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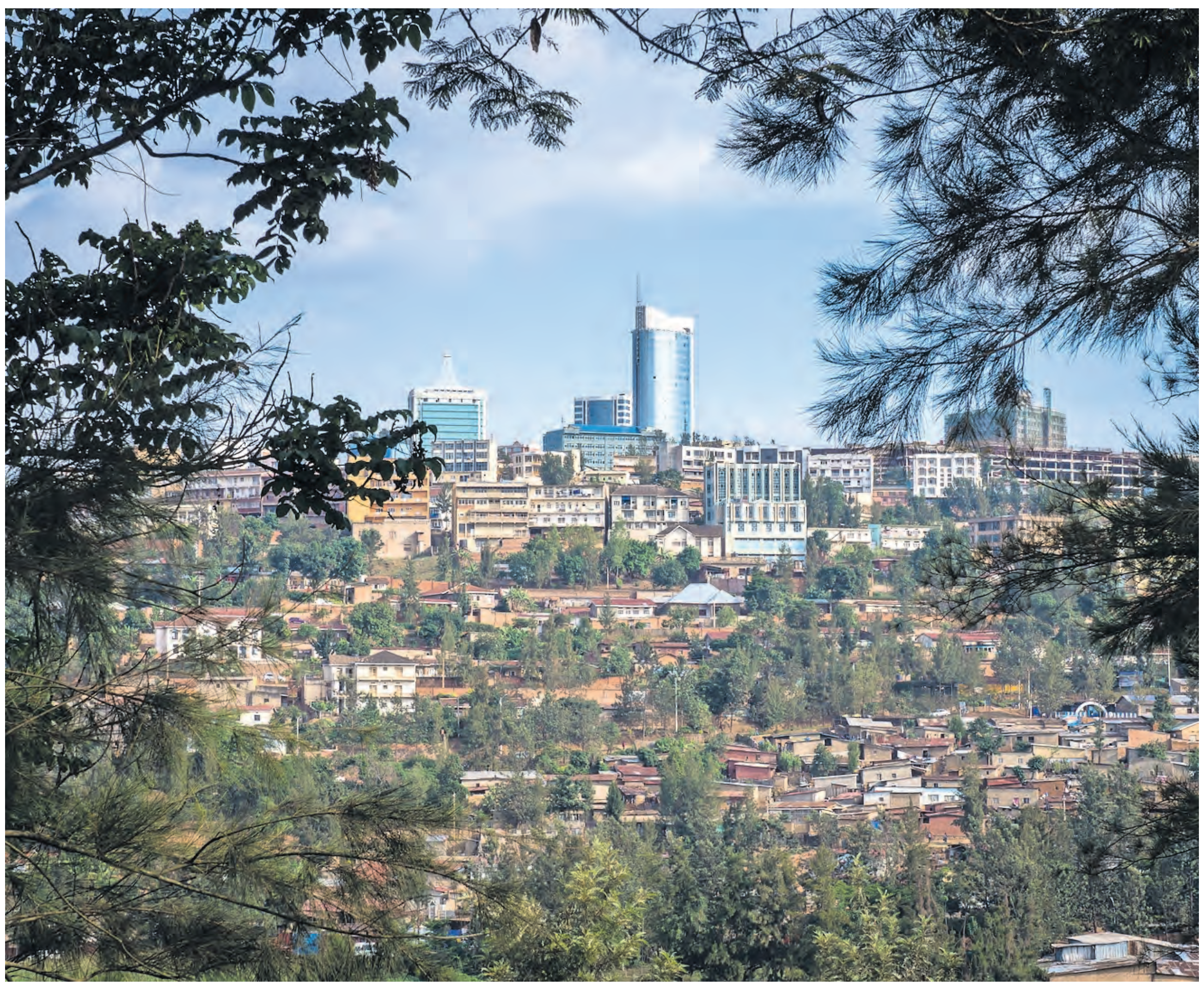
Kagame seeks miracle that lasts

President tells ministers 'deliver or die' as the country continues along path of reconstruction since the 1994 genocide, writes *Katrina Manson*



Land of a thousand hills: the government in Kigali needs to sustain the economy's high annual growth rates — Dreamstime

Few people could be more aware of the constraints that Rwanda has been working under than President Paul Kagame. Little more than 20 years ago, the hardline leader was engaged in a battle for the country's existence as it was devastated by genocide. Today its turnround amounts to an extraordinary feat, often referred to as "Rwanda's economic miracle".

Tiny, landlocked and 1,000km from a port, with high electricity prices and 12m mostly poor inhabitants, Rwanda has recorded 8 per cent annual growth rates for the decade to 2012. More than 1m people have been taken out of extreme poverty. Good roads, security, healthcare services and an efficient bureaucracy are impressive in a region where all are in short supply. Rwanda is developing agro-processing industries to add value to rural products and is marketing itself as a continental hub for services. The World Bank ranks it Africa's third most business-friendly destination.

This is not merely the result of growth from a low base, but also of policy directed from the top. The president is a former military commander brought up in a Ugandan refugee camp, who now mingles with global leaders discussing subjects from the dignity of education to speeding up the pace of e-government.

Under Mr Kagame, Rwanda has studied locations worldwide — from Jersey to Singapore — that perform against the odds and considered what to emulate. His administration has reformed business rules, offered tax incentives, promoted women, championed east African integration, attracted aid money — which still funds 38 per cent of the budget — and provided government spending that has propelled growth.

All this will not be enough, however, to secure Rwanda's future. Several of the efforts underpinning one key goal — to become a middle-income country by 2020 — are turning sluggish. Growth is slowing and forecast at 6.5 per cent this year. Dollars can be so scarce that some businesses are unable to pay bills. Exports amount only to $600m a year, producing what the World Bank calls a "chronic large trade deficit" at 17.2 per cent of GDP. Flagship projects in construction, tourism and energy are behind schedule. The effort to develop the "land of a thousand hills" as a hub for services — which accounts for the lion share of growth — is limited by Rwanda's small number of consumers.

So perhaps it makes sense that, at a national leadership retreat in March, Mr Kagame took issue with senior personnel in his administration. "Why are you not interested in delivering on what you must deliver for your people?" he said. "Don't just be so full of yourselves."

In an attack judged by his critics to be "dehumanising", he called on ministers and senior officials "to deliver or die". He added: "We are failing as individuals to take stock of our own weaknesses and problems that we transmit into the system." He had the right to be angry, he said, accusing individuals of doing "little or nothing" to correct planning failures and weak leadership in state-backed projects.

The 57-year-old's authoritarianism can inspire fear. "He just loses it," says a close collaborator who attended the retreat, choosing his words with care despite offering his view anonymously. "He definitely expressed his displeasure with the speed at which certain projects are moving. I guess he gets frustrated. Our president won't allow us to waste time. He knows we can't afford to be complacent."

In many ways, Mr Kagame may well be right. Given its past, Rwanda cannot afford to fail. Almost a generation after the 1994 genocide that killed 800,000 people, the country remains a "test-tube experiment", says one senior western diplomat, the outcome of which remains uncertain.

The government, meanwhile, is writing its own rulebook, one that is written in authoritarian ink and regularly coloured by allegations of human rights

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Inside

Third-term debate allows little room for opposition

Pointed issue: the president is testing the waters on whether the constitution should be amended — Bloomberg

Politics Business appears to favour the notion of President Kagame staying on, writes *David White*

Late last month Paul Kagame gathered his presidential advisory council, made up of foreign and Rwandan dignitaries, for a meeting that was duly reported in local media and on the president's Flickr Photostream. What they failed to mention was the purpose of the meeting, which was to test the waters on whether the constitution should be amended so that Mr Kagame might seek re-election when his second seven-year elected term expires in 2017.

The president raised the issue himself at the meeting, according to a participant. Advisers pointed out both the risk to his international reputation of holding on to office and the risk of uncertainty that a change of leadership would entail. Business figures on the panel tended to favour him staying on.

At the time of writing, the 57-year-old Mr Kagame had not made his intention clear. He told a later press conference that he was not asking for a further term but was open to being convinced. This came after a succession of Rwandan media commentaries arguing the case for keeping him on as president.

A change to the term limit requires backing from parliament and a referendum, but the outcome and the presidential election result would be in no doubt. Credited with restoring order and calm in Rwanda and reconstructing a collapsed country, Mr Kagame won 93 per cent of the vote in his last election.

For Rwanda's donors, with mixed feelings about Mr Kagame's style of government, a constitutional change to extend his tenure would be awkward. The dynamic development agenda and pro-business policies they support come with uncompromising political control and accusations of ruthless tactics towards opponents inside and outside the country. Western indulgence has shown signs of wearing thin. Some aid was held back in 2012-13 after a UN panel accused the government of supporting rebels in the Democratic Republic of Congo, in a continuing spillover from Rwanda's 1990s genocidal conflict.

The attitude of the US, the largest donor, which has promoted the use of Rwandan forces in African peacekeeping, will be key. The prospect of incumbent presidents manipulating to stay in office has been a live issue in both neighbouring Burundi and the DRC.

In a country with a tradition of obedience to authority, power is concentrated in the person of Mr Kagame. He has been de facto leader since the 1994 genocide, becoming president under a transitional constitution six years later. "There is very little scope for dissent or meaningful opposition in Rwanda," says Carina Tertsakian of Human Rights Watch. "The lid is still firmly on."

No space is allowed for anyone else within the regime or outside it to form a significant political power base. There is a high turnover of ministers, who are held to demanding expectations.

> 'The country has had 15 years of reconstructing itself. Is the time sufficient?'

Supporters of Mr Kagame argue that the rebuilding of Rwanda's institutions only began in earnest in the late 1990s. "This is a country that has had 15 years of reconstructing itself. Is the time sufficient?" asks one ally.

While the 2003 constitution embraces the principle of pluralist democracy, divisive and identity-based politics are outlawed. The strongest opposition resides outside Rwanda, and includes former Kagame confidants.

Although some radio stations have aired debates about the "third term" issue, the press is tame. The authorities suspended the BBC's Kinyarwanda-language radio six months ago following a television documentary contesting the accepted version of Rwanda's genocide.

Harsh sentences have been handed out in recent politically related trials. A singer, Kizito Mihigo, who a few years ago received a peace award from Mr Kagame's wife, was in February jailed for 10 years for conspiring against the government and inciting hatred. Two co-defendants received terms of 25 and 30 years. This follows a string of detentions, disappearances, attempted murders and suspicious deaths, including that of a former intelligence chief found dead last year in a Johannesburg hotel.

Mr Kagame's Rwandan Patriotic Front, well resourced and with contacts in a range of businesses, keeps a firm grip. "It doesn't allow anyone to spoil its party," a foreign diplomat comments.

Only one of Rwanda's 11 registered parties, the Democratic Green party, has taken a position against lifting presidential term limits. "There is no one in parliament who is going to oppose it," says the party's leader Frank Habineza.

At the parliament in Kigali, statues commemorate RPF heroes. Battle-scarred walls are a reminder of an episode at the start of the genocide in April 1994 when soldiers of the RPF, then a rebel movement made up mainly of exiled members of the Tutsi minority, were based there as part of a peace process. They came under fire from forces of the then Hutu-led government.

The RPF's 41 seats in the 80-seat chamber of deputies would in theory not suffice to launch a constitutional amendment. But the two parties that hold the other 12 directly-elected seats have been co-opted into the government. Remaining members, representing women's and youth organisations and disabled people, pose no barrier.

The parliament's echoing concrete auditorium has as its focal point, between two flags, a picture of Mr Kagame. It will be hard for Rwandans to imagine anyone else's photo in its place.

Kagame seeks lasting economic miracle

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abuses, which range from the suppression of free speech to alleged murder of political rivals. Social cohesion, such as it exists, is "imposed" according to one senior international official.

The Tutsi-dominated hierarchy is drawn from the minority ethnic group that was targeted in the genocide. Rwanda's leaders still see an existential threat from Hutu extremists, drawn from the majority group, who carried out the genocide. Tensions seethe despite the fact that ethnicity has become taboo in the attempt to overlook divisions in a country where some victims and perpetrators of the 1994 atrocities live side by side.

One foreign former admirer of the administration says the government risks re-creating an "apartheid" system. "Hutus understand there is a glass ceiling," says the senior international official, who describes Rwanda's "economic miracle" as overstated. "If you're not playing to the tune of the RPF [the ruling Rwandan Patriotic Front party] you're dead economically. There is no such thing as free enterprise in Rwanda. It doesn't exist."

While the state — frequently in the form of the RPF — has a heavy hand in many areas of the economy, it seeks to market a business-friendly environment for private investors. Neither the RPF's nor Mr Kagame's rule is likely to be tested in the short term, in spite of a 2017 constitutional deadline for him — by then president for 17 years — to step down.

Diplomats and insiders say changing the constitution would be easy, legal and probably widely supported if only because of fear of instability otherwise. Investors appear mostly to back the prospect of continuity.

"He stays, no questions," says a senior international official, adding with irony: "He will have to abide by the wish of the Rwandan people, who will come on their knees [begging him to stay]."

The official worries, however, that although extending Mr Kagame's personalised rule might secure stability in the near term, it risks weakening institutions and inflaming dissent longer term.

Donors, who in 2012 halted a considerable amount of aid following allegations that Rwanda was supporting rebels in eastern Congo, are unlikely to make the same sort of move should Mr Kagame stays on.

Private concerns persist, however. "You can make a perfectly credible administration case for him staying on, focusing on how it is remarkable what's been achieved," says the senior western diplomat. "But it is also impossible to become a challenger. It is not permitted, even within the [ruling] party. My concern is if he does stay on, when does he ever go?"

6.5%	17.2%
This year's forecast of Rwanda's economic growth	The country's trade deficit as a proportion of GDP

Regional linkages top the agenda

Economy

Small marketplace implies need for bigger middle class and improved access to the coast, writes *Katrina Manson*

Nakumatt, east Africa's biggest supermarket chain, had high hopes when, in 2011, it opened Rwanda's largest store in Kigali, the capital. Only a thousand shoppers visit each day, however, about two-thirds short of the target, says country manager Adan Ramata.

"We still have a small challenge in the middle class," says Mr Ramata. Nakumatt is not the only retailer stymied by the lack of a mass consumer market. Sulfo Rwanda Industries, the country's oldest and biggest domestic manufacturer with 700 workers, say its efforts to introduce skincare ranges for "more sophisticated" consumers in the past year have flopped.

"We are limited by people who want cheap products, they face inflation and have little money," says Hariharan Dharmarajan, managing director.

The IMF forecasts 6.5 per cent growth this year. Expected inflation of 3.5 per cent for 2015 is low and Rwanda aims to be a middle-income country by 2020. For now, rising domestic consumption is driven by government spending funded by donors on infrastructure.

Finance minister Claver Gatete: 'For us as a landlocked country, we see integration as very, very crucial'

With a total market of only 12m people, Rwanda is pushing the agenda for integration across the East African Community, the regional trade block. "For us as a landlocked country, we see regional integration as very, very crucial," says Claver Gatete, finance minister. "That's why we are talking about a railway from Mombasa all the way through Uganda to here." Rwanda is due to pay $1.2bn of the railway's $13.8bn cost, but is yet to work out how.

"We have been working on how to bring in the private sector," says Mr Gatete. The government wants it to fund at least a third of the Rwanda portion.

Rwanda has worked to cut the costs of transporting imports 1,000km from the east African coast. It has delivered reliable well-paved roads and championed smoothing out customs clearance procedures with a new region-wide single-entry system. This has reduced non-tariff barriers at checkpoints, where kickbacks were previously a feature.

Importers and retailers in Rwanda testify that goods now arrive from port to shelf within four days, compared with more than two weeks previously. "Delays have come down — now there are no formalities at the border. It has really helped us," says Mr Dharmarajan. "Now we feel we are linked, not landlocked. It's a good relief."

Despite the improvements, Rwanda still suffers a cruel squeeze on its purchasing power, which is much weaker than in the east African economic hub, Kenya. Shop prices in Rwanda tend to be at least 10 per cent higher than in Kenyan stores. A variety of factors related to long-distance transport are the cause.

"We are talking about logistics, we are talking about insurance, we are talking about considering the damages, we are talking about the shelf life," says Nakumatt's Mr Ramata.

John Rwangombwa, central bank governor, says things are set to improve as the economy emerges from the low growth of 2013. Donors held back aid at the time over allegations that Rwanda was backing rebels in neighbouring eastern Congo.

"The economy is doing well since 2014 and we are going back to where we were before 2012," he says. He points not only to improving growth but also indicators such as a reduction in non-performing loans (from a 7.2 per cent recent high in 2013 to a 2015 target of 5 per cent).

Despite its setbacks, Nakumatt, which has 300 employees at its two Rwandan stores, plans to open two new outlets in the capital, including in August a 24-hour shop near the airport with a gymnasium on top of it. It aims to open its first stores outside Kigali in two years' time.

Mr Rwangombwa says the government is lobbying banks to bring down high lending rates, although bank loans to the private sector did rise 38 per cent last year. The key challenge, he adds, remains how to boost exports to deliver greater dollar flows.

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Big bets laid on ambition to become a global hub

Conferences Expanded air links and reputation for security are key to strategy, writes *Katrina Manson*

Against the echoey soundtrack of building works, Ali Kashan, project manager of Rwanda's forthcoming — and long-delayed — Marriott hotel points towards a boarded up, large dusty door frame: "This is our ballroom," he announces.

There is a hint of triumph in his voice that is in keeping with Kigali's ambitious view of its future. "The entire vision of the country is to develop Rwanda as a hub for meetings, incentives, conferences, and exhibitions," says Frank Murangwa, of the Rwanda Convention Bureau, a state marketing agency that opened last year.

Rwanda is betting big on becoming a pan-African conference destination. Well-laid roads pass building project after building project across the capital, many of them hotels planning considerable conference facilities.

"Conference bookings come with capacity," says Mr Murangwa. "We need 20, 50 conferences [a year]. The more we get bigger hotels, the more we will attract more conferences."

Several of the conference-related projects are attracting big names, including a five-star Radisson Blu, a four-star Park Inn by Radisson and, for 2018, a Sheraton.

The five-star Marriott, where workers still heave sacks of cement about the grounds, plans to open this year with 254 rooms and gala conference facilities. The ballroom should be big enough for 187 people.

"This would be a big hotel anywhere in the world," says Mr Kashan, a Dubai-based contractor who had never before visited Africa. He is standing on a balcony looking down on to the pool area, where 500 workers are applying the finishing touches.

Of Rwanda's $305m tourism takings last year, conferences accounted for $49m. The aim is to raise that to $150m by 2017. Tourism is the biggest foreign exchange earner and the conference programme "can really be quick-win in terms of increasing our foreign exchange", says John Rwangombwa, central bank governor. "We expect that in the next three years we'll have yielded results."

Key to this is the expansion of RwandAir, the national flag carrier, in which the government has a 99 per cent stake. Its present 17 destinations and seven planes are expected to increase respectively to 25 and 14 over the next few years. Chief executive John Mirenge wants to fly a million passengers a year by 2019, double the number of today.

"The most important objective the government of Rwanda set itself when they were reinvesting in this airline was to provide accessibility to the country, to support the other service industries in the country — tourism, conference possibilities, meetings," says Mr Mirenge. "We have to connect ourselves to the rest of the world, especially as a landlocked country."

He adds that the expansion has "catalysed" the whole travel market and attracted international airlines such as KLM and Qatar to land in Kigali.

Rwanda aims to lure dollars out of the pocket of every conference-goer, with activities ranging from evening entertainment to weekend gorilla treks. "Conference delegates here in Rwanda spend $245 each per day but internationally it's $665," says Mr Murangwa, wistfully comparing Kigali with the likes of Vienna, Berlin, Paris and Barcelona, as well as Africa's top conference destinations in Egypt, Kenya and South Africa.

Many projects remain far behind schedule, for example, the $300m Kigali convention centre, which Rwanda issued its debut $400m bond on the international markets to fund.

The crane towering above the capital's great spherical hope stands abandoned beside one of the main roundabouts. This follows an argument with the Chinese contractor, which Rwanda is taking to court.

When Rwanda hosted the annual African Development Bank meetings last year — a coup for the small country — it was forced to use tents for meetings and private villas to accommodate some 2,500 visiting delegates.

Rwanda's cast-iron security is a plus, however, not least after terror attacks suffered by Kenya. In November, Kigali hosts the annual general assembly of Interpol, the international police network. "Safety has been our number one selling point," says Mr Murangwa.

Sleeping giant: works on Kigali's convention centre are at a standstill — Katrina Manson

More help wanted in effort 'to do it online'

Technology

Kigali has high hopes that a fast communications network will lead to a dynamic ICT economy, writes *David White*

Registering a land transfer in an outlying village in Rwanda requires a number of journeys — to the nearest subdistrict office to get forms to fill in, which then have to be notarised, to a bank to pay the notary's fees, then back to the government office, probably returning later to check the status of the process.

From mid-year, registration can be done online. For people with no internet-capable device of their own, this could be done at a government centre, or a cyber café, or the place perhaps where they already buy phone airtime and do their mobile banking.

The official plan is that from the end of the year it will no longer be possible to do the process manually. The same goes for such other processes as applying for birth certificates, ID cards, passports and building permits.

This is "a transformation project", according to Didier Nkurikiyimfura, director-general in charge of information and communications technology at the ministry of youth and ICT. The scheme is emblematic of the Rwandan authorities' vision of an ICT-enabled economy. E-government, e-health, smart agriculture — these are all part of the official credo — and "you can do it online" has become the Rwandan bureaucratic catchphrase.

It is easier to imagine success of the plan in modern Kigali than in rural communities. In such areas, people carry produce to market on their heads and few have electricity to charge an electronic device.

An important plank of official strategy, namely attracting big IT companies, is rather lacking. Similarly, the objective of getting internet access into schools depends on Rwanda expanding electricity access. One step forward is a Brazilian-Argentine venture, Positivo BGH, which is assembling laptops for schools.

The government is intent on pushing ahead with setting up internet service points in Rwanda's 2,148 "cells" — the country's smallest administrative units — with the online network eventually covering all government-to-citizen and government-to-business services,.

For private operators that have invested in communications infrastructure, the scheme is a signal of the authorities' commitment to technology. Rwanda has 4,500km of fibre optic cable and has wide 3G mobile coverage; 4G LTE (Long Term Evolution) is available in Kigali, with plans to extend it across the country.

The government laid the "backbone" fibre network, rather than relying on operators to do it. "It would have taken 20 years," says Steve Mutabazi, a government strategy adviser. It spent $130m on laying the fibre, expecting mobile companies to provide the "last mile" of wireless broadband connections. "We reckoned they would jump at it," says Mr Mutabazi. They didn't."

Didier Nkurikiyimfura: Rwanda's internet improvements are a 'transformation project'

Instead, the government opted to provide wholesale services to operators and internet service providers, through a joint venture, Olleh Rwanda Networks, formed two years ago with Korea Telecom. Mr Mutabazi, who chairs Olleh, expects to keep within its $140m budget, with a nationwide network due for completion in early 2017.

A separate fibre network is operated by Liquid Telecom, an affiliate of the southern Africa-based Econet, which took over the landline assets of the state company Rwandatel. Sam Nkusi, chairman of Liquid Telecom Rwanda, says bulk broadband rates have come down sharply and are competitive.

Gorillas play lead role while other assets lurk in the mist

Tourism Minds are focused on enticing visitors beyond the main attraction, reports *David White*

At 7am every day, up to 80 early risers gather at the headquarters of Volcanoes national park. There they are briefed, split into parties of eight and driven to the starting points for the trek up the forest slopes. Their guides, two to each party, link up with rangers who keep track of where the mountain gorillas are.

The hike through the undergrowth varies in duration — on average about an hour and half — but unless it is very unlucky the party will find its group of gorillas, spend up to an hour observing them and head back.

This is a high-end business, a niche market and Rwanda's signature tourism product. Access to the rare mountain gorillas is strictly controlled. The one-day permit alone costs $750 per person and, in the high season between June and September, needs booking well ahead. Room rates at top lodges nearby — although there are cheaper options — run as high as $1,500 a night.

"We'll never have mass tourism in Rwanda," says Joseph Birori, managing director of Primate Safaris in Kigali. "We're looking at quality numbers."

Tour operators and the Rwandan authorities are pushing to diversify tourism into less well-known areas. Luring visitors to the country's lakes is one objective. There is also potential in resources from bird life to folklore.

Akagera national park in the eastern savannah bordering Tanzania has been replenished with game. The Nyungwe jungle in the south, boasting chimpanzees, monkeys, hundreds of bird species and a rope-bridge walkway above the forest canopy, has seen a surge in popularity. A smaller national park, where primates can also be viewed, has opened in the west at Gishwati, a forest zone restored after being devastated by cattle ranching and refugee settlement.

"It's quite a success story in conservation," says Yamina Karitanyi, chief tourism officer at Rwanda's development board, which has conservation as part of its remit. The idea is to build on the country's showcase attraction at the same time as not downplaying it. "Anybody wanting to sell Rwanda will still have gorillas as a priority," she says.

Mountain gorillas are to be found only in the three countries that converge in the Virunga massif — Uganda, Rwanda and the Democratic Republic of Congo. Total numbers were 880 primates at the last count, of which 295 (monitored on a daily basis) are on the Rwanda side.

The number of gorilla family groups visited by Rwanda-based tourists is limited to 10, with others accessible only to scientists and researchers. With an increasing gorilla population, some operators want tourist access extended to more groups, but Ms Karitanyi is dubious. "For now, we are quite happy, and tourists are quite happy with the experience," she says.

Davidson Mugisha, a former park warden who runs an eco-tourism company, Wildlife Tours, worries about sustainability. "Relying on one product I think is dangerous," he says. His fears centre on climate change and its impact on plants the gorillas eat, the risk of infections, the region's growing human population and the proximity of an active volcano, Nyiragongo, 40km from where the gorillas are.

Great ape: a one-day permit to see the primates costs you $750 — Getty

To view the gorillas in the Volcanoes park involves only a two-hour drive from Kigali. Quick visits, however, are not what Rwandan authorities want. Ms Karitanyi's wish is for "a bit more" in terms of tourist numbers and a tripling in their spending.

Total arrivals in Rwanda including business and conference visitors have been rising, to 1.2m last year. "I would be happy with 2m visitors spending as much money per day and increasing the number of days," she says, but admits the government target of raising revenue from $305m last year to $860m in 2017 is a tall order.

Like other African destinations, Rwanda has suffered by association as a result of the Ebola crisis in west Africa and terrorist violence in Kenya. Non-business visitors from outside Africa dropped 10 per cent last year to just under 40,000. The number of visitors from the US, Rwanda's biggest source of tourists, fell almost 16 per cent.

Beyond wildlife, the authorities are looking to promote cultural tourism and even visits themed on the 1994 genocide. Sites include the powerful Kigali Genocide memorial and harrowing relics at churches south of the capital. "We should capitalise on that. It's part of our history," says Ms Karitanyi. "I don't think it's such a bad thing that we give people something to think about."

Farming co-ops reap cash rewards

Agriculture

Small family holdings are consolidating into successful commercial co-operatives, reports *David White*

The farms of Burera District, in Rwanda's fertile north, are a jumble of tiny plots. Sorghum, potatoes, maize and cabbages grow in proximity. The average land holding is miniature even by Rwandan standards — 0.4 hectares, or the size of a junior football pitch.

But a new kind of cash farming is emerging. Under a programme run by the UN's Food and Agriculture Organization, co-operatives previously geared to family consumption have moved into commercial production, sending dried maize to a flour mill set up by a former schoolteacher. Yields have increased and the price farmers can obtain per kilo has more than doubled.

"Things have changed a lot here," says Sabine Sinzamuhara, the flour mill's founder. She now has clients from across the border in Uganda.

Raising the output and value of farm production is a top priority for the government because of its impact on poverty, in a country where about 80 per cent of the population is in rural areas and more than 70 per cent of employment is in agriculture. "We . . . still have between 30 and 40 per cent of potential in terms of productivity that we need to work on," says Tony Nsanganira, minister in charge of agriculture.

According to the World Bank, agricultural output almost doubled between 2000 and 2012. However, the bank warns of bottlenecks, notably a shortage of space for commercial agriculture.

Striking out in any direction from Kigali, it seems every available patch of hillside and valley has been carved out for farming. According to a survey published in 2012, the average area of cultivated land did not exceed a hectare in any of Rwanda's 30 districts, and farms are usually split into several parcels.

However, Mr Nsanganira points to some successes in larger-scale commercial farming, citing the example of Bramin Farm in eastern Rwanda, a joint venture of the Heineken group to grow irrigated maize for brewing.

The government has been working on land consolidation, concentrating on priority crops, trying to improve farmers' access to finance and helping co-operatives to form. Trading in commodities is being developed at the East Africa Exchange (EAX), a Kigali-based regional initiative launched last year, that offers warehousing facilities and has established links with banks to support farmers. Starting with auctions of maize and beans, it now has systems in place for spot trading. The exchange has been wooing co-operatives, 65 of which have joined.

Contributing about a third of national income, agriculture is a vital foreign exchange earner but it is vulnerable to price swings in coffee and tea, the main cash crops, which jointly contributed 19 per cent of exports last year.

Tony Nsanganira: 'Rwanda still needs to work on 30%-40% of its potential in terms of productivity'

The government aims to diversify exports, with a focus on horticulture, and has been in discussions with airlines to reduce freight rates for perishables. It is also keen to promote flower exports; a project in the east of the country should start exporting roses this year.

Among efforts to boost the once-dominant coffee sector, a former state-controlled coffee processor in Kigali has been restored to life by Westrock Coffee, a family-owned business in Arkansas. It took over the dilapidated mill six years ago, renamed it Rwanda Trading and supplies high-end coffee shops and roasters in the US, Europe and elsewhere. "People will start seeing coffee as a real cash earner again," says Clay Parker, managing director.

State-backed corporations vie to dominate business landscape

Public and private sector

Ruling party and army-sponsored concerns are neck and neck in the competition for lucrative contracts, reports *Katrina Manson*

In a battle between the ruling Rwandan Patriotic Front party and the nation's army, one might be hard-pushed to back a winner.

The scenario itself is not as far-fetched as it might sound. To rebuild Rwanda after the 1994 genocide, both party and army established private corporations to do everything from bridge construction and coffee export to mining granite and making shoes.

"When the struggle ended, government coffers were completely empty — not a cent was left in the central bank, not a cent was left in the commercial banks," says a party member familiar with the corporations. "Our party had accumulated some monies from contributions during the struggle and we built the country with it."

Crystal Ventures, the private company born out of the ruling RPF, and Horizon Group, still under the control of the ministry of defence, employ 11,000 workers between them. Among their many undertakings, from property to agro-processing, packaging to telecommunications, they compete with each other for road-building contracts.

This year, the Kigali city administration split a road-building tender down the middle between Crystal and Horizon. Along a misshapen dirt road in the residential back streets of Kigali, big trucks are preparing the ground for 400 Horizon workers to lay 35-kilometres of aggregate as part of a $18.5m contract. NPD-Cotraco, the engineering subsidiary of Crystal Ventures, won the contract for the other 35km.

"At times we win, at times NPD-Cotraco wins, at times the Chinese win," says Sam Kayitare, technical adviser to Eugene Haguma, Horizon's chief executive and a former high-ranking army officer. "Now we have too much work."

Horizon has 15 projects on the go outside the capital alone. It has lately completed contracts such as building the Kigali public library, maintaining the airport runway and constructing border posts.

My way: the defence ministry's Horizon built this Kigali road — Katrina Manson

Mr Kayitare beams as he explains that in 2008 Horizon became the first local company to build an asphalt road. Horizon and Crystal are the only domestic entities that have the ability to execute such contracts. "In future, Chinese and other companies will be phased out as we gain capacity," he says.

Some private sector investors and other critics worry that these corporations squeeze out the genuine competition likely to spur Rwanda's development.

Academic Nilgün Gökgür, in a 2012 paper for the university of Antwerp, describes them as "partystatals" that function as "extractive economic institutions, concentrating power and opportunity in the hands of only a few".

She talks of an "incestuous relationship" with contract-awarding ministries and national banks that has operated the detriment of the private sector. "The ruling party is intolerant of any economically powerful private sector that could constrain the state," she argues, adding that state companies have absorbed scarce fiscal and monetary resources.

'We found no real evidence that these companies were engaged in non-competitive behaviours'

Others worry about who exactly profits from Crystal Ventures' operations. Its owners are described solely as "Rwandan business people" on its website. "It's very hard to track their tax records," says a senior western diplomat. "It's a weird and really vague structure and the thing that is not clear is who benefits."

The World Bank, asked by the government to analyse the role of the partystatals, this year gave the all-clear. "The Government asked us to look into levels of competition in sectors where it is sometimes assumed party-owned companies dominate," says Carolyn Turk, country manager at the World Bank. "In the sectors that we explored and using the data available to us, we found no real evidence that these companies were engaging in non-competitive behaviours or earning abnormal profits."

Several Crystal Venture subsidiaries are lossmaking, limiting the ability of government to sell its stakes, as it has with more profitable investments such as telephone operator MTN.

Inyange Industries, the dairy, water and fruit juice processor owned by Crystal Ventures with a near-monopoly on milk sales, has a modern factory but one that at present only operates at 40 per cent capacity. "Most of the raw materials are imports so it's really tough on us," says Kris Romeo Kabalira, sales and marketing manager at Inyange. The company, which collects milk produced nationwide, is diversifying into ice cream and butter but says its actions remain limited by Rwandans' low buying capacity. A deal last year to sell to Kenya's Brookside Dairy fell through.

"Some of [the subsidiaries] are lossmaking but in the end the assets are growing, the turnover is growing," says a Crystal Ventures shareholder, adding that Crystal will sell its stakes when the time is right. "You can't allow a situation where the party is broke," he says.