LEADERSHIP IN RWANDA'S ECONOMIC DEVELOPMENT

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SYNOPSIS

Managing for Development Results (MfDR) is a management strategy that focuses on using performance information to improve decision making. MfDR involves using practical tools for strategic planning, risk management, progress monitoring, and outcome evaluation. It requires leadership to set and achieve goals, to shape a shared vision, and to improve government performance. This case study focuses on Rwanda's experience, drawing on desk review and work experience.

Key findings. Through leadership, training of leaders, and strict performance monitoring, transformative economic development is possible. They were key elements in Rwanda's successes in improving economic development after the genocide of 1994.

Key lessons. Transformative leadership styles involve structural transformation, investments in human capital, and leadership training. Innovative, flexible approaches are also important for African states to achieve their development goals and aspirations stated in the continent's "blueprints"—Agenda 2030 and Agenda 2063.

Key recommendations. Strong political will is crucial to address issues and exercise adaptive leadership in economic reforms and to stop corrupt practices. The country must also enjoy strong political support for private sector development, and lay heavy emphasis on adaptive leadership and capacity building for change management.

Introduction

Economic transformation and leadership are very important ingredients in achieving development results in any country. Countries aiming to engage in economic transformation tend to develop strategic plans that propose new directions and sector changes. Developing and agreeing on a strategic plan can be a lengthy exercise, and implementing it can bring further challenges. Thus to implement a program for economic transformation, a country needs the capacity to deliver on the transformation agenda. The capacity focus may be on human resources and financial development and openness to change. The success of these elements depends, however, on the leadership capacity of that country.

Leadership refers not only to the head of a country or the head of an institution. It refers to people who take the initiative or have responsibility for project, an idea, or a program.

In this concept, the leader is not the designated authority. Leaders are those who are doing the actual work of changing the status quo. The leadership of the people can allow a country to move forward and become successful. That individual or set of individuals are able to adapt to a new situation and change the culture of the environment around her or him and address key constraints. When a technical fix is not working, the leader is able to contest a current thought, find a solution, and coordinate the solution.

Methodology

This paper focuses on the Rwanda leadership experience for attaining economic development goals. Rwanda is a small country that is landlocked and is negatively affected by its geography for goods exports and imports. The country has low but growing gross domestic product (GDP) per capita of US$ 721 (2014 estimate).

The case study examines the implementation of business improvement reforms and draws on personal experiences in the field of economic, private sector, and leadership development in Africa and from desk reviews. It also refers to steps taken by Rwanda to developing an adaptive leadership mode, and describes how change was implemented at the regional and national levels though local and national initiatives.

Background

In 1994, Ronald Heifetz developed a leadership model focusing on adaptive leadership for change. According to Heifetz, leaders are confronted with two types of problems: technical problems, which can be solved by expertise and good management, and “adaptive” problems, such as poverty, drug abuse, and racial tensions, which require learning and innovation.

While the distinction is crucial, Heifetz argues that leadership theory has only begun to address adaptive problems. Traditional management strategies are useful in dealing with technical problems, but in situations where beliefs and values are involved, technical “fixes” tend to exacerbate the problem. By definition, adaptive challenges involve a disparity between values and circumstances. The task of the leader is to close the gap. This may involve changing the circumstances through energy, resources, and ingenuity. However, just as often, the task requires changing people's values. Leadership in this case consists “not of answers or assured visions, but of taking action to clarify values.” Good leaders know how to stimulate and contain the forces of invention and change and to shift the process from one stage to the next.

Rationale

Managing for development results (MfDR), a management strategy that focuses on using performance information to improve decision making, requires leadership to set and achieve goals. The strategy may require committed leaders to spend political capital to reform entrenched systems, shape a shared vision of the future, and improve government performance.

There are at least six important MfDR leadership functions: generating solid commitment to enhance the ability of government agencies to manage for results; building broad support for plans that include results and articulate outcomes and targets; demonstrating by deed as well as by declaration that evidence about results informs policy and budget priorities and is used for learning to improve performance; mobilizing the human and financial resources needed to get the job done; motivating and empowering people to work together to achieve key results; and creating an organizational culture in which having information about performance and results is a priority and in which performance information is reported honestly and used for improvement, not punishment.

The process of change through leadership

Leadership as defined by Heifetz (1994) is an activity rather than a position of influence or a set of personal characteristics. The idea that “leaders are born and not made” needs to be abandoned, he insisted, because it fosters self-delusion and irresponsibility in those who perceive themselves to be “born leaders,” and can lead to inaction and dangerous forms of dependency in those who do not perceive themselves as leaders. A leader produces socially useful outcomes by setting goals that meet the needs of both the leader and the follower. Each leader is capable of adaptive work, learning what it takes to address conflicts of interest and diminishing the gap between the values people stand for and the realities they face.

In that respect, the capacity of individuals to help make change happen is linked to the development of their analytical capacity, according to Sorgenfrei and Wrigley (2005). Analysis leads to alternative ways of interpreting the world—a shared reality derived from careful consideration, sharing of realities, and creatively rethinking the frameworks that describe these realities. Such creative rethinking can then lead to a "paradigm shift."

Shared reality is crucial to developing meaningful economic transformation and it is not easy to achieve. This shift is interesting when reviewed in the arena of rent seeking by entities since there is linkage between long-term views that develop in the realms of shared reality.

In the case of the Doing Business index, countries that are poorly ranked understand that their economies would benefit from a vibrant private sector. However, pursuing that requires a group of people to tackle areas that may be problematic. This group is able to develop the shared reality thinking, take the lead to implement change, and become the movers and shakers within their organizations. Their success depends on their creativity and the guidance offered by their leadership.

Creative rethinking depends on freedom to think and create. Without a safe space to think and create, individuals find it very difficult to achieve any change. An example of the use of such space and freedom is the budding of entrepreneurs in innovation hubs, where they can exchange views, try out new ideas, and make mistakes.

Transformational leadership affected creativity at both the individual and organizational levels, in a model developed by Gumusluoglu and Ilsev (2006) based on research on personnel and managers at small Turkish software development companies. Transformational leadership increased employees' creativity through psychological empowerment. Transformational leadership also expanded organizational innovation as measured by a market-oriented criterion developed specifically for developing countries and newly developing industries.

Groups working under higher levels of transformational leadership generated more idea elaborations and original solutions than groups working under lower levels of transformational leadership in a laboratory study by Sosik et al. (1998) measuring fluency, flexibility, originality, and elaboration in electronic brainstorming. Anonymous groups were more flexible in generating ideas than identified groups. Results also indicated a significant leadership style and anonymity interaction for flexibility.

Jung et al. (2003) investigated how top managers' leadership styles affect their companies' innovation, both directly and indirectly through empowerment and organizational climate. The findings support a direct and positive link between transformational leadership and organizational innovation. They also indicate that transformational leadership has a significant and positive relationship with both empowerment and an organizational climate supporting innovation.

Leaders should be able to diagnose an adaptive challenge and understand the technical and non-technical constraints that prevent economic transformation. They can then gather participants and build an adaptive culture for change. Leaders should be able to inspire others to change. Adaptive leaders set up and use systematic mechanisms for monitoring progress, impacts, and lessons learned, creating a "learning organization" to drive outcomes.

Economic transformation

Economic transformation is often the goal in private sector development. Economic transformation is the ability to move labor from low to higher productive activities (De Velde 1999). This can be accomplished through movement between sectors, as from agriculture to manufacturing or within a sector, as from exporting a raw product up the value chain to transforming the product before export. Economic transformation also can improve a country's ability to reduce poverty, increase economic growth, and advance the people's welfare. This improvement involves social growth; reducing the numbers of people living in poverty; and improving access to education, health care, and jobs.

The development and implementation of the Millennium Development Goals (MDGs) have been a source of information on economic transformation. For the MDGs, Rwanda developed its national determination of poverty. In doing so, Rwanda created its own categorization called the Ubudehe categories, which views poverty as a complex, dynamic, multi-dimensional phenomenon and has enabled the country to better target the very poor and help them move up the economic scale (ibid).

Rwanda's GDP grew from around US$200 per capita in 2000 to over US$721 per capita in 2014 (estimate),[1] a 350 percent increase. Various research findings show that good financial management is critical for positive economic growth (World Bank 2015). Economic transformation occurs when leadership is exercised at all levels and across constituencies, where everyone along the line is able to be creative, take decisions, and implement reforms. Business environment improvement entails, thus, changes across many areas and levels of government.

The case study

Following the genocide in 1992, Rwanda tried to institute technical changes to improve its business climate but lacked adaptive leadership. For example, licensing needed to be accelerated. Adaptive change was necessary to change the culture and provide faster provision of service. Leaders needed to advocate change, and service people on the front line needed to adopt and implement change.

In Rwanda, an overall framework is laid, and then individuals innovate within that framework. In the arena of poverty reduction, the government of Rwanda created the concept of Ubudehe to accomplish these goals.

In the arena of doing business reform similar innovation occurred. There was clear guidance from the top leadership indicating that Rwanda had to improve in the Doing Business Index to create a more vibrant private sector environment and attract new businesses to Rwanda. The method was to be defined by technical experts, who would study areas for improvement annually and implement those changes. Individual initiatives were welcomed, but responsibility was shared. Legal drafting teams and the parliament had to work hand in hand and develop shared understanding of their common objective.

What is *Ubudehe*?

Ubudehe offered a decentralized and collective system of tackling poverty reduction. *Uhudehe* is the traditional Rwandan practice and cultural value of working together to solve problems. The literal origins of the word describe the practice of digging fields before the rains come and the planting season arrives. A group of households join together to dig their fields, sharing the burden of the work and ensuring that everyone's fields are ready for the planting season. *Ubudehe* covers men, women, and all social groups, and extends to those who are poor or incapacitated. After the group has completed digging their own fields, they move on to the fields of those who have not been able to participate directly. Later a successful harvest is celebrated with *unn'ganura* (First-Fruits Festival) made from donations collected from everyone's first harvest.

[1] https://www.gfmag.com/global-data/country-data/rwanda-gdp-country-report (accessed April 2016).

The role of strong political leadership

In the aftermath of the genocide, the recurrent slogan "Never Again" has been used. The lack of access to key resources by some social groups and various inequalities were the causes of the genocide. So, people have focused on eliminating economic deprivation, social confusion, and political and economic dependence on developed countries. The political leadership argues for the country to transcend poverty by focusing on transformational leadership to provide the framework and overall guidance. People working in public service, with a long-term perspective, have responded. Two success stories that Rwanda has emulated are Mauritius and Singapore. Like Rwanda, both are very small nations with very poor resource endowment, and they have succeeded in their economic transformation.

Vision 2020, a Government development program in Rwanda, was launched in 2000 by Rwandan president Paul Kagame.[2] Its main objective is to transform Rwanda into a knowledge-based middle-income country, reducing poverty and health problems and uniting and democratizing the nation. The program consists of the following goals to be achieved by 2020: good governance; an efficient state; skilled human capital, attained through education, health, and information technology; a vibrant private sector; a world-class physical infrastructure; and modern agriculture and livestock.

The government recognized the need for very deep adaptive changes. Whole teams were sent for adaptive training in Singapore and elsewhere. The leadership of the investment and trade agency was sent for very detailed leadership training at Harvard. Further training is regularly undertaken during national and agency leadership retreats. One-on-one leadership training is provided in the work place to some people in strategic positions. In addition, collective leadership training has been provided to others, including the Public–Private Dialogue Champions. In this way individuals working on change are tooled for exercising individual leadership so that the entire system can be readied for change.

Investing in adaptive change is more difficult than investing in technical change. Adaptive change has necessitated changing the mentality toward work, improving service delivery, and inculcating a new business-oriented spirit that considers not only the technical aspects of the interventions but also the effectiveness of implementation at a political, economic, and leadership level.

The doing business framework

The "doing business" framework of Rwanda includes several aligned but fairly independent layers. Within each layer, leadership moves things quickly.

First, the "Doing Business" Steering Committee, bringing together representatives from different ministries, enables actors with different concerns to work together effectively, understand each other's issues, and assist each other in developing a shared reality. It was created in early 2009 to lead the reform efforts at the cabinet level and oversee the systematic implementation of reforms. The President, who heads the cabinet, ultimately oversaw the reforms. Cabinet-level leadership was important for reforms that required political intervention, such as the ones for the customs and taxation departments. Like other countries that have created similar institutions to promote reform, Rwanda has made effective use of the Steering Committee.

Along with the Steering Committee, a technical team works on the details of the reforms. The technical team is chaired by the Minister of Trade and Industry. The technical working group coordinates the reforms envisioned by the Steering Committee. Together, they exercise leadership in identifying areas that are lagging behind and are able to call for resources when needed. Although this committee reports to the

[2] http://www.rdb.rw/uploads/tx_sbdownloader/Vision_2020_Booklet.pdf (retrieved April 2016).

Steering Committee, it has independence of action. A vital element of the technical team's effectiveness has been the inclusion of private sector representatives, helping to ensure private sector buy-in and allowing participants to share their experiences during discussions on reform design.

A Doing Business Unit was created which a small, full-time team to link the working groups to the steering committee, liaise with donors providing technical support, manage development funding to ensure proper use, and promote efforts to improve the investment climate. It also advises agencies, explains the reforms to the private sector, and monitors progress through internal indicators.

The Doing Business Unit also manages the actual design and delivery of reforms. Each year, around March or April, the unit prepares an action plan that is presented and approved by the Steering Committee. The Doing Business Unit acts as a secretariat to follow up on reforms, draft new legislation, and advise on projects/processes that may have an impact on the "doing business" indicators. Reforms have to be completed by end of April of a current year to be considered in the Doing Business report.

One of the innovations of the Doing Business unit was to incorporate a communications person in order to draw public attention to changes that had been implemented. Some of the Doing Business Index measures are about perceptions as well as facts. If people are not aware of changes, they may express negative views on public issues. The communication person also ensures that all reforms are communicated to the World Bank.

The Doing Business Unit has an advisory role. For example, when a new law regarding minority shareholding was being passed, the unit was expected to indicate whether that law would have a positive or negative impact on the country's Doing Business ranking. As a coordinator, the unit designs the plans and changes for the following year. Unit members draft legislative changes related to the plans and coordinate the drafting, presentation, and approval of these laws with the parliament economic committee.

Once laws are drafted and sent to parliament, a special Parliament Economic Committee reviews laws that have economic implications. Most importantly, the Parliament Economic Committee helps to fast-track any law that pertains to improvement in "doing business." Otherwise, legislative changes can take a long time in Rwanda.

Other structures and processes have been developed to promote investment and improve the competitiveness of Rwanda. These include improvements to the strategy, legislation, and implementation of the Special Economic Zone and the drafting and negotiation of the new Investment Code. An office for registering trademarks and patents, and an online registry for land and mortgages have been established. These structures and units worked on complex reforms to improve the business climate in Rwanda, provided advice on contentious issues. Decision making for improving the business environment is fairly broad-based and can only be achieved through transformational leadership across the different structures.

Rwanda has a vision to become a middle-income economy by 2020. This may or may not be achieved by the set date, but this vision has developed the parameters and perspective for economic transformation.

At the suggestion of the Economic Report on Africa for 2014[3] and OECD (2013), Rwanda established a high-level council for industry, the Industrial Development and Export Council (IDEC), comprising relevant ministries and agencies. IDEC provides mechanisms for stakeholder interaction on issues of industrial development. When a big investor needs government support to overcome a hurdle, IDEC will facilitate the realization of the investment. IDEC reports at

[3] http://www.uneca.org/sites/default/files/PublicationFiles/ERA2014_rwanda.pdf (April 2016).

Rwanda's Annual Leadership Retreat and receives guidance from that body. IDEC is a high-level public–private sector entity focused on project implementation. IDEC’s mandate is wider than the Doing Business Unit's, and it intervenes at a high level to move projects that are stuck.

To help implement the Private Sector Development Strategy for Rwanda, a Joint Sector Review mechanism has been set up together with Sector Working Groups.[4] These bodies identify and monitor problem areas and re-direct funds as needed. The Private Sector Development Strategy goes beyond investment to provide mechanisms for funding cross-sectoral projects.

Annually, indicators for economic transformation are monitored as part of the overall framework. A review meeting assesses performance according to the indicators. The discussions, focused on the determinants of the indicator outcomes, are then aggregated and discussed in the Joint Budget Support Review.

These structures, managed and operated by a range of officials, advisors, and government employees, together with the leadership and the people generally, enable progress. However, some structures do not function properly. This was the case for the first Public–Private Dialogue Mechanism (ibid). The relationship between the public and private sectors in Rwanda is cordial, but it has lacked a very high level of participation from either. Given Rwanda's past, there is a level of distrust between the private sector and the government. Some prominent private sector actors had been found guilty of funding the genocide. The first attempt to form a public–private structure did not succeed because the parties had different viewpoints and could not work together without specialized intervention and training.

But in a second mechanism, focus was placed on developing collective leadership skills. Private and public sector actors from different districts were trained to improve their collective leadership and co-operation. As a result, regional economic issues are now being tackled by district Public Private Dialogue teams.

Another structure, in which individual leadership was critical was the Key Account Managers system for investment facilitation. This dedicated program facilitates investment and helps investors navigate the maze of investment regulations. The team focused on strengthening internal systems, and each Key Account Manager is assigned a set of projects to monitor. Together with the facilitation unit, the Key Account Managers ensure that investment projects are implemented.

The approach for Key Account Managers created a structured system allowing enough independence to increase the number of registered investment projects. The increase stems also from facilitation by the Rwanda Development Board, which negotiates with big investors and works on providing more tailored solutions to their projects. In addition, Rwanda has reduced transaction costs. It is now possible to register a business within six hours at no cost.

Foreign and local investment played very significant roles in business expansion starting from a low base. Rwanda also promoted investment in sectors such as energy. As a result, the economy of Rwanda is increasingly diversified. A Special Economic Zone produces goods such as light-emitting diode (LED) lights, biscuits, and computers for Central and East Africa.

Outcome and overall assessment

Following an adaptive leadership approach, Rwanda reinvented itself through creativity, structural reforms, shared responsibility, effective coordination, effective communication, leadership training, and astute political leadership. Some key lessons are:

[4] http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-Chapters/DB13-CS-Rwanda.pdf (March 2016).

1. *Strong Political will is crucial*: It indicates the ability to address tangible issues and exercise adaptive leadership in implementing economic reforms.
2. *Stopping corrupt practices is needed to create credibility*: The Corruption Perception Index 2015 by Transparency International ranks Rwanda as the 4th least corrupt country in Africa and 44th out of 168 globally. Rwanda's score has improved from 49 up to 54 percent. Donors often threaten to withhold budget support in Rwanda, but that is more often due to political reasons rather than predicted misappropriation of funds.
3. *Transformations can be pricy:* In Rwanda, automation of the positions of key service providers led to a large number of redundancies. But the country enjoys strong political support for private sector development, and heavy emphasis on adaptive leadership and capacity building to implement management changes. Every year National Leadership and organization leadership retreats discuss some of the hard questions relating to reforms.
4. *Strict performance management is critical*: There was emphasis on quick wins, and agencies had to show results quickly under a strict performance management system accompanied by overall guidance for longer-term intervention. Office holders had a specific mandate and needed to deliver results to be re-elected.
5. *Growth resulted*: From 1995 up to the end of 2015, the economy grew at an average of 9.8 percent a year, and from 2000 to 2015, it rose by 8 percent a year.[5] Further growth is expected in the service sector, which accounts for 48 percent of the economy, in comparison with the agricultural sector, which contributes only 1 percent. For the first quarter of 2015, Information and Communications Technology services grew by 35 per cent. For cumulative growth, the country plans to focus on a stronger export strategy through special economic zones. Moreover the Rwandan Stock Exchange opened to companies in the region, and important companies were listed such as MTN and Crystal Venture. Diaspora remittances grew to US$174 million in 2014, according to the National Bank of Rwanda, fueling the continued development of Rwanda through skills and technology exchange and increased trade links.[6]

Conclusion and recommendations

This case study shows a success story that has used leadership training and capacity building as important determinants in achieving development results. The government has established structures for building national development and coordinating government-wide reform efforts. It has created a well-defined, long-term reform strategy that informs all of the country’s short-term development goals. The government entities involved in the process have clearly defined roles and responsibilities, and they respect the goals set in initial implementation strategy documents.

The Doing Business Unit has played a pivotal coordinating role in the government, between the government and donors, and between donors' initiatives to avoid duplication. The Rwanda government has focused on meeting the needs of investors, small and medium-size entrepreneurs, and others by streamlining regulatory processes for starting, operating, and closing a business.

[5] http://www.cnbcafrica.com/news/east-africa/2015/07/02/rwanda-economy-growth/ (accessed March 2016).

[6] http://www.cnbcafrica.com/video/?bctid=4826341902001 (accessed April 2016).

The government has also invested in training professionals—including lawyers and judges—to ensure proper administration of the reforms. Rwanda has imported technical expertise from other countries to replicate good practices and build capacity. The Rwanda government has involved the private sector in the reform process and maintained open communication to keep entrepreneurs, civil society, and other stakeholders apprised. All these efforts are showing results in Rwanda's regulatory performance.

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