee. These measures were in part motivated by the desire of the country to pass the MCC eligibility criteria.
2008	Registering Property	Burundi made registering property less costly by reducing the registration fee – it abolished a 7% property registration tax.
2007	Enforcing contracts	Burundi modified procedural rules and adopted new rules to reduce delays and the cost of going through court proceedings, including

Doing Business publication	Pillar	Reform
		raising the size limit on cases for the small claims court from $300 to $1,000.
	Resolving insolvency	Burundi enacted a law giving jurisdiction in bankruptcy to recently established commercial courts, set time limits, and introduced creditors' committees.

Sources: Doing Business website (2014), World Bank (2006: 49, 50, 54)

Several months before the AfDB (2010) publication, the IMF (2009b: 3, 13) also declared Burundi one of the least business-friendly countries in the world. The multilateral organisation warned that it would be difficult to secure the private investment needed for sustained post-conflict economic growth if the situation persisted. This was important for Burundi, which was one of the poorest countries in the world at the time. The IMF's modelling suggested that the quantity and quality of the country's capital stock were instrumental to its long-term economic growth prospects and that Burundi would be able to graduate from the low-income country group by 2035-2040 (or sooner) if capital investment could be increased to 15-20% of GDP from the average of 10.8% of GDP recorded from 1970 to 2007. The IMF (2009: 15) pointed out that it was of utmost importance for Burundi to continue to improve the business climate and reinforce institutions to make the economy more attractive to investors. The country needed to move to a market-friendly economy with strong institutions that could maximise the impact of investment.

7.5 An additional causal condition: regional integration and supranational leadership

After making no notable reforms in the first several years of the Doing Business project, Burundi implemented five reforms in 2007-2011, four each in 2012 and 2013, and a further six in 2014. This indicated a significant acceleration in reforms from 2010, as reflected in Table 7.3. The African Economic Outlook (2012: 7), a joint annual publication of the AfDB, OECD, UNDP and UN Economic Commission for Africa (UNECA), reported that Burundi's accession to the EAC in July 2009 motivated extensive pro-business reforms aimed at improving the operating environment as well as medium-term economic policy in general. A key focus was the envisaged free movement of the people, goods, services and capital within the EAC. According to the African Economic Outlook (2012: 7), Burundi occupies a geostrategic position that could eventually make the country a sub-regional, regional and international hub. This was amongst the key reasons why Burundi joined several RECs, including the EAC, COMESA, the Economic Community of Central African States (ECCAS), and the Economic Community of the Great Lakes Countries (ECGLC).

Burundi's accession to the EAC was significant for further stabilising the country after the civil war (Braganza 2015) as it contributed to the modernisation and effectiveness of the public administration (IMF 2012: 55). To secure these benefits and adhere to the agreed upon regional policy requirements, Burundi embarked on an aggressive reform programme from late-2009 that aimed to simplify the complex regulatory and tax environments for business as well as the absence of real dialogue between the public and private sectors (International Finance Corporation [IFC] 2014: 1). The government set up a high-level committee for this process under the leadership of the second vice-president.[176] The Executive Reform Committee included four full-time staff dedicated to reform-related work and ten working groups tasked with technical work linked to each of the ten Doing Business pillars (IFC

[176] The 2005 constitution established a two-member vice-presidency: the first vice president is responsible for political and administrative affairs and the second for social and economic affairs.

2014: 2). These reforms included efforts to promote foreign trade, strengthen investment protection through a new investment code, and new bankruptcy and commercial arbitration legislation, amongst others (African Economic Outlook 2012: 7).

To encourage trade, for example, Burundi reduced the time to trade across borders by enhancing its use of electronic data interchange systems, introducing a more efficient system for monitoring goods moving through transit countries and improving border coordination with neighbouring transit countries. The country also strengthened investor protection by introducing new requirements for the approval of transactions between interested parties, requiring more extensive corporate disclosure to boards of directors and in annual reports, and making it easier to sue directors in cases of prejudicial transactions. Furthermore, Burundi amended its commercial code to establish foreclosure procedures. These three steps are reported verbatim in Table 7.3. The three reforms recorded by the Doing Business reports match the changes identified by the African Economic Outlook (2012: 7), which were outlined in the preceding paragraph. The influence of EAC membership on Burundi's reform drive suggests an additional causal condition for institutional change: membership of regional groupings.

The reform narrative in the preceding section indicated that Burundi's accession to the EAC was an important driver of pro-business institutional reforms in the country from 2010 onwards. Countries in the EAC have since the 1980s endeavoured to improve their business environments by reducing direct government intervention in their economies and stimulating private sector growth. Articles 127 and 128 of the EAC Treaty underscored the organisation's commitment to providing an enabling environment for the private sector. Under the EAC Treaty (1999: 102-103), the partner states endeavoured to:

- Promote dialogue with the private sector to improve the business environment
- Strengthen the role of national business organisations in the formulation of economic policy
- Remove barriers to market development
- Allow entrepreneurs to participate in improving policies and activities of the EAC that affect them
- Protect property rights

Burundi has shown a strong commitment to EAC membership: the World Bank found that the country made significant efforts to align itself with EAC requirements in the political, institutional, and economic spheres during the first four years of its membership. Progress regarding the promotion of a benign environment for private enterprises was particularly notable. These successes were achieved despite Burundi's massive deficit in technical and institutional capacity (Dihel 2011: 4, 7). To rectify this, the president created the post of Minister in the Office of the President responsible for EAC Affairs (MPACEA).

Regional integration can undoubtedly be a driver of institutional change, specifically in the area of business environment reform. As discussed in Section 2.3, North (2005: 22) saw room for endogenous and exogenous influences on institutional change. Exogenous influences like regional integration could alter relative prices to organisations, among other things. Regional economic integration occurs when two or more countries undertake policy changes that create stronger mutual economic interdependence. Such integration can bring many benefits, including (i) lower transaction costs for businesses, (ii) reduced investment risks, (iii) expansion of markets and better utilisation of economies of scale in production, (iv) pooling of and more efficient allocation of regional resources, (v) closer political contact amongst members, and (vi) the promotion of regional security.[177] Regional economic integration can also enhance and solidify domestic reforms. The diverse motivations for regional integration include enhanced economic growth and development (Madyo 2008: 1, 12).

Conversely, regional de-integration can have adverse economic effects. This affected Rwanda, the DRC and in particular Burundi after the three countries obtained independence in the early 1960s. During the colonial period, these states were parts of an integrated market under Belgian rule. At the time, Burundi’s capital Bujumbura was the industrial capital of the region. However, upon gaining independence, the three countries adopted import-substitution policies and instituted tariff as well as non-tariff barriers. This negatively affected Burundi’s exports to Rwanda and the DRC, to the extent that the country lost half of its external market. Survey evidence indicated that Burundian firms’ capacity utilisation dropped from near full before independence to between 25% and 50%, on average, in the two years after the political change (UNCTAD 2009: 7).

Yet it is not easy to quantify regional integration (or de-integration) for the purpose of constructing causal condition for pro-business institutional change. In 2009, the continent’s regional economic communities (RECs) were already a spaghetti bowl of overlapping memberships. The “spaghetti bowl” phenomenon was first identified in the mid-1990s as RECs and free trade agreements (FTAs) proliferated and became more complex (Bhagwati 1995). As summarised in Figure 7.1, 27 of the 53 African countries were members of two regional groupings in 2009, 18 belonged to three RECs, and one country had joined four regional blocs. Only seven countries maintained membership of just one grouping (UNCTAD 2009: 11). Burundi was a member of h the EAC and COMESA.

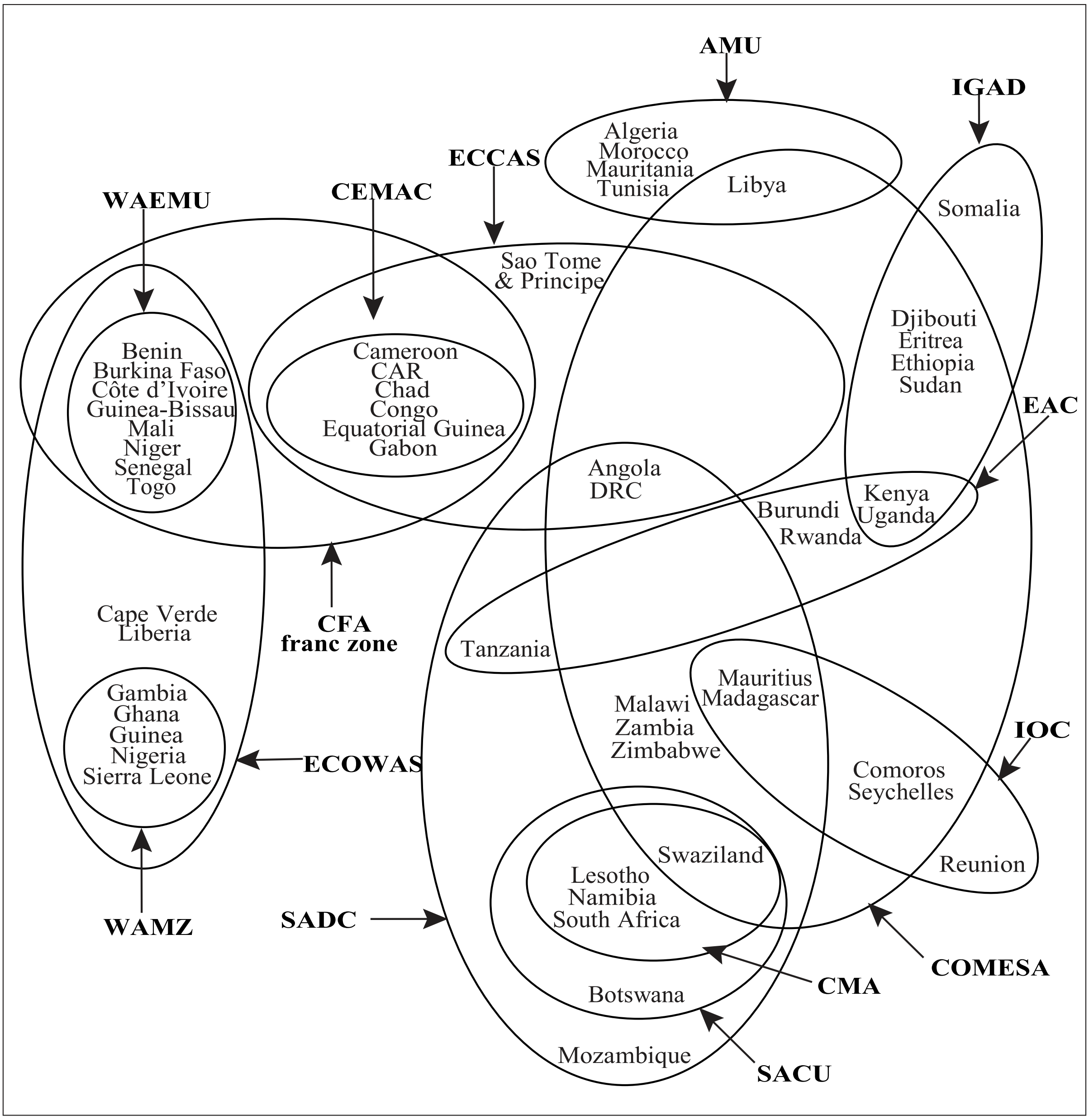
Not only was the nature of RECs and their overlapping membership complex, but levels of regional integration within these communities also varied considerably. Table 7.4 lists examples of African and non-African RECs in different stages of integration. It indicates a vast chasm between the degrees of integration in, for example, the free trade area of the Southern African Development Community (SADC) and the West African Economic and Monetary Union (WEAMU).[178] The reasons behind varying degrees of regional integration within these blocs include diverse initial conditions, implementation issues of an administrative nature, basic design deficiencies, the high dependence of most member countries on the export of primary commodities, bureaucratic and physical hindrances, inadequate coordination and harmonisation of policies and regulations at the regional level, and overlapping membership (UNCTAD 2009: 15).

The acceleration in the business environment reform process in Burundi was strongly affected by the country's accession to the EAC in 2007. An appropriately specified index of regional integration could be a causal condition in set-theoretic analyses of pro-business institutional change. Rwanda is also a member of the EAC and COMESA. Moreover, it implemented similar reforms to those linked to Burundi’s membership of the EAC by the African Economic Outlook (2012: 7). As was shown in this subsection, however, is would be far from easy to create an indicator that captures the influence of regional integration on institutional change. The majority of SSA countries are members of more than one REC, which gives rise to a mixture of influences from different regional groupings on

[177] This dissertation does not attempt to weigh the benefits and disadvantages (see UNCTAD 2009: 7) of regional integration, and does not seek to ignore the criticism levelled against the practice. Rather, the benefits are identified as motivations for countries like Burundi to embark on regional integration.
[178] A free trade area is the least integrated and a monetary union is the most integrated grouping in the African context.

domestic institutional reforms. The differences among RECs and the joint effects of different combinations of groupings result in a spaghetti bowl of potential effects. This does not even take into account the varying levels of regional integration in these RECs – another factor that influences domestic reforms.

Figure 7.1: Spaghetti bowl of African RECs[179]



Source: UNCTAD (2009: 12)

[179] CFA = Communauté Financière Africaine; COMESA = Common Market for Eastern and Southern Africa; CEMAC = Central African Economic and Monetary Community; CMA = Common Monetary Area; EAC = East African Community; ECCAS = Economic Community of Central African States; ECOWAS = Economic Community of West African States; IGAD - Intergovernmental Authority on Development; IOC = Indian Ocean Commission; SADC = Southern African Development Community; SACU = Southern African Customs Union; AMU = Arab Maghreb Union; WAEMU = West African Economic and Monetary Union; WAMZ = West African Monetary Zone.

The majority of SSA countries are members of more than one REC, resulting in a mixture of influences from different regional groupings on domestic reforms like pro-business institutional change. The different nature of each REC and the combined influence of different combinations of groupings results in a spaghetti bowl of potential combinations of impacts. This does not even take into account the varying levels of regional integration within these different RECs – a further factor influencing domestic reforms. While accurate measurement of the effects of regional integration on domestic institutional reform is exceptionally difficult, an important first step would be to conceptualise the elements of an appropriate measure. The three essential elements that would have to be incorporated in such a are the number of REC memberships held by a country, the types of RECs a country belongs to, and the levels of integration in the community or communities it has joined. A reliable measure based on theoretical ideas and empirical observation could reflect the extent to which supranational leadership decisions of RECs influence domestic institutions. Such a construct would fit well into an fsQCA of institutional change, as the method accommodates such scaled indicators. It would also provide further insight into the effects of leadership on institutional change – in this case, leadership from an external source.

Table 7.4: Examples of RECs and varying regional integration

Stage of integration	Description	African example	Other example
Fiscal union	A fiscal union can be described as the transfer of part of the fiscal resources and competencies in the fiscal policy area, as well as fiscal management, from a national level to a supranational level. This includes, among other things, a joint guarantee of government debt.	None	None
Monetary union	A monetary union establishes a single monetary and foreign exchange policy amongst its members. This then grows into a common currency functioning in the common market. This union can result from a bilateral or multilateral agreement between the member countries.	West African Economic and Monetary Union (UEMOA)	Euro zone
Common market	A common market is a customs union that free movement of goods, labour and capital among its member countries. The member states are also required to remove all trade barriers, including any non-tariff restrictions, between members.	Common Market for Eastern and Southern Africa (COMESA)	Central American Common Market (CACM)
Customs union	A customs union is a free trade area in which member countries apply a common external tariff on goods imported from outside the union, regardless of which country within the union the goods enter. This tariff can differ across goods, but not across any of the union member countries.	Southern African Customs Union (SACU)	Gulf Cooperation Council (GCC)
Free trade area	A free trade area involves an arrangement between member countries whereby no tariff barriers exist on goods and services produced within the union. However, each country still maintains their separate tariff barriers on trade with non-member countries.	Southern African Development Community (SADC)	Commonwealth of Independent States Free Trade Area (CISFTA)

Sources: Marinov (2015), European Commission (2015)

Even in the absence of an appropriate measure, it remains important to consider the possible impact of regional integration on reforms in Rwanda. The country joined the EAC in July 2009, just a few months before the release of the Doing Business 2010 report that listed Rwanda as a top 10 reformer (World Bank 2009: 2). Hence, reform success was already well underway in Rwanda when it joined the EAC, with the country's CEDP and Doing Business Unit fully operational. This suggests that the event had no direct influence on the business environment reform process.

Looking further back, Rwanda joined COMESA in 2004. As indicated in Table 7.4, COMESA is a common market that allows free movement of goods, labour and capital among its member countries. According to COMESA (2010: 1), the main aims of the regional grouping is:

- Supporting sustainable growth and development by promoting a more balanced and harmonious development of its productive structures;
- Promoting the joint adoption of macroeconomic policies and programmes to raise the standard of living of citizens of its member states
- Cooperation in the creation of an enabling environment for foreign, cross border and domestic investment
- Promotion of peace, security and stability
- Strengthening the relations between the grouping and the rest of the world

The key entity driving business environment reforms in the region is the COMESA Business Council, a private sector institution that aims to address pertinent constraints on private business in the region, influence policy formulation on behalf of the private sector, and increase private sector participation in the regional integration agenda (COMESA 2017). The PSF, which was identified in Section 6.5.1 as a key role player in Rwanda's business environment reforms, represents Rwanda on the COMESA Business Council. Emmanuel Hategeka was the leading private sector actor in Nsanzabaganwa's (2012) connectedness model of policy change during his time as the head of the PSF. More generally, the connectedness model accommodates foreign influence on policy: as was pointed out before, it identifies the American academic Michael Porter as the change manager.

The analysis in Section 6.5.1 did not identify regional bodies such as COMESA and the EAC as influential in policymaking in Rwanda – Nsanzabaganwa (2012) also did not refer to such international influence. However, it is certainly possible that the work done by COMESA could have influenced actors in the connectedness model. At an executive level, for example, Kagame and policy experts could have gained valuable insight into reforms from other COMESA leaders. The private actors as well as the change manager could also have been influenced. An assessment of regional integration based on the three minimum factors listed above should reveal the extent of such influence, if any. The development of a measure for this purpose falls outside the scope of this dissertation, though.

7.6 Conclusions

Researchers can revisit fsQCA results to incorporate new information. This cumulation process enables researchers to strengthen the explanatory power of fsQCA results. In this dissertation, an analysis of Rwanda's reform success raised questions about reforms in Burundi, given that the countries share many characteristics. Burundi's characteristics include the following: ineffective transactional leadership and inefficient resource use due to multiple structural challenges; high state fragility associated with a weak economy and demographic pressures; a weak initial business environment and private sector caused by weak post-independence governance; and a democratically elected government with some elements of autocracy. However, this combination of characteristics did not feature in any of the pathway solutions generated by the fsQCA. Put differently, the analysis could not provide a plausible explanation for Burundi's reform success.

Following a short historical overview of Burundi's economic and political outcomes, Chapter 7 undertook a review of the values of the outcome and causal conditions for Burundi in the fsQCA in Chapter 5. This review indicated that most of these values are accurate reflections of conditions in Burundi from 2002 to 2013. The exceptions were the BTI data for stateness and the rule of law as well as the Polity IV data for autocracy and democracy. The BTI possibly understated the severity of the challenges affecting stateness and the rule of law, while the Polity IV classifications reflected the broader debate about the true nature of the country's political system. Such questions about the quality of data underscore the importance of critical reviews of the sources of information about cases.

The discussion of Burundi's outcome variable revealed a marked acceleration in the tempo of business environment reforms from 2009 onwards. This was linked to the country's accession to the EAC and the consequent need for reforms to deepen integration with other members of the REC. The potential benefits of such regional integration include larger markets and accelerated economic growth and development. It is entirely plausible that considerations of regional integration contributed to institutional change in SSA countries. However, the differences in the nature of African RECs, the overlapping spaghetti bowl of membership, and the varying degrees of integration in these arrangements make it very difficult to quantifying the influence of regional integration on a case-by-case basis. Given North's (2005: 22) perspectives on causes of institutional change, the influence of regional factors on domestic reforms is certainly a topic for further study.

The reflections on Burundi in this chapter also served to generate insights into Rwanda's reform experience. Five such insights can be identified. The first has to do with the data used in the fsQCA. The analysis in Chapters 6 and 7 confirmed the validity of most of the measures used in Chapter 5. However, the reality that both chapters raised questions about some measures indicates that the minor issue identified for Rwanda in Section 6.4.2 is not necessarily an anomaly. Similar questions about measures for Burundi suggest that deeper study of other SSA countries may also reveal data-related qualms. Most pertinently, attempts to classify the political systems of SSA countries as autocratic or democratic face formidable problems. The de jure and de factor natures of such systems may differ markedly, and the perceptions of politicians and other observers are often at odds.

Secondly, a key finding of this chapter has been that regional integration probably influenced institutional change in Burundi. Rwanda and Burundi are members of the EAC, which is generally regarded as the most integrated African REC in Africa. It is reasonable to think that regional integration, which subjects domestic institutions and institutional change to external influences, could also have contributed to Rwanda's reform success. The key benefits of regional integration (enhanced economic growth and development) align closely with the Kagame regime's strategy of using private-sector led economic growth and development to steer the country away from its divisive and impoverished past. Hence, an impact from regional integration is a distinct possibility.

Thirdly, Chapter 6 established that effective transactional leadership strongly affected Rwanda's reform process via its influence on effective policy coordination. By contrast, transactional leadership was weak in Burundi. This implies a robust domestic driver for institutional change within the dominant network in Rwanda and the absence of such a force in Burundi. However, Burundi probably benefitted from an external driver for its institutional changes in the form of regional integration. RECs and regional integration are products of supranational political forces, and it is realistic to interpret regional integration as a conduit for supranational transactional leadership.

Fourthly, the values of Rwanda and Burundi's causal conditions differed markedly despite the many parallels between the two countries, including successful business environment reform processes. This links to Turner's (2013: 7) view that the countries are in fact 'false twins' in the sense that their many resemblances mask many differences that emerge upon closer scrutiny. Chapter 7 has confirmed this view. The differences in the membership scores of Rwanda and Burundi on several causal conditions highlight the value of case studies and qualitative research for studying institutional change in countries that share many characteristics. It emphasises the uniqueness of cases and the importance of case-based research in NIE to come to grips with this diversity.

Finally, the findings of Chapters 6 and 7 validate the use of fsQCA for studying business environment reform dynamics of SSA countries. By focussing on Rwanda and Burundi, the depth of perspective provided by fsQCA has become clear: the 'false twins' show many similarities but, upon closer inspection, also many differences. This underscores the importance of allowing for equifinality in empirical research, which is possible with fsQCA. The successful reform experiences of Rwanda and Burundi from 2002 to 2013 were textbook examples of equifinality, i.e. multiple causal paths to a similar outcome.

CHAPTER 8: SUMMARY, CONCLUSIONS, AND SUGGESTIONS FOR FUTURE RESEARCH

8.1 Summary of findings

This study of institutional change in Rwanda and the role of leadership in institutional change offers new insights to scholars of both Rwandan history and NIE. The analysis used the critical transitions framework, which is a relatively new tool for explaining institutional change. The model incorporates aspects of leadership – an important factor in Rwanda's history and an element of institutional change that is neglected in most other models. Apart from case studies, the methods employed included two hitherto underutilised tools for studying institutional change, namely Doing Business data and fsQCA. These methods provided new insight into the factors driving recent attempts to improve the institutional environments for business in SSA countries, in particular, the role of transactional leadership. The following paragraphs summarise the key findings from each chapter.

Chapter 1 argued that Rwanda's recovery after the genocide was one of the most impressive examples of post-conflict reconstruction in recorded history. A crucial factor in this process was President Paul Kagame's role in steering the country away from its past of ethnic divisions. While the ethnic, political, social and legal aspects of this history have been well recorded, the economic factors have played second fiddle. As a result, there has been little research on the institutional aspects of change in Rwanda, despite the prominence of such change in new growth theory. When they have been considered, institutions have almost explosively been researched from a static perspective, with a dearth of work on institutional change regarding this impressive post-genocide turnaround. Furthermore, while the importance of Kagame's role has been widely reported, institutional researchers have until recently not been paying enough attention to the topic of leadership. These research gaps are the bases of the four research questions formulated in Section 1.2 and reviewed in Section 8.2 below.

Chapter 2 found that there is no consensus amongst social scientists about the best theoretical framework for analysing institutional change, mainly due to the varied nature of causes of change. It also explained that Alston et al.'s (2016) critical transitions framework was selected as the basis for this analysis because it incorporates the critical role of leadership in moving a country from unsustainable to sustainable institutions. In this framework, institutional change is set in motion by a shock that causes deviations in economic and political outcomes. In turn, these open a window of opportunity for a leader to affect change. The critical transitions framework is a qualitative tool and uses narrative case studies to analyse institutional change. The chapter also pointed out that a case study approach serves the purpose of this dissertation well, in part because the critical transitions framework satisfies the most important criteria identified in methodological writings on applying theoretical frameworks to study cases.

Chapter 3 applied the critical transitions framework to Rwanda's history and delineated five epochs of institutional change, namely the pre-colonial period, the colonial period, the two republics after independence, and the period since the genocide. The most recent period of institutional change, which started in 1994, witnessed the Habyarimana akusa replaced by Kagame and the RPF elite. The country's current institutional trajectory originated from the changes set in motion after the 1994 genocide, with incremental changes still taking place to maintain the autopilot situation. The critical transitions framework introduces two key concepts into our understanding of the process of institutional change, namely windows of opportunity and leadership. The analysis in Chapter 3 showed that both of these concepts have been instrumental in institutional change in Rwanda.

Chapter 4 discussed two tools for studying institutions and institutional change. It firstly discussed the scope for using Doing Business data as indicators of pro-business institutional change. Because some authors have questioned the value of this information for academic research, it reviewed the theoretical underpinnings of the writings behind the Doing Business project as well as associations between Doing Business data and key NIE concepts. The review determined that the data are in fact fitting for use in NIE research. Secondly, fsQCA was examined as a tool for analysing cases. It was shown that the fsQCA method is ideal for identifying set relationships between outcomes (e.g. institutional change) and combinations of causal conditions. This method yields one or more causal pathways to an outcome that can be used for further study of the individual cases included in the analysis.

Chapter 5 applied the tools discussed in Chapter 4; more specifically, it used fsQCA (with Doing Business information as an outcome indicator of institutional change) to generate results to underpin a case study of institutional change. The fsQCA explored the set-theoretic connections between pro-business institutional reform and combinations of four causal conditions – state fragility, effective transactional leadership, the initial quality of the business environment, and political regime types – in a selection of SSA countries. These conditions were derived from four hypotheses rooted in theoretical ideas. The case information for each country was compiled from various data sources, and included a novel approach for measuring transactional leadership. The fsQCA results provide seven pathway solutions for explaining the outcomes recorded for these countries.

Chapter 6 used the outcome of the fsQCA to provide deeper insight into recent institutional change in Rwanda. The pathway solution associated with Rwanda linked the country's pro-business reforms in Rwanda to a combination of effective transactional leadership, a strong initial business environment, and strongly autocratic governance. An exploratory narrative confirmed that this combination accurately reflected the process of change after the Rwandan genocide. It was found that the casual conditions were all influenced by the need to exit the country's ethnically-divisive past, and that economic growth and development have facilitated the change process. The chapter also outlined Nsanzabaganwa’s (2012) connectedness model, which underscores the importance of relationships and trust in successful policy outcomes, to elucidate the policymaking process behind institutional change in the country.

Chapter 7 presented the results of the cumulation step of fsQCA by revisiting the analysis to gain deeper and additional insights. The focus of this step was Burundi, which had many similarities with Rwanda in the study period. These includes their stellar reform performance as recorded by the Doing Business project. Burundi, however, is not strongly associated with any of the pathway solutions identified in Chapter 5. The review of the quantification of the causal conditions used in the fsQCA raised some questions about the quality of data available for Burundi. The chapter also finds that regional integration had a marked impact on the process of domestic institutional change. While difficult to quantify, this factor may well be an additional causal condition in studies of pro-business institutional reform. The findings in Chapter 7 therefore indicate that Rwanda and Burundi should be considered ‘false twins’ as they resemble each other in many ways, while differ in various respects when subjected to closer scrutiny.

8.2 Conclusions: answering the research questions

As specified in Section 1.2, this dissertation endeavoured to explain institutional change and the role that leadership plays in the process, with a specific focus on the experience of Rwanda. In order to achieve this goal, the research aimed to answer four questions:

1) What framework can be used to explain institutional change that incorporates the role of leadership?
2) Which periods of institutional change in Rwanda's history that can be identified using such a framework?
3) Which qualitative and quantitative tools can be used to enhance understanding of recent institutional change?
4) Based on empirical results, what role did leadership play in recent institutional change in Rwanda?

Firstly, there is as yet no consensus amongst NIE scholars about the best single framework for studying institutional change. Attempts to select such a framework are also complicated by the reality that such frameworks tend to ignore the role of leadership. As explained in Chapter 2, Alston et al.'s (2016) critical transitions framework fills this gap. This framework postulates that leaders take windows of opportunity to affect change following shocks to the economic and political status quo. What follows is a readjustment in the dominant network's beliefs about appropriate governance of the country. Such leadership results in changes to constitutional-level institutions, laws and enforcement mechanisms to achieve new economic and political outcomes. Hence, leadership is an integral part of the conceptualisation of institutional change; in the critical transitions framework. The narrative of institutional change in Rwanda clearly illustrated this.

Secondly, the application of the critical transitions framework to the known history of Rwanda in Chapter 3 identified five epochs of institutional change in the country:

- The so-called Golden Era, which stretched from the country's pre-history under successive kings until the arrival of the Germans in the late 1890s and the start of colonial rule.
- The Colonial era, which stretched from the beginning of German rule in 1896 and continued through Belgian rule (which began in 1922) to the country's independence in 1961.
- The First Republic under Gregoire Kayibanda that lasted from 1961 until 1973.
- The Second Republic under military leader Juvenal Habyarimana from 1973 until 1994.
- The Kagame regime from 1994 to date.[180]

As was shown in Table 3.1, leadership and windows of opportunity were instrumental in initiating institutional change in each of these periods.

Thirdly, apart from the critical transitions framework, this dissertation employs two other tools to study recent institutional change in Rwanda. It showed that Doing Business data can be used to derive measures of institutions and institutional change. The information collected by the World Bank since 2002 was grounded in theoretical and empirical research with strong links to NIE ideas. Furthermore, the dissertation showed that the fsQCA method is suitable for analysing the factors associated with

[180] To put this in context, Alston et al. (2016) identified four epochs in Brazil since the 1960s and three in Argentina since 1912. There is no rule of thumb about the average length of an epoch.

this change. Compared to linear regression analysis, this method enables more thorough investigation of country-specific determinants of change. It also allows the researcher to revisit initial results to improve the analysis and findings. Another advantage of fsQCA is that it accommodates equifinality – and important issue in NIE. In addition to these tools identified in Chapter 4, Nsanzabaganwa's (2012) connectedness model is employed in Chapter 6 to provide additional perspective on the policymaking process behind successful institutional change.

Fourthly, one of the most popular explanations for the dramatic economic and political turnaround after the Rwandan genocide has been that the country's national leadership succeeding in creating the necessary conditions for such a recovery. This explanation has emphasised the leadership of President Paul Kagame. The findings of especially Chapter 6 underscored the importance of effective transactional leadership in Rwanda's recent institutional change. Kagame has created a policymaking environment that exhibits all three elements of De Groot et al.'s (2009) definition of transactional leadership. His hands-on approach to ensuring performance and accountability has structured a uniquely Rwandan policymaking process, as confirmed by Nsanzabaganwa's (2012) connectedness model. This has resulted in inclusive policymaking – an unexpected style in an otherwise autocratic political system, yet one that evidently has been successful. The process of change was strongly linked to relationships and the rebuilding of trust.

By answering these four questions, this dissertation has made a contribution to research on the role of leadership in institutional change in Rwanda and other SSA countries. This contribution also has value for the NIE in general, given the paucity of work on the role of leadership in institutional change despite many examples of the transformative role of seemingly extraordinary leadership traits. As emphasised by Alston et al. (2016: 207-208), it is possible to derive broader lessons from case studies even though economic and political development is contextual. This dissertation applies their critical transitions framework to Rwanda to generate such lessons about the dynamic interplay of power, leadership, institutions, policies and beliefs. The most important next step to enrich this framework would be to incorporate the influence of informal institutions.

This dissertation has also contributed in a small way to debates about modern development theory. Rwanda is a developmental state that has put in place the right institutions to stimulate economic development. By using home-grown policies and development strategies, Rwanda departed from the development theory and SAPs of the 1980s and embraced more recent thinking about the importance of institutions for generating long-term economic growth. In creating a relatively autocratic style of government with an efficient bureaucracy, Rwanda has followed the lead of other successful 20th century developmental states. The adoption of economic institutions supportive of private enterprise in the context of a relatively authoritarian government was reminiscent of the strategies of several East Asian countries, and raised similar questions about the necessity of democratic dispensations for economic development. As was pointed out by Mkandawire (2010: 70), other African countries have also prioritised economic development over the extension of political rights.

8.3 Suggestions for future research

The Doing Business data contain little information about informal institutions, and this was reflected in the outcome variable in the fsQCA in Chapters 5, 6 and 7. Nonetheless, this dissertation has definitely not ignored informal institutions and their role in changes to formal institutions. Chapter 2 highlighted the importance of informal institutions in the reduction of transaction costs, among other things. Shared cultural traits affects levels of trust between contracting parties. Cultural and other social factors influence many choices, and social scientists have recently become more interested in these topics and their economic implications. Chapter 2 also elaborated on the role of beliefs in the critical transitions framework of Alston et al. (2016: 226-227). As was argued by North, beliefs are the subjective perceptions of individual and organisations about how the world works.

The historical narrative of institutional change in Rwanda reflected that the dominant network implements institutions to align economic and political outcomes with their beliefs about how society should operate. Changes in these outcomes open a windows of opportunity for leadership to change the institutional trajectories of countries. Ultimately, this could give rise to changes in the beliefs or composition of the dominant network. The historical narrative in Chapter 3 identified changes in beliefs during Rwanda's five epochs of institutional change. Its people's dependence on agriculture determined cultural traits in the country. In turn, this was strongly influenced by ethnic divisions that determined the identities of landlords and peasants. It was only in the current period after the genocide that the roles of agriculture and ethnicity have been downplayed in favour of a focus on a unified society benefitting from broad-based economic growth and development.

Chapter 4, however, pointed out that none of the Doing Business categories records information about the effects of informal institutions on the private sector (the World Bank has acknowledged that this database does not cover all the factors affecting SMEs). As Williamson (2009: 372) stated, public policy cannot directly control informal institutions, which are found in the private realm. Nonetheless, Chapter 4 reiterated that shared culture influences the level of trust between contracting parties, and has a positive and statistically significant bearing on the probability of becoming an entrepreneur. This emphasised informal institutions are important elements of business environments via their effects on transactions and market entry by entrepreneurs.

Reflecting this, some of the causal conditions for pro-business institutional reform in the fsQCA in Chapter 5 were related to country-specific informal intuitions. Chapter 6, for example, explained that Rwanda already had a benign business environment when the Doing Business project commenced in 2002. This was the result of the government's drive to use private sector-led economic growth as a catalyst for development in the country. The aim of this strategy has been to create prosperity to heal ethnic divisions and to undo decades of mistrust amongst Rwandans. The country's informal institutions (e.g. ethnic and cultural divisions) have been at the heart of change in formal institutions over the country's history. While the features of political regimes that determine placement on the spectrum from autocracy to democracy may not seem strongly linked to informal institutions, Rwanda's consociational democracy and autocratic practices are a product of the country's cultural history and informal institutions.

An important aspect of this dissertation has been that the causal condition for effective transactional leadership incorporated several elements of informal institutions. As discussed in Chapters 6 and 7, transactional leadership involves interaction with stakeholders, dialogue, compromise, and commitments. Trust (a socio-cultural phenomenon and important informal institution) is essential for all of these, and elements of moral authority matter as well. Civil society traditions like societal trust also affect the scope for and complexity of effective transactional leadership. Chapter 6 explored Nsanzabaganwa's (2012) connectedness model, which describes the policymaking process behind changes in formal institutions. It found that the relationships and trust between policy experts, change managers and private sector agents have been crucial to the success of policymaking in Rwanda. The chapter used examples from the agricultural sector and the pro-business reforms to identify these trusting relationships.

Trust was a recurring theme in this dissertation. Chapter 1 noted that NIE theory offers tools to examine the influence of formal and informal institutions on the choice sets of individuals and organisations. These informal institutions include interpersonal trust. Chapter 2 stated that a more trusting relationship between parties lowers transaction costs by reducing the need for complex contracts and increasing the sharing of information. In addition, Alston et al. (2016) underscored the importance of trust between the polity and the citizenry for effective leadership to be possible. Apart from highlighting the distrust between Hutu and Tutsi throughout Rwanda's history, Chapter 3 identified the need to rebuild trust as one of the problems Rwanda faced after the genocide.

Chapter 4 pointed out the neglect of effects of informal institutions on SMEs is a shortcoming of the Doing Business data. One effect of this is that low levels of trust pose certain risks to entrepreneurs in institutional settings that would appear supportive in terms of Doing Business indicators. Chapter 5 introduced the effects of the level of societal trust on the complexity of implementing effective transactional leadership. Furthermore, Chapter 6 explained that the need to rebuild trust between ethnic groups played an important role in the economic policy decisions of the Rwandan polity. Nsanzabaganwa's (2012) connectedness model provided theoretical and practical confirmation of the salience of trust amongst key stakeholders in the policymaking process in Rwanda. Chapter 7 reiterated these themes.

Nonetheless, the complexity of measuring trust remains a formidable barrier to more prominent incorporation in this dissertation. This implies that there is scope for further elaboration of the perspectives on institutional change and leadership developed in this dissertation. The influence of trust on changes in formal institutions cannot be ignored: as Alston et al. (2016: 15) pointed out, trust by citizens is a prerequisite for the kind of leadership required to change formal institutions. While economists have been reluctant to rely on cultural features like trust to explain economic phenomena, Alesina and Giuliano (2013: 2) observed that recent research convincingly demonstrated strong connections. According to Voigt (2018: 8-9), the factors that complicate measurement of informal institutions include the following:

- It is difficult to observe some informal institutions
- Researchers and other outsiders often find it difficult to understand the roles that informal institutions and sanctions for breaching them fulfil in particular contexts
- The reality that informal institutions are unwritten rules means that some have few easily quantifiable characteristics
- It is often difficult to separate informal institutions and their effects
- The influence of beliefs and other informal institutions are not necessarily aligned with national borders
- Some norms may be so self-evident to respondents that that they do not identify them to researchers as determinants of behaviour
- Surveys can be unreliable sources of data about informal institutions, because they tend to elicit information about opinions as opposed to actual behaviour.

North (1990: 36) acknowledged long ago that informal institutions are significant even though they are less amenable to description and definition than formal institutions are. The impact of trust on formal institutional change is an important topic for future research. The available measures of trust are inadequate for this purpose. In the future, a structured and reliable measure of trust could provide more insight into the interplay between trust and leadership in the process of institutional change. Trust is one of the most frequently chosen proxies for informal institutions, and the WVS the most common source of data for the construction of such proxies. However, Voigt (2018: 9-11) found that these proxies are often ill-suited for their intended purposes. In fact, he argued that trust is an outcome of various informal institutions, and that it "is at best very imprecise" to use it as a proxy the full gamut of informal institutions. To remedy this, Voigt (2018: 10) recommended a change in the focus of laboratory experiments undertaken to obtain measures of trust: in his view, it would be appropriate to jettison a direct focus on trust itself and to focus on informal institutions that induce trust instead.

The issue of trust is particularly important for Rwanda. Many historians argue that the initial arrival of the Tutsi in the 15th century was peaceful, with the Tutsi adopting Hutu language and cultural traits. By the 16th century, when a Tutsi monarchy had assumed power over the region, the basis of the distinction between Tutsi and Hutu had changed markedly from ethnicity to socio-economic status. According to Alder and Wang (2014: 2), theory and empirical results suggest that ethnic polarisation – a lack of trust between groups – is an important determinant of conflict. Using Rwanda as an example, they argued that the collapse of trust between the Hutu and Tutsi over the following centuries was an important determinant of the 1994 genocide. The appointment of Tutsi chiefs to oversee Hutu on a district level solidified a distinction in social status between the two groups. Furthermore, Hutu clans experienced internal conflict as struggles amongst the groups to seek favour from the Tutsi chiefs divided communities. The colonial period intensified this distinction with the introduction of identity cards that labelled individuals as Hutu, Tutsi or Twa.

In sum, ethnicity initially was a small factor in Rwandan society, but became increasingly influential as trust broke down between Hutu and Tutsi. The country's ethnic and political dynamics have been driven by a division between Hutu and Tutsi that centred on the humanly-devised construct of socio-economic status. Cultural constructs such as trust, norms, customs, religion and traditions are informal institutions that have determined the country's ethno-political history and, ultimately, its cycles in institutional change. It is therefore crucial in future research on institutional change in Rwanda to account for the influence of trust on changes in formal institutions. Nsanzabaganwa's (2012) connectedness model makes this clear. The interaction between leader and other economic agents is augmented by the actions of the change manager. This actor must create trust between the policymakers (politicians and bureaucrats) and the private sector. Mutual trust helps private actors to embrace policies, which contributes to more successful policy outcomes.

Successful leaders can explain complicated economic choices to economic agents and persuade them to endorse those choices. Rwanda scholars like Kiwuwa (2012: 33) are aware of the importance of trust as an enabler of transitions. Kagame also appears acutely aware of this, based on a 2011 statement about the nature and effects of leadership: "It is not the leader alone that matters. There must be [a] connection between the leader and the led. Yes, there is something about the leader, but there is also something about the quality of the led as well. The actual engine of change is a hidden one, the spirit. The secret lies in having succeeded in galvanising the Rwandan spirit" (Nsanzabaganwa 2012: 8). Kagame's words highlight the importance of conceptualising leadership as an engine of institutional change in the context of the trust between leaders and their followers. He believes there must be trust (a connection and spirit) between leaders and citizens, and that the actual driver of change is galvanisation of trust between the leader and the led.

The enabling role of institutional change also makes it an important element of economic development – and modern development theory. According to Bjørnskov (2012: 1346-1348), countries with high levels of trust have grown faster in recent decades than otherwise comparable ones. Trust allows the formation of human capital, which the institutional approach, new growth theory and capabilities approach all regard as central to economic development. Higher levels of trust improve the quality of decisions in the bureaucracy, political process and overall governance system – another critical determinants of economic growth. Trust also influences growth-enabling activities like FDI and international trade; hence, this informal institution should feature more prominently in economic development theory. Indeed, empirical research by Bjørnskov (2012: 1360-1361) reported robust causal connections links running from trust to governance and leadership.

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