

POVERTY AND GOVERNMENT EXPENDITURE:

**An assessment of the impact of government expenditure and
interventions on poor groups with a focus on Rwanda**

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This Thesis is presented in partial fulfillment of the requirements for the degree of Doctor
of Philosophy in Development Studies in the Faculty of Arts at the University of the
Western Cape

Supervisor: Prof Pieter Le Roux

November 2004

Map of Africa



DECLARATION

I declare that **POVERTY AND GOVERNMENT EXPENDITURE: An assessment of the influence of government expenditure and interventions on poor groups with a focus on Rwanda** is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Herman MUSAHARA

November 2004

Signed _____

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interventions on poor groups with a focus on Rwanda**

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KEY WORDS

Poverty

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Targeting

Rwanda Poverty Reduction Policy

Land Reform

Universal Income Grant

Social Policy

ABSTRACT**POVERTY AND GOVERNMENT EXPENDITURE: An assessment of the influence of government expenditure and interventions on poor groups with a focus on Rwanda**

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D.Phil Thesis, Institute Social Development, University of Western Cape.

In this thesis we undertake a poverty and policy analysis. We argue that it is important to understand the nature, magnitude and context of poverty before one can undertake an informed policy prescription. Existing theories of poverty, welfare regimes and social policies offer a lot of useful lessons for policy, but have limitations in offering a single model for Rwanda. We demonstrate that, not only is Rwandan poverty multifaceted and deep, but it is characterized by a ‘poverty conflict trap’ that can be traced back to the entire postcolonial period. We argue however that the current policy is not only inefficient in targeting poverty, but it may be unable to meet the challenges of growth, redistribution and conflict mitigation. The thesis, after further analyzing policy options, puts forward a package that is needed to reduce poverty in Rwanda in the long term and to break the ‘poverty conflict trap’. The prescribed package is put forward as a comprehensive and institutionalized social policy, which Rwanda so far does not have.

The first level of analysis is that of poverty theories and policies. There are several schools of thought on poverty, welfare regimes and poor relief schemes that have evolved over time. We demonstrate that in all these instances, lessons are diverse and the relevance to a Third World setting is most of the time neither clear nor direct. Indeed, using a range of models, in both the First and Third World, we demonstrate that different

interventions can be used in different places of the world with different outcomes to poverty reduction.

Reviewing different understandings of the causes of poverty, we analyse a set of five explanatory approaches to poverty in Rwanda. We advance that poverty in Rwanda can be explained from a NeoMalthusian perspective. Secondly it can be explained using an ecological and environmental approach and thirdly poverty is explained as lack of entitlements. A fourth explanation of poverty is economic governance and a fifth is political exclusion. We demonstrate how a long-term link between poverty and conflict is present in the current poverty in Rwanda. We conclude that the core problem of Rwanda is a 'poverty conflict trap.' At the same time we identify a type of poverty that has multiple features. We further conclude on the basis of the available data that Rwanda's poverty is deep and severe.

Although the policy objectives in Rwanda are laudable in a Sub Saharan context, the actual poverty targeting is inefficient and weak. Using Beckerman's Model of targeting, we find that levels of efficiencies are less than 50%. Rates of spillover to non-poor are low at about 4%. The latter finding may be due to high levels of poverty in the country. We note however that, the model does not give us a very clear picture of targeting. Thus we do some further analysis of specific sectors. An analysis of the social sectors shows that expenditure allegedly for the poor hardly goes to poor groups as would be expected. More than 90% of expenditure in education goes to the non-poor. This may imply that their impact on poverty can only be secondary, if there are some spillovers to the poor as education becomes more efficient and better. We additionally use a set of assumptions to analyse the current policy framework for poverty reduction. We find that the current policies are substantially static and too weak to meet the requirements for growth and egalitarian development. It may take over 100 years for Rwandan poor to cross the current poverty line. Using analysis of poverty elasticity in the past and now, expected growth of the economy, projected for the next 20 years, if tenable, may not have as big an

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impact on poverty, as is generally assumed by policy. While the Rwanda Poverty Reduction Strategy Paper (PRSP) and Vision 2020 are admirable in content and comprehensiveness, we cast serious doubts about their capability to break the ‘poverty conflict trap’ we identified earlier. Given data and descriptive analyses we identify an appropriate policy package in two categories. Firstly we identify two preconditions needed to take care of the deep and severe poverty. These are safety nets and social sector expenditures on health and education. Specifically we identify critically the present blind spots in administering such policy, especially the fallacy of considering any of them as the sole solution to poverty. Under the same analysis we also demonstrate the importance of considering the possible impact of ethnicity on policy. It is in response to the problem of ethnic cleavages that is analysed under causes of poverty in Rwanda. The latter is related to the need to address conflict in all policy discourses on poverty in Rwanda. But finally for an answer to the contextual nature of poverty in Rwanda- the ‘poverty-conflict trap’, we propose a comprehensive land reform and a long-term universal income grant.

This study was originally designed as an academic analysis of poverty within a Development Studies framework. Our findings regarding a linkage between poverty and conflict in Rwanda have shed light on wider analytical issues that may require further multidisciplinary research. While the role of conflict has been acknowledged in a majority of works on Rwanda, none to our knowledge had attempted to undertake a close analysis at the level of poverty and policy. None had addressed specifically the ‘poverty-conflict trap’ that has not stopped with the Genocide that took place in 1994. In our study this Genocide can then be seen as one element of a conflict poverty function in Rwanda. It can be viewed, without underrating its significance, in terms of cause and effect of poverty in Rwanda. We suggest then, that the poverty – conflict cycle did not end in 1994. It is a process that has to be broken in Rwanda, now and in future. By this we are not in any way implying that Genocide was the only cause of or the only effect of poverty in Rwanda.

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Although this work, belongs to the author I cannot claim to have completed it without assistance from various people and organizations. So many people have supported me morally and materially that I do not think I can mention all and express my gratitude to each adequately in this space. Let me therefore first thank sincerely each person and organization that helped me accomplish this task.

Writing a thesis is an arduous task. The main reason is that it involves many activities and phases. With me it involved a year of attending a course in Public Finance, Poverty and Inequality. During the year I was also evolving a Research Proposal. This phase took place in South Africa. First and foremost I am profoundly grateful to my supervisor Prof Pieter Le ROUX, the Director Institute for Social Development, University of the Western Cape. I thank him for designing the programme for me. I acknowledge his exceptional capacity and caliber in the field, but above all I thank him for his willingness to assist me and advise me during the entire period. I appreciate his patience, understanding and guidance in times of difficulties, which were not a few.

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The second phase involved a stay of many months in Rwanda. This is a phase where I started getting some problems. My earlier, perhaps ambitious, work plan could not be implemented. I had planned to conduct my own survey in some three Provinces of Rwanda. The cost was beyond what the Research Commission of the National University of Rwanda could disburse. This was understandable in terms of their written policy. I knew some approaches had to be modified to take care of the constraint. I thank the Rector of the National University Dr Emile RWAMASIRABO who assisted me in getting in touch and working with the National Poverty Reduction Programme. It is through this collaboration that I monitored major surveys on poverty being conducted and had access to others already conducted in the past. All along I received support in all academic matters related to my stay in Butare - Rwanda and in South Africa from the then Vice Rector - Academics Dr John Bosco BUTERA and later Prof Silas MURERAMANZI. I am grateful to them. I thank Vincent KAREGA the coordinator of the National Poverty Reduction Programme and Ms Claudine ZANINKA Head of Poverty Monitoring, both in the Ministry of Finance for the support during the surveys and during other collaborations on poverty. I am also grateful to the entire University financial and administrative personnel including the Dean of Faculty of Economics, Social Sciences and Management Gerard RUTAZIBWA and members of faculty.

Towards the end of this work the Government of Rwanda had decided to entrust me with two appointments. One was to be a member of the Governing Board and Acting Chairman of the new National Insurance Commission. Another was to be a member of the NEPAD National Steering Committee based in the President's Office. First I am grateful to my government for showing this level of trust in me. But secondly, I thank those who helped shoulder these responsibilities while I was still pursuing a PhD programme. I had to delegate most of my responsibilities to other people or express my absence in order to finish up my thesis. Their sense of understanding sometimes at critical points when my presence was required is indelible. This was possible due to the patience, support and understanding of Hon Claver GATETE as Chairman of NEPAD and as Secretary General/Secretary to Treasury- Ministry of Finance. He was the overall executive in charge of both responsibilities. I thank him very much. I am also grateful to the support of Manasseh NTAGANDA my Vice Chairman and Ms Assumpta MURORUNKWERE KALIMBA the Commission's Manager and all Commissioners. I am also thankful to Charles GASANA the Executive Secretary of the NEPAD secretariat in the President's Office for his patience and support during those critical times.

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H.M

Cape Town. November 2004

DEDICATION

To Angel Yvonne MUSAHARA

To Late Ellen

To Devota and Dorine

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LIST OF ABBREVIATIONS

ACTS	African Centre for Technology Studies
CCM	Centre for Conflict Management
CPRC	Chronic Poverty Research Centre
CROP	Centre of Research On Poverty
CWIQ	Core Welfare Indicators Questionnaire
EU	European Union
GDP	Gross National Product
GNP	Gross National Product
GoR	Government of Rwanda
HIPC	Highly Indebted Poor Countries
HLCS	Household Living Conditions Survey
IFIs	International Financial Institutions
ILO	International Labour Organization
MICS	Multiple Indicators Cluster Survey
MINECOFIN	Ministry of Finance
MINALOC	Ministry of Local Government and Social Affairs
MINITERE	Ministry of Lands (French)
NGOs	Non Governmental Organizations
NUR	National University of Rwanda
NURC	National Unity and Reconciliation Commission
PETS	Public Expenditure Tracking Survey
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PRT	Poverty Relevance Test
RDI	Rwanda Development Indicators
UNDP	United Nations Development Fund
UNICEF	United Nations International Children Fund
VAT	Value Added Tax

COMMON VERNACULAR WORDS USED IN THE STUDY

Akazu: Literally means the little house. In Rwanda in early 1990 it came to mean the inner circle of the regime which was composed of the president and a closely relatives of his wife. It is regarded as the circle that was responsible for extreme politics that led to genocide.

Amasambu ya demokrasi: Literally means plots of democracy. By mid 1960s the government of Rwanda empowered District leaders to distribute land belonging to Tutsi who had gone into exile. They were thence referred as plots of land brought by democracy or the so-called ‘social revolution’ of 1959

Gacaca: Traditional Rwandan methods of conflict resolution through mutual understanding by family leaders, the elderly or traditional leaders. Gacaca refers to the lawn like grass whereby they all assembled. Today it has been adopted as traditional courts for genocide suspects

Habyarimana: In the thesis it is the name of the president of the Second Republic of Rwanda except where stated otherwise

Ibyitso: It was a name given to people who were jailed allegedly for being internal accomplices of RPF armies after 1990. It was used as a pretext to put in jail Tutsi who were in Rwanda during the invasion.

Igikingi: Large scale grazing land offered to some Tutsi pastoralists by the king. It was a land tenure system that enabled the owner to graze his cattle in someone’s plot provided he had already removed his crops especially sorghum.

Ingaligali: In traditional Rwanda, this is the land that a chief in charge of land could give to women abandoned by their husbands

Inkuri: In Ruhengeri a father could give a daughter a present of land on giving birth to a child

Intekeshwa: A land given as a farewell gift to a daughter getting married

Inyenzi: Literally means cockroaches. It was a name given to Tutsi guerrilla who attacked Rwanda from outside in early 1960s. It was revived as a derogatory word of referring to RPF

Isambu: It was a land tenure system practiced in a central and southern Rwanda that gave usufruct rights to the one working the land by his chief

Kayibanda; The name of the president of Rwanda after independence or the First Republic.

Ubudehe: A Rwandan term of collective labour to support each other practiced traditionally but which has been carved to mean in modern times participatory poverty reduction activities at community level.

Ubuhake: Cleintship in pre-independence Rwanda where a person could offer loyalty and service to the king or his vassal in exchange for a cow or favour. A client – *umugaragu* was moreorless like a serf.

Umuganda: Traditional mutual help schemes that is also being promoted today as public works.

Umwami: Rwandan king in the monarchical system before independence

CHAPTER 1

STUDY DESIGN

1.1 BACKGROUND

The focus of this thesis is the nature and causes of poverty in general and the need for appropriate policy interventions in Rwanda in particular. The thrust of the study is the role of government in poverty reduction. The role of government expenditure in reducing poverty has been acknowledged from time immemorial. Government offered relief to the poor during the Roman Empire and Greek civilization or what is called Antiquity¹. For many centuries till the beginning of the 16th Century the onus of poverty alleviation fell on the church mainly through charity². However the church and the state during the times were inseparable. The modern forms of government expenditure and intervention in poverty alleviation date back to the poor relief organized by the state after the 16th century³. These gave way to early welfare schemes that were already in place by early 19th century and social security schemes that guide poverty reduction today.

In all these instances the limitations and constraints to the role of government have been appreciated. Expenditure and interventions by the government into poverty reduction were at times for political purposes, such as the interventions in early states discussed in Chapter 3. They were motivated by individual and institutional gains as was the case with the charity organized by the church or to put down riots and restore order in the transition towards welfare schemes. Modern welfare schemes have evolved policy intervention schemes that are residual and whose aims are mostly to regulate poverty instead of eradicating it. Current social security schemes are bedeviled by inefficient methods of targeting.

¹ An authority on this epoch is Grant (1960) and several other works on Roman Empire

² see Mollat (1978) for a detailed account of the Middle Ages

³ for this phase several work exist see e.g. Gillin (1926), Geremek (1994), Pullan(1971)

The stock of existing social policies for poverty reduction has tended to be conservative, neo-liberal or social democratic⁴. None of these can claim to have an adequate basis of targeting poverty in developed or developing countries. They differ most especially on the virtues and vices of universal or selective targeting, on welfare and workfare and generically on how to view poverty in society and in the economy. A crucial question the thesis will attempt to answer is whether a proposed policy package can provide an effective basis for a developmental approach to poverty reduction in the short and long run. That is a policy mix not dependent on the traditional welfare ‘worlds’ but one with capacity to permit growth, redistribution and poverty reduction. We shall later argue also that it should be a package that is capable of mitigating conflict.

In most Third World countries and Rwanda today, the role of government is found within the so called ‘poverty reduction paradigm.’⁵ The paradigm has been attacked as being dominantly neo-liberal with limited capacity to attack poverty effectively⁶. The thesis assembles evidence to show that not all neo-liberal models are ineffective. However at a specific level the evolution, character and dynamics of poverty in Rwanda raises doubt whether a neo-liberal model as such may fully address the long-term requirements of growth, poverty reduction and distributive justice. Rwanda is noted to be caught up in a ‘poverty-conflict trap’ that demands a more dynamic policy approach. There is no policy that is a panacea. The thesis advances an approach of phasing in poverty reduction policies that are deliberately tailored to meet both the short term and long-term challenges. The wisdom behind the approach being that the poverty in Rwanda cannot be addressed by neo-liberal policies alone.

⁴ The benchmark of this analysis is Esping-Andersen (1990) Three Worlds of Welfare regimes

⁵ It is this paradigm that has brought about the so-called ‘new’ poverty conditionality, which entails drawing up PRSPs. Nevertheless there is also the UN paradigm supported by UN organizations and entails the writing of Human Development Reports. The paradigm also impresses on governments the need to address human poverty.

⁶ Thabo Mbeki (the president of South Africa) is outspoken currently on poverty reduction instead of poverty elimination

These are, it is proposed; integrated into one institutionally designed and comprehensive social policy. But before going into the details, let us define specifically the theoretical location of the thesis.

In conventional economics, poverty is a secondary concept. In public finance it is a residual one. Musgrave (1956: 3) defines the functions of public finance as allocation of resources, redistribution and macro-economic stabilization. Inferences on poverty are gleaned when assessing incidence of government spending (Musgrave and Musgrave 1976). In the thesis the role of the government in poverty reduction is viewed on how social policy directs public expenditure (e.g. Black et al 1999:77). Following from the principles of government expenditures, it is then possible to assess how government spending can be targeted to eradicate or reduce poverty (Kanbur 1984, 1987; Besley and Kanbur 1993, Grosh 1995, Subbarao 1997, Haddinot 1999 and Borat 1999).

In economic principles, poverty reduction emerges as a problem of allocating scarce resources (Samuelson 1954; Musgrave 1956). Resources can be allocated by government, to produce goods that are required by poor households and individuals.

But government resources can also be redistributive either through transfers and subsidies to the poor (Spicker 1993, Van de Walle & Nead (Ed) 1995) or by ensuring that the richer strata of the population do not benefit more from government expenditure (Selowsky 1979). The incidence of the tax burden on different layers of the population indicates how the government considers poverty in its fiscal policies (Page 1983; Creedy 1996).

At the social sectors level, it is also argued that public expenditure on, for instance, education and health has positive externalities on agricultural productivity and fertility rates (Tilak 1989, Psacharopoulos 1993). Expenditure on social sectors that make

available goods to poor groups in the population also reduces poverty and promotes growth.

Despite its obvious base in public finance, this thesis is essentially concerned with a search for the appropriate policy approach. In this regard both quantitative and non-quantitative aspects of government actions are investigated. Explanations are also, to some extent, sought from other disciplines. Some evidence is gathered from studies on poverty and policy that are directly or indirectly embedded in sociology, political science and history. Each of the disciplines contributes to our thesis as elements of an inquiry in Development Studies. The most crucial issue is an approach to policy that can guide expenditure and interventions by government towards poverty reduction.

In developed and middle-income countries, common fiscal measures to support the poor include cash transfers (Hsieh 1979; Van de Walle et al 1995) food subsidies (Van de Walle 1995) and public employment schemes (ILO 1970; World Bank 1990). In most developing countries, meagre resources and a low revenue base do not allow some, if any at all, of such transfers⁷ at least for the time being.

For countries like Rwanda, the remaining public expenditure for poverty reduction is on social sectors particularly health and education. The policy issue that forms, part of this thesis, is how the resources can best be allocated for poverty reduction. At a technical level the thesis shows, how in a developing economy like Rwanda, current social expenditure provide an example of how public expenditure is inefficient in targeting poverty.

Skepticism regarding the effectiveness of government expenditure and policy interventions underlies some of the arguments of this thesis. But it is not only a question of the ineffectiveness of government expenditure. Poverty in Rwanda needs to be

⁷ This notwithstanding we argue a case for A Universal Income Grant in the policy considerations of the Thesis, with emphasis on how it can be phased in the long-term policy framework. In Chapter 3 we also show that there are several policy alternatives to transfers in the Third World that we do not find in the First World

correctly analysed. The nature and dynamics of poverty should shed light on what interventions to undertake, whether in terms of quantities of expenditure or policy orientation. As a result an important part of the thesis is reserved for analysing the nature of poverty in Rwanda, the status of current policy and an alternative policy intervention that can address that. We argue that the core problem is a ‘poverty-conflict trap’ that accounts for a multifaceted and deep-seated poverty. It is a poverty that can be aligned with recurrent crisis and conflict as well as evolving structural weaknesses in the economy of Rwanda.

It is then further argued that an institutionalized social policy with wide ranging safety nets (addressing ethnicity as well) and well-targeted expenditure on social sectors will address deep and widespread poverty and vulnerability. A progressive land reform and a universal income grant can challenge the ‘poverty-conflict trap’ in the long run. The rest of this chapter is structured as follows;

Section 2 of this chapter states the problem followed by the hypotheses. Section 3 is on research questions. Section 4 explains the rationale and justification of this study and section 5 defines the approach adopted in terms of scope and disciplines applied.

Section 6 outlines the organization of the thesis, followed by an outline of the limitations to the entire study.

1.2 STATEMENT OF THE PROBLEM

The fundamental problem, theoretically and empirically, is poverty. Poverty in Rwanda is both rampant and long standing. Since 1985, the head count index of poverty has never been below 50%. It was estimated at 53%, 70% and 65% in 1993, 1995 and 2001 respectively (GoR 2002, HCLS 2002). The question has been lack of analysis of its character and dynamics as well as the policy framework that can be tailored to the Rwandan context. A summary of overall indicators of poverty in Rwanda is given in Table 1.1.

Poverty would seem to be a problem Rwanda shares with all other countries in Sub Saharan Africa. However, in comparison to other poor countries, it can also be shown that the per capita growth rates (in per capita GDP) in Rwanda have been extremely low (See Table 1.2).

From the comparison of countries in Sub- Saharan Africa, it is only Sierra Leone and Niger, which have a worse performance in terms of changes in growth of average standards of living within the last two decades. Madagascar had the same rate of change over the period. Most others were better off. Even a poor country like Mali experienced twice as much average growth as did Rwanda. This stagnation, as will be shown in this thesis, was characterized by widespread poverty and a cycle of related conflict.

Table 1. 1. Rwanda poverty and other indicators.

Indicator	Rate
Proportion of population below the poverty line	60.30%
Life Expectancy	49 years
Maternal mortality per 100 000 births	810
Infant mortality per 1,000 (proportion who die before first birthday)	107
Child mortality per 1,000 (proportion who die before 5 th birthday)	198
HIV prevalence (15-49)	13.7
Total fertility rate (average number of children during childbearing years)	5.8
Gross primary enrolment (ratio of primary school children of any age to the primary-school age group)	100
Net primary enrolment (proportion of children of school going age going to school)	73.3
Gross secondary enrolment	10.2
Net secondary enrolment	6
Adult literacy (> 15years)	52.00%
-Female	48.00%
-Male	58%
Malnutrition	
Low height for age (stunting)	43%
Low weight for age (underweight)	29%

SOURCE: Own (extracted and summarized from different parts of PRSP 2002 and PRS-PR 2003)

Table 1.2 Growth rate in GDP per capita as multiple of that of Rwanda 1980-2000

	1980	2000	Aver growth rate (av % p.a.)
Rwanda	1	1	1.1
Sierra Leone	0.91	0.61	-1.2
Mali	0.95	1.19	2.2
Nigeria	0.98	1.05	1.8
Niger	1.02	0.84	0.9
Kenya	1.05	1.36	2.8
Madagascar	1.07	1.02	1.1
Benin	1.13	1.71	3.6
Lesotho	1.14	2.28	4

SOURCE: World Bank (2002). Statistical Information Management Agency in World Bank (2004). Rwanda Education p37

The first generic problem is that, while it is easy to point out that poverty in Rwanda like elsewhere has many faces (see e.g. Gordon and Spicker 1999), no systematic analysis has been undertaken to identify its character and dynamics. Neither has there been a policy analysis of the current policy framework and of the need, as we later propose, for a comprehensive social policy. In essence, approaches to poverty reduction are various and rooted in multidisciplinary discourses. In this regard, best practices in poverty reduction are still areas of fierce dispute⁸. But of critical importance is designing a social policy that is suitable for the Rwandan circumstances.

Secondly, poverty estimates such as those on Rwanda are subject to question. Do they capture the real magnitude and dimensions of poverty? While this problem, is reviewed in chapter 4, it has a bearing on discussions about the types of remedies that can be adopted in a country-specific situation.

Another element of the problem already hinted at above is the weaknesses inherent in the current policy approaches to poverty. Sen (1981: 32) observes that with poverty perhaps

⁸ The concept of best practices is borrowed from literature on poverty disseminated by Comparative Research on Poverty (CROP) Bergen see www.crop.org. This site is important and appears a number of times in this study. It is debatable whether there are in reality any rules of thumb of poverty reduction let alone eradication.

the most important issue is not ‘so much the diagnosis as the prescription.’ Yet, a corollary to the problem is whether past and current public policy is effective in reducing poverty. This reservation includes both adjustment policies of the 1980s and the present ‘poverty reduction paradigm’, known as Poverty Reduction Strategy Papers (PRSPs) of the late 1990s and the current decade (David 1985; Cornia; Jolly and Stewart 1987 & 1988; UNDP 1990; Dharma; 1991; Sahn 1996; Sahn et al 1997, OXFAM 1999 and in relation to Rwanda, Chossudovsky 1998).

There seems to be a contradiction in the approach to government expenditure. The current policy ‘paradigm’ in developing countries is based on a diminished role of government or the concept of minimum state intervention. But the market can hardly be expected to play a leading role in poverty reduction, at least at this stage of development. On the other hand this problem is taken care of. The ‘new poverty reduction conditionality’ (IMF/WB and HIPC) implicitly enshrines a bigger role for government expenditure especially for the social sectors. Extended manifestations of this observation can be found in, the now ubiquitous, Poverty Reduction Strategy Papers. In this regard it is noticeable that the current paradigm has the elements of a developmental approach, but one, which in our view is deficient. It is deficient because the accelerated growth is not a guaranteed outcome and welfare to poor groups cannot be ensured. We review the PRSP in Chapter 5. The central interest in this regard is the need for the government to play a decisive role in promoting growth (Robinson and White 1999). Indeed the current poverty reduction policy has taken the place of Development Policy of past decades (Ohiorhenuan 2002: 11).

The pertinent problem however, is whether over emphasis of growth in the new approaches, and the high probability of long term inequalities will not reproduce the ‘poverty-conflict cycle’ in which Rwanda has been caught over the last four decades. We shall argue that inequality can breed tension and conflict in Rwanda, at least in the long run. In other words, over and above what is called the ‘failure of the development policy paradigm’ since 1960s our critique of the current policy framework is informed by consideration of existing models and approaches as well as the specific context of

Rwanda. We propose a comprehensive social policy framework that can answer issues of poverty while targeting the long-term components of a 'poverty-conflict trap' that we identify in Rwanda.

But the decision to propose an institutionalized and comprehensive social policy frame was reached, after seeking answers to several questions related to our problem. These are the following; is government spending and other forms of interventions capable of targeting poverty effectively? What is the theoretical, historical, empirical and comparative evidence with regard to the potential and the limitations of the different approaches to poverty reduction? What are the root causes and the nature of poverty in Rwanda? Does this knowledge give us insight into past and present policies? What are the current levels of target efficiency/inefficiencies of government expenditure? Is there an approach based on an understanding of the nature of poverty in Rwanda that can lead to a more effective poverty reduction policy?

These general questions led to more specific ones. Do quantities of expenditure matter? Is the current poverty reduction framework capable of addressing poverty in a better manner than previous economic interventions? Which forms of expenditure and what kind of interventions can reach poor groups in Rwanda?

After coming to grips with these questions, we are able to propose a comprehensive social policy framework. In proposing its content, we have to show why a 'poverty-conflict trap' in Rwanda can be broken by a comprehensive programme of safety nets, a human development approach through targeting expenditure to social sectors, a progressive land reform and a universal targeting scheme.

We support our argument at specific levels, by showing that a comprehensive framework means offering long term answers not only to poverty as an economic problem, but also to issues such as exclusion, conflict, redistribution and growth. It is a comprehensive approach because it also has to satisfy multiple requirements. It should be a robust approach that will avoid the poverty trap, minimize the poverty gap, be affordable, reach

poor people without stigmatising them and at the same time target poverty (not sectors or economic indicators). The operationalisation and implementation details of a comprehensive social policy framework, is a task that is beyond the scope of this study.

1.3 THE HYPOTHESIS

Arising from the research questions, of the background to the hypothesis can be summarised as follows;

Firstly, in the history and economics of poverty and poor relief the role of government and the state has been partial and incidental. Poverty has usually not been a target of government expenditure or policy.

Secondly, government expenditure can be theoretically pro-poor, but in effect it may only have limited impact on poverty and no impact at all on its causes.

Thirdly, a poor country such as Rwanda has little capacity in terms of resources, to use direct public expenditure effectively as a poverty alleviation instrument. More non-budgetary interventions have to be promoted in a manner that addresses poverty dynamically.

Fourthly, cash transfers and subsidies, which directly benefit poor groups, are not affordable in relatively poor countries at least in the short run. In the long run a policy needs to be financed progressively and target poor groups effectively.

Given that poverty in Rwanda is contextual (based on objective country situation), the analysis of poverty in Rwanda is based on a number of specific assumptions;

- To combat poverty in Rwanda, one needs a proper understanding of its genesis and its causes
- Government expenditure is presently inefficient in targeting poverty

- A strategy biased towards growth alone in the economy is internally weak and will most likely lead to greater inequalities between different groups of the population
- Poverty in Rwanda is shown to be governed by a number of characteristics that are consistent with weaknesses of past and present policy. These are stated as corollaries to the main hypothesis as follows:
 - i. Poverty is embedded in relatively weak households.
 - ii. Poverty in Rwanda is associated with poor access to basic services, particularly education and health
 - iii. Poverty has a significant regional and spatial variation
 - iv. The levels of general inequality have widened over the past years and can be shown to widen, government policy notwithstanding
 - v. There is a substantial degree of marginalisation and vulnerability to poverty.

A policy framework needs to be effective in targeting people, robust to all poor groups and dynamic by its design and long-term perspective. Thus the hypotheses can be stated as follows;

HYPOTHESES

1. Current patterns of poverty and an apparent ‘poverty-conflict trap’ in Rwanda reflect government expenditure and interventions in poverty that have been hitherto ‘selectivist’, biased to growth and inequality and targeting sectors and indicators. A new approach needs to be universalistic, dynamically (long term) redistributive, and its targeting must robust in respect of regions and social groups (including ethnicities)

2. In a poor Third World country like Rwanda, poverty reduction through government expenditure and policy interventions cannot be effectively implemented by relying on a single monolithic approach. It needs a comprehensive social policy approach that is flexible enough to trade off the requirements for rapid economic growth, effective targeting of poor groups, long-term egalitarian goals and the breaking of the poverty conflict cycle.

1.4 AIMS OF THE STUDY

The aim of the study is to undertake an analysis of poverty and its conditions in Rwanda and to identify an informed interface, which ought to develop between the government and poor groups in a policy package framework.

To achieve the aim, a number of objectives have been identified to guide the rest of the thesis:

Firstly, poverty policy analysis undertaken from the perspective of various disciplines and approaches is crucial to an understanding of poverty. The first objective of the thesis is to identify the technical, historical and philosophical bases of poverty reduction policies. This is realized by analysing the poverty concept, measurement, welfare schemes, regimes and social policy in general.

This objective is guided by the following arguments; welfare schemes, which have developed over several centuries in the Western capitalist states, constitute the stock of existing knowledge on interventions into poverty in those countries. This is not true, because one also has the knowledge of the experience of the successful countries in the Far East etc. Two, their impact on poverty in general and poor groups in particular has varied from one country to another, over time and by approach and third they have important but restricted lessons to developing economies like Rwanda.

It is further argued that the neo-liberal, conservative and social democratic welfare regimes have different implications for poverty reduction, growth and distribution. But none of them singularly provides a model for the same goals to a developing and precapitalist economy such as Rwanda. Indeed other regimes can be identified including some from the Third World.

Secondly, the object is to analyze a model of evaluating targeting (in) efficiency. A synthesis of existing methods of estimating targeting in an economy will be analysed. Specifically the Beckerman's Model will be applied to the economy of Rwanda. However, due to disaggregate data on poor and non –poor groups it will be supported by sectoral analyses that estimate levels of efficiency.

Thirdly, poverty in Rwanda needs to be understood and explained before prescribing which approaches are appropriate and how interventions can be designed at normative and positive levels. The third objective is thus to analytically and historically, show the nature and magnitude of poverty in Rwanda.

In realizing the third objective two arguments emerge. The first is in the hypothesis. Poverty in Rwanda is deep, structural and political. Secondly, current efforts to target poverty in Rwanda seem to be biased towards, neoliberalistic prioritisation of growth and selectivist emphasis on indicators and sectors.

Fourthly, the models measuring targeting efficiency are used on data from Rwanda and the current poverty reduction policy framework is assessed. The underlying results are based on the arguments that targeting initiatives are inefficient and static.

Finally a framework for a long-term poverty reduction policy is proposed. The arguments are that government expenditure and interventions cannot be guided by a single prescription. There is no policy, which is a panacea. Neither micro credit nor safety nets provide a sufficient answer to poverty in Rwanda. For long-term growth, poverty reduction and redistribution, a well-targeted, universalistic and dynamic (not short term and static) approach is desirable. To cater for all these elements a comprehensive social policy framework is proposed for Rwanda.

1.5 SIGNIFICANCE

The significance of this study is in terms of the expected output, the approach assumed and general justification.

Firstly, a doctoral thesis is an output that enhances the professional capacity of the candidate. While a Master's thesis is regarded as a tool for practicing in a field, a doctoral thesis is traditionally a credential for teaching at University level. However, output is one thing and its content another. Human capital's incremental output is not readily appreciable, except perhaps in enhanced earnings. Nevertheless PhD research and thesis are supposed to sharpen research ability and capacity. Moreover, a mastery of a discipline is not only a significant output that will benefit prospective students but also colleagues in the field.

Although poverty in Rwanda is rampant and abundant, the level of literary work and the understanding of its dynamics are still restricted. It is to be hoped therefore, that this thesis will augment the knowledge on poverty in Rwanda. The author is based in the Development Studies Unit of the National University of Rwanda. Poverty Analysis is lacking in curricula and research agenda. Recently the University has been trying to join regional Poverty Reduction Learning Networks. The intention has yet to be realised, once minimum critical research capacities in poverty and Development Studies have been acquired. A modest study like this is a harbinger to a longer term and sustainable inquiry into the question of causes, consequences of and interventions into poverty.

A second vein of significance is the approach. There is a substantial debate on the role of growth in poverty reduction. Selowsky (1979) argues that government expenditure manipulation does not seem to trade off growth. However, the present 'poverty reduction paradigm' has occasionally attracted criticisms akin to those leveled against the so-called 'trickle-down' myth. By deeply and critically approaching the issue of poverty from expenditure of government, both micro-economic and meso-economic implications of top-down interventions will be made clear. Indeed while there is ample empirical work

on countries like Malaysia, Columbia, Mauritius and cross sectional studies, small and poor countries like Rwanda have often been overlooked by mainstream and intra-country researches. An applied analysis of poverty, public finance and social policy in Rwanda is in itself an original undertaking.

Thirdly, physical investment and growth have often been treated as the ‘magic wand’ for poverty eradication. But the endogenous growth model has pointed out the role of human capital. This Thesis looks into the importance of human resource development through expenditure on social sectors particularly education and health. In a situation of scarce natural and material resources, Rwanda has one eminent resource to invest in – human beings. What is at stake, nevertheless, is not having the theory right but the practice correct. To what extent will the delivery mechanisms employed in the past and present make the human capital model deliver? .

That having been decided, informed research should attempt to assess where then should the marginal dollar be spent and how.

Finally, contributing to the policy dialogue now, as always, needs professional inputs. Rwanda, like other developing countries, is hoping to half poverty by 2015 as a millennium goal. Poverty is however a scourge that cannot be wished away. Dissertations and theses are needed to present bases, alternatives or even frameworks that are less bureaucratic and political. Alternatively stated, political and bureaucratic decision making needs analytical and intellectual inputs for sound, comprehensive and robust policies. Poverty policies based on sound data and research are still scarce in most poor countries. The latter policies need not conflict or obliterate the ‘policies of the decades’ in form of the previous ‘adjustments’ or present day Poverty Reduction Strategy Papers.

1.6 EPISTEMIC FRAMEWORK

One evident fact regarding poverty today is that its typology is so diverse and its dynamics so complex that it cannot be understood and explained by a single discipline.

Poverty analysis, it has become increasingly clear, is not exclusively an economic task. It is no longer a simple issue of incomes and consumptions of people and households (see example Gordon and Spicker's 1999 glossary).

Thus the epistemological approach is rather eclectic but specifically conforming to 'development studies.' Development Studies is a young discipline, which is hardly fifty years old. It accommodates economic issues, historical, sociological and political economy (Martinussen 1999). That's why it presents a flexible approach, in that poverty is analysed through all available prisms required for a more holistic understanding.

This study is not a historical treatise, but sections of Chapter 3 give historical analysis to the emergence of poverty. Discussions on stigma and underclass in Chapter 2 are clearly sociological. Food poverty lines are usually and adequately covered by nutrition. The analysis of the role of the state and the role of government belongs to the realm of political science. Even public finance itself, when it considers issues such as the median vote rule and the role of the constitution and budgets, is not simply economics.

In this dissertation we prefer a comprehensive but institutional social policy approach that emphasizes specific interventions that are important in the long run. Given the fact that the discipline is Development Studies, the comprehensive social policy framework and selected interventions form a basis for a developmental approach to poverty reduction. While the latter statement can constitute another study on its own, it is important in two ways that have been mentioned. A developmental approach does not address poverty reduction in isolation. It is approached together with the desire for economic growth. But based on experiences in other parts of the world the developmental approach has to ensure the growth improves welfare of the people in a more egalitarian way. Development research is epistemologically multi-disciplinary. Indeed, today poverty is

regarded as the hurdle to economic progress. Poverty is no longer merely an ethical or moral problem, it is a developmental challenge⁹.

1.7 ORGANISATION OF THE THESIS

The introductory section consists of two chapters. The present chapter gives an overview. It contains the design of the study. Chapter 2 outlines the methodological framework and methods used in the study. The chapter reviews the methodological challenges in defining and measuring poverty. It then describes a model for measuring targeting (in) efficiency as well as tools for poverty and policy analysis (see Summary of these in a Schema in 2.6).

Chapter 3 presents a background to poverty and poverty reduction policies. Specifically it analyses the evolution of poor relief. In it one also finds discussions of welfare regimes in the west, social security programs for poverty reduction in the Third World and comparative cases in both worlds.

Chapter 4 is concerned with Rwanda. First it gives an analysis of the causes and features of poverty. These constitute what we propose as explanations to Rwandan poverty. Second, it gives an analysis of the extent or magnitude of poverty. The analysis is based on secondary data and our own hypotheses of what we believe are the character of poverty in Rwanda.

Chapter 5 assesses the effectiveness of current policy in dealing with poverty by presenting calculation of targeting (in) efficiency. The second part of the chapter is a review of the current policy framework.

⁹ The narrowness of economic analysis has been noted by among others Amartya Sen. See, for example, Klamer, A (1989). In their conversation Sen laments the inability of most economic analysis to treat fully welfare economics. There are cases like social choice, which we tend to identify with sociology. But he argues that it is economics. A good example is Adam Smith's *Wealth Of Nations*. The narrowness of economics of modern times, in treating issues like poverty can be rescued in this instance by Development Studies

Chapter 6 puts forward arguments regarding the preconditions for poverty reduction in Rwanda. Given the nature and magnitude of poverty in Rwanda these are elements of interventions that have to be taken care of before any new proposals are advanced. These are particularly safety nets and social expenditure for human development.

Chapter 7 contains c contains the proposal that Rwanda adopts a comprehensive social policy framework. This is a social policy framework that in the long run can dissolve the poverty-conflict trap mentioned in Chapter 2. It consists of a proposal to institutionalise social policy in Rwanda, to promulgate a progressive land reform and phase in a universal income grant in the long run. Chapter 8 presents the conclusions and gives a summary of the recommendations.

1.8 LIMITATIONS AND DELIMITATIONS

Government expenditure on pure public goods such as defence and national security is difficult to view in direct relation to poverty alleviation. These are indivisible to all layers of the population. However, Page (1983) has shown that different patterns of their expenditure may be pro-poor or not. For example, if major defence equipment is acquired from the richer manufacturers, defence is indirectly supporting the non-poor¹⁰. In developing countries reducing military expenditure in favour of social services is essentially pro-poor. But in general pure public goods are not easy to relate to poverty as such. Education and Health are good forms of government expenditure to use in assessing poverty alleviation (Selowsky 1979). In policy terms they are the most dominant social sectors and crucial elements of the Human Development Model. But it is noteworthy that investment in human capital has a lagged effect. It takes several years for its effect to be realized. In this regard the impact of present investment cannot be assessed. It is simply assumed that more expenditure on the social sectors is pro-poor. It is however common knowledge that there are other positive forces and investments that take place in an economy at the same time. It may be difficult to isolate the role of social sectors in the

¹⁰ Certainly this would require further inquiry, since there is also a possibility that poorer people may be employed, and thus benefiting from the manufactures.

short run. Recommendations offered for short run implementations may have long run implications. An example that emerges later in the thesis is their role in promoting economic growth and redistribution.

Policy is rather elusive especially when related to the search for appropriate approach. Firstly it is always a field of contentious positions. But above all, as evident from the experience of Rwanda, it is sensitive to political processes. In any case, at any time and under whatever political system, the underlying problem of poverty is common and needs to be addressed. This is why this thesis is not bound up by any radical or moderate position, but guided by the need to identify a policy framework in a developmental inquiry and the current definition of an appropriate path for a country such as Rwanda.

A final limitation to this data is the usefulness of administrative data. In Rwanda, like in many poor countries statistics are highly inaccurate. There are a lot of data gaps in Rwanda especially in early 1990s and 1994 in particular. A weakness is indicated also on how present databases and monitoring mechanisms can be of little use in showing outputs and impact of policy. In fact economic modelling is a capacity that would assist other social sciences in monitoring poverty in Rwanda. But administrative data area also usually government issues that can be too aggregate to show reality. We believe in relation to policy prescription, they are adequately reliable to arrive at conclusions in this thesis. However, at levels of analysis we have pointed out where serious discrepancies with other sources are available.

CHAPTER 2

METHODOLOGICAL ISSUES AND METHODS

2.1 INTRODUCTION

This chapter focuses on the methodological approach, related problems and methods used in the study. Essentially this research deals with policy analysis that has generally used secondary data. The main focus is poverty, but the principal preoccupation is not measuring it. The ultimate objective of the study is analysing poverty and then designing a comprehensive social policy framework that may be suitable to an economy like that of Rwanda. We argue that Rwanda has been caught up in 'poverty –conflict trap'. The task is to propose a policy mix that can extricate her from this condition.

Analytical and qualitative evidence from secondary data has been quite adequate to carry out a poverty and policy analysis. Policy is about 'do's' and 'don'ts' but since it is not dogma, it needs a flexible approach. The flexibility is in terms of the possibility of searching from several alternative policy frameworks drawn from different economies, in different parts of the world and at different times. Policy analysis, as an activity in the social sciences, needs to be flexible because it can draw from the experiences from within and without Rwanda. A substantial number of policy lessons are drawn from past welfare schemes in the west and social policy regimes in other parts of the Third World.

However in developing the central theme of this study, we argued that policy couldn't be effective if the poverty concepts and estimates were flawed. In any case this study does not endeavour to redefine and re-measure poverty in Rwanda. Household consumption surveys that attempt to measure living conditions are so expensive that they are

undertaken with intervals of several years (see HCLS 2002).¹ One task that was undertaken in this study was to evaluate the usefulness of existing poverty concepts and estimates. Then the current policy framework is reviewed in light of findings on the nature and magnitude of poverty as well as current policies in Rwanda as bases for policy prescriptions towards the goals set in the thesis.

In addition to the fact that this study has relied on existing data sets from national surveys in Rwanda, it still exploits the advantages of a Mixed Model (Rudestam and Newton 1999) by making use of descriptive evidence on poverty. A mixed model makes use of quantitative and qualitative analyses. What this means is that the study also uses some statistical tools on secondary data and uses information derived from qualitative surveys².

The use of a mixed model is important for this study for a number of reasons. Discourses on poverty and policy approaches are under fierce debates. The latter debates are centred on what is the most appropriate approach-quantitative or qualitative analysis – in capturing the dynamics of poverty. Over emphasis on the quantitative aspects of poverty is allegedly most common with economists. It has been observed however, that poverty is such a complex issue that its dynamics cannot be captured by economic and quantitative analyses alone. Using qualitative analyses provide space for other disciplines that have interfaces with poverty analysis. Poverty unlike government expenditure is not simply an economic problem. Development Studies itself is multidisciplinary, incorporating economics, sociology and political science.

The study uses an analytical approach at three levels. The first is library research. It contains three major elements. Information was gathered on poverty, evolution of poor relief, welfare schemes and policy alternatives. In each of the inquiries specific

¹ It had been planned that Rwanda would carry out a household survey after every ten years. One was carried out between 1982 and 1983 and results started being used in 1985. The recent survey was carried out in 2000 and 2001 and was published in 2002. It is planned that the next one will be after 5 years.

² The use of the model in empirical analysis in poverty analysis has acquired a name of Q-squared method. (see e.g. Kanbur and Shaffer 2001 *Qualitative and Quantitative appraisal: Complementaries, tensions and the way forward*. Cornell University).

arguments related to the hypothesis are advanced and tested using the stock of information available.

The second level was to analyse the poverty conditions and dynamics in Rwanda using statistical data sets and other information on Rwanda³. In line with the central argument posed in the introduction the historical, political, and structural basis of poverty in Rwanda is analysed. The aim, as stated at the beginning, was to emphasize that one of the problems facing poverty analysts is that of assuming that everything about poverty is known. That Rwanda is poor is not anything that deserves further debate. However, the crucial issue is that poverty reduction cannot be undertaken fully if the root causes are not exposed. In any case, the analysis on Rwanda is based on a cogent set of arguments of the causes of poverty and which responses are needed. At this level there are also estimates of levels of targeting (in) efficiency and a review of the existing policy framework.

The third and final level is policy prescription⁴. It is based on a discussion of an appropriate policy approach under a framework composed of five policy pillars that are overlapping in time. Two of the pillars are preconditions and three are direct propositions. In each case a review of the existing practice is first attempted. This section includes the argument for a universal income grant in the long term in Rwanda. It is discussed in general terms while the details of the model are given in the appendix. All the pillars are tested against a set of criteria that is proposed towards the end of this chapter.

³ In this study are evidence of increased interest in Poverty Analysis as research and methodological construct and now developing as discipline. CPRC (Chronic Poverty Research Centre) at University of Manchester has developed toolboxes for chronic poverty analysis. CROP (Centre for Research On Poverty) at the University of Bergen has produced an International Handbook for Poverty Research and a Glossary of poverty concepts. IDS (Institute for Development Studies) at Sussex is now the champion of Rural Poverty Analysis. These have websites see. e.g. Chronic Poverty Toolbox on www.cprc.org.

⁴ This section and the previous part constitute what can be called policy analysis as an emerging methodological construct.

The rest of this chapter consists of the following sections: Section 2 deals with concepts and measurement of poverty for policy analysis. Section 3 deals with targeting methods and how to estimate targeting efficiency. Section 4 describes the data sets from which the bulk of the data on Rwanda was collected. Section 5 explains the criteria used in devising a policy approach and Section 6 is the conclusion.

2.2 CONCEPTS AND MEASUREMENT OF POVERTY FOR POLICY ANALYSIS.

2.2.1 The problem of conceptualising poverty

If only one definition of poverty existed, then the concept of poverty would not pose a methodological problem. However, how poverty is defined influences how it is measured. How it is measured influences how policy is designed. The first methodological problem is thus that of determining what poverty is. Alcock (1993: 57) puts it aptly as follows;

We must know what poverty is before we can identify where and when it is occurring or attempt to measure it and before we can begin to do anything to alleviate it

There may be as many definitions as there are scholars on poverty. Likewise there may be as many interpretations as there are poverty reduction initiatives in poor countries. However, a consensus that binds the discourse on poverty is that there is a problem or set of conditions, generally referred to as poverty, for which a policy to reduce it, is required. As McPherson et al (1998) state ‘what we choose to measure, and how, gives us the problems to confront and thus shapes our policy.’

Another view that summarizes the importance of this section is a title of a recent paper on poverty concepts and definitions (Laderchi, Saith and Stewart 2003). It states that everyone agrees we need poverty reduction, but not what this means. Does it matter?’

By including this section, we are saying it matters. There are many different definitions of poverty. We shall therefore attempt to analyse some of them by grouping them in a

functional manner, in order to demonstrate which concepts influence measurement and policy and how poverty is understood as a result.

Laderchi, Saith and Stewart (2003) place definitions into four approaches: monetary, capabilities, social exclusion and participation. The monetary approach is the most common. It measures the shortfall in income or consumption from some poverty line. The measurement problems of a poverty line are outlined below. It is assumed, in this approach, that heterogeneity across individuals or households can be accommodated in the measurements. They still require value judgements and focus on individual achievements. The poor do not take part in the estimations and the value judgements. These measures have therefore far-reaching weaknesses in reflecting the true nature of poverty. We demonstrate such weaknesses in the Rwanda in Chapter 4.

The capabilities approach, as is mentioned somewhere else in this chapter, was developed by Sen (1985, 1995). Sen (1995:15) defines poverty as follows;

Poverty is the failure of some basic capabilities to function—a person lacking the opportunity to achieve some minimally acceptable levels of these functionings. The functionings can vary from such elementary physical ones as being well nourished, being adequately clothed and sheltered, avoiding preventable morbidity and so forth to more complex social achievements such as taking part in the life of the community, being able to appear in public without shame and so on. The opportunity of converting personal income into capabilities to function depends on a variety of personal circumstances (including age, gender proneness to illness, disabilities and so on) and social surrounding(s including epidemiological characteristics, physical and social environments, public services of health and education and so on)

The definition extends poverty analysis to a wider scope than the monetary approach. It also focuses on the individuals and how they can realise their potential. But it also has some problems. The capabilities are not determinate and Sen does not identify the list. If he did, what he would regard as capabilities open to South Africans would not be the same as those of Rwandans. A poverty line is still needed when we define poverty in terms of capabilities. Therefore the approach also faces measurement and aggregation problems (Laderchi et al 2003: 17-19).

Social exclusion is the state of being wholly or partially excluded from full participation in the society in which the subjects live (cited by Laderchi et al 2003: 20). This approach does not focus on the individual. It is therefore, unlike the previous two, focussed on society. However, it is a state of life which is difficult to define and therefore methodologically difficult to estimate. In the thesis we use descriptive information and data to explain forms of marginalisation, such as landlessness or ethnic exclusion of the Twa⁵.

The fourth approach was participation pioneered by Robert Chambers and the Sussex school. It is the only approach that has attempted to include the poor in defining their own poverty. It has thus led to elaborate methodologies such as the Participatory Poverty Assessment (PPA) and Rapid Rural Appraisal (RRA). However it is a rather complex approach, is costly and cannot be subject to rigorous statistical tests. With different groups it leads to different results.

To sum up, there are still ambiguities and methodological problems in the various approaches to defining poverty. Indeed Laderchi et al (2003) point out that an outstanding problem today is that different approaches above do produce different groups of the poor. It is thus obvious that different people will be targeted as the poor by different approaches⁶.

In the thesis, as we point out below, we use extensively the monetary measures, but complement them with qualitative information that employs some of the other approaches. Our argument has been that Development Studies, being itself multidisciplinary should, unlike economics, accommodate such diversity of meanings, provided we get a definite picture of poverty in Rwanda for policy intervention.

⁵ Besides the Tutsi and Hutu groups a third and rather small group is called Twa

⁶ see e.g. works of Deacon, A(1998) Measuring poverty in a growing world NBER Working Papers . His works that have extensively touched on methodologies are accessible online under EconPapers. <http://econpapers.hhhs.se>

Of course the approaches above are not the only ones⁷. There is no form of analysis that resolves this methodological problem. Instead the outcome has been a multiplicity of classifications of poverty. One recent attempt to develop a typology of these definitions has been that of Gordon and Spicker (1999).⁸ They put existing definitions into ten clusters. These are definitions concerned with: a lack of material needs (Streeten 1970s and 1980s, UNDP 1990, ILO 1980s), low living standards (Runciman 1901, Abel-Smith and Townsend 1965, World Bank 1990, ILO 1995), limited resources (Booth 1971, Miller 1996, UN 1995), low basic security (UNDP 1990, Streeten 1990s), a lack of entitlements (Sen 1987, Dreze and Sen 1989), multiple deprivations (Spicker 1990, Deleck et al 1992), exclusion (Jordan 1996), relative inequality (O'Higgins and Jenkins 1990, Atkinson 1970, Kakwani 1984), class (Miller and Roby 1967) and poverty related to dependency (Gillin 1926). The 1980s saw the Basic Needs Approaches dominating policy in many poor countries, before they were moved aside for the participatory approaches and structural adjustments of the 1990s. The UNDP has since 1990 defined poverty as human deprivation. It has developed corresponding measures of poverty such as the Human Development Index (HDI). Subsequently human development policies are regarded as the answer to poverty. The same problem thus persists. The definition will depend on who is behind it. The measurement will follow the definition and policy prescription will follow suit.

Other categories of definitions have evolved from works of scholars on poverty at different times and places. These comprise poverty concepts emerging from their analyses, but also most likely the prioritisation or ranking of various forms of poverty. Some of these are presented in the following paragraphs. They are not mutually exclusive to those cited above. They are not exhaustive..

Rowntree (1901) considered absolute poverty while Runciman (1966) preferred relative deprivation. People in absolute poverty, the concept preferred by rightwing politicians,

⁷ See for example Rein, M. (1974:46) in Townsend (1974) Chp 2, has three approaches; subsistence, inequality and externality definitions. Stitt(1994:47) has definition that fall into absolute ,relative or consensual categories.

⁸ This is so far the only attempt we are aware of, of developing a glossary of poverty terms, which will presumably lead to writing a dictionary of poverty in future.

refers to people who are really at levels of subsistence at which they find it hard to live. These could be helped by society to move up to a minimum level. But more leftists scholars prefer relative deprivation, because there are people who are not destitute but who would also need to be enlisted for assistance by public policy, because they are poor relative to the rest of society. In many modern studies there have been attempts to quantify these levels, and detailed explanations of these approaches are found in any standard textbook on poverty.

Kosa (1975) has made a distinction between poverty that is **chronic** and that which is **acute**. He defines chronic poverty as long-established lifelong or multigenerational deprivation. He states, ‘the chronically poor person has no personal knowledge of how to live above poverty level and if given some unexpected aid by a charity organization, he cannot live up to the expectations, perhaps as has been suggested, he has to be taught the rudiments of middle class life and spending habits (Kosa 1975: 31)!’⁹

According to Kosa acute poverty may be caused by cybernetics or ageing of the population. Cybernetics is a sophisticated form of increasing mechanization and automatization, which eliminates many unskilled jobs.

Townsend (1970) made a distinction between partial poverty and total poverty. These are similar to the absolute and relative distinction and will depend on what the scholar or policy formulator regards as a state of being in total poverty.

Under standard of living Rowntree (1941) made a distinction between primary and secondary poverty. Again, like the last two pairs, secondary poverty referred to people who had jobs, but whom he regarded as also being needy. Basic and cultural distinctions of poverty are sociological distinctions coined by Drenowski and Scott (1966). They defined poverty as being basic such as the absolute levels of poverty or as arising from cultural reproduction in society. The latter as mentioned, in other sections below,

⁹ In Chapter 3 is a more detailed presentation of such concepts of poverty wherein poverty is regarded as a subculture. Chronic poverty as a concept has attracted considerable interest recently. See www.cprc.org cited above.

influenced policy in the U.S after 1960s. Policies inclined towards addressing conditions of the poor as social categories in society.

There is contextual poverty approach (CROP, 1996), which takes into consideration conditions in a country or society. This is a concept of poverty whose implication is that any policy to reduce poverty needs to address the specific conditions obtaining in a country or an economy.¹⁰ It is an interesting conception because we also argue that poverty in Rwanda is not different from poverty anywhere else. However it has a contextual character that has to be understood if it is to be effectively challenged.

Stitt (1994) elaborated what has come to be called consensual poverty. It is a concept of poverty that is extracted from the poor themselves. This is a concept that has come to shape our approach to policy. The principal argument is that the best experts on poverty must be the poor themselves. Few scholars and policy makers have so far tended to look as if they are the ones who know best how poverty can be reduced or eradicated when they are not poor themselves. One of the results of this conception has been the use of participatory methods in poverty research and policy prescriptions that involve grassroots participation. In both cases, of research and interventions, the poor themselves are deliberately involved¹¹.

Similar and related to consensual poverty was the campaign to bring into focus rural poverty by scholars like Chambers, R. (1983) in the 1980s. His campaign was based on the argument that in research and policy the poorest of the poor in rural areas are neglected or forgotten. Policy needed to put the poorest first, meaning those in rural remote areas. It is this conception of poverty that has shaped the policy approach to poverty that has been pursued by the Sussex School, and that has led to the introduction of the resultant techniques known as Rapid Rural Appraisal.

¹⁰ CROP as mentioned elsewhere is the Centre for Research on Poverty based in Scandinavian. It also coordinates a network of poverty researches. The scope of activities of CROP is however is international. One of their major publications is an International Handbook on Poverty Research. See www.crop.org mentioned above.

¹¹ At a philosophical level this understanding has been greatly promoted by prominent scholars like Sen (1995) whose criticism of policy was that the poor were regarded as targets that did not have capabilities.

The Human Development Report in 1990 ushered in an era of interest in economic and political poverty (Martinussen 1998) and social exclusion (Golding 1986, Jordan 1996). Subsequently human poverty and security have become important considerations in understanding poverty. Analyses on Rwanda in the thesis are based on the argument that politics, exclusion and conflict explains more correctly the nature of poverty in the past and present.

An important remark to make is that the lack of a universally accepted basis of defining poverty is a hindrance to policy. UNDP has been using the Human Development Index to guide policy. It is however, very general and global when most policies are parochial and country specific. Some economists have, tended to prefer economic modeling of poverty, than using very broad categories like human poverty.

On the other hand Spicker (1999) argues quite reasonably that the existence and use of a range of definitions has the advantages of robustness and flexibility. The range of views has fostered innovation and diversity. Policies have for instance, focused, on economic development, political participation and social integration and made it possible to tackle poverty by whatever means that are available.

Finally, assessing the impact of policy is also problematic. A precise definition of poverty is not a guarantee of a more effective policy response. Policies that are direct and focused have been noted to have problems once one has gained initial experience. For instance means – testing and structural adjustment policies have shown problems in practical application.

It is important to note that however diverse and descriptive these approaches to policy are, they are quite useful in explaining the conditions of poverty where numbers cannot. At a later stage we use some descriptive classification to explain the poverty conditions in Rwanda. But then, as Sen (1987:46) suggests:

“The poor are those whose consumption standards fall short of the norms or people whose incomes lie below that poverty line”.

By this definition we appreciate the functional need for a poverty line. However it will be noted in subsequent chapters that a poverty line alone cannot assist in designing an appropriate policy approach. We need to know what is happening below the poverty line. We shall also argue that a poverty line cannot determine who is poor and who is poorer. It cannot reflect on the distribution of poverty.

In policy terms we also argue that a poverty line makes a distinction between the poor and non-poor. It is this ‘selectionist’ distinction between two groups that stigmatises one group and antagonises it with the other. If in an economy the distinction was to be aligned with political or ethnic groupings, the poverty line becomes the boundary of groups that are antagonistic. Although we depend on the operational definition of poverty as being relative to a poverty line, our analysis goes beyond this. More descriptive analyses are provided to draw a better picture of poverty in Rwanda. But as noted above the line is quite an important starting point that cannot be ignored.

2.2.2 The causes of poverty.

We asserted at the beginning that the way poverty is understood and explained influences policy. Poverty and policy analysis should precede policy prescription. What we analyse as the cause of poverty in Rwanda (Chapter 4) shapes our policy prescription (Chapter 6 and 7). Likewise we shall also see in Chapter 5 that the way policy is currently framed has depended on what has been considered as cause of poverty.

Three sets of causes of poverty can be identified (Stitt 1994). The first set has to do with individualist theories, the second with labour theories of poverty and the third set is structural causes.

2.2.2.1 Individualist theories

Individualist theories are common amongst economists¹² and some sociologists. They contend that causes of poverty are to be found within the traits, characteristics and motivation of individuals. A person's laziness, fecklessness and lack of thrift account for his /her poverty. Such forms of explanation prescribe policy responses to poverty that target the individual and his/her own behaviour or value systems for change. They imply that treatment of and provision for the poor should also attempt to change their personal attributes in order to enhance their employment prospects. A scheme of poor relief will focus on how the individual can be helped to escape from poverty.

In the most extreme case, is the view that; since the poor are responsible for their situation, then they do not deserve any support at all. The poor, since they are responsible for their own predicament, should not exert an excessive burden to the majority of the taxpayers who are not poor.

On the other hand, there are those favouring more intelligent support for the poor. Support should be given on condition that it moves them out of poverty. Scientists who accept this approach would never contemplate that they, or the economic or political system or society at large, may have to share in the blame for poverty¹³.

A typical individualist theory of poverty is the famous 'culture of poverty'. By this, poverty arises in a group where all individuals have patterns of behaviour, which makes them prisoners of poverty. The corresponding concepts are 'problem families', 'inner cities', 'problem communities' and underclass found in sociology and anthropology and

¹² Stitt (1994: 14-18) for instance includes an analysis he calls Orthodox Economic Theory. It is not considered here because it has very little practical policy lessons. We take one example in this category- Culture of poverty and the related policy concern of stigma.

¹³ A dramatic instance is that of the beggar. Some people choose to offer them alms while others think it is not fair to do so. Others think it is not fair because they believe in the principle that 'you should not give a poor man a fish but give him a fishing hook and preferably teach him how to fish.' Probably the second reasoning is sensible in that at least the issue of lack of access to means of production is appreciated. But it is no good to teach how to fish and to give him a hook if he has no access to fishing water. Unfortunately many of the training schemes implemented under this philosophy gave people skills to produce goods for which there is only a very limited market.

were influenced by works of Lewis (1965) and Matza (1966)¹⁴. It is noteworthy that there is one apparent contradiction. Although poverty is attributed to the individual in fact culture of poverty allows for group dimension of poverty.

In terms of policy, social security schemes would aim at encouraging and facilitating the individual or group to break out of their value-ghetto and to adapt to the systems, structures and opportunities of the 'normal' wider society. Social security would aim to bring these people only to such levels that would make living standards unpleasant enough to prompt improved behaviour by the poor person or group.

In the final analysis, state intervention or policy is geared to discourage idleness, apathy and fecklessness and to encourage self-reliance and self-help. Such policies could be achieved if the state generated dissatisfaction among the poor with their living standards. This could be through a system of poverty alleviation, which provides only an unacceptable standard of living. In actual fact this is what most welfare and social security schemes have been doing. Policies concentrate on targeting poor individuals and groups by providing income levels so low as to deter settling with the life style of being unemployed¹⁵.

Before turning to the second set of explanations there is one important remark that is appropriate to consider here. The policy interventions that target the individual have been criticised for creating 'stigma' among the poor. This criticism has acquired wide currency following the classic work 'Stigma' by Waxman (1977). It is an important issue for our policy analysis.

The word stigma originally meant a mark physically branded on a slave or a criminal. Stigma¹⁶ is evidence of an attribute a person has that distinguishes him from others to

¹⁴ Culture of poverty is one of those theories that distort government's role in poverty reduction. Poverty is regarded as a culture that is reproduced from one generation to another. Waxman (1977) has a good critique chapter.

¹⁵ Note that under the alternative scheme of workfare you would lose the grant if you don't do some work.

¹⁶ In social security literature this is a cost. For example in a means tested programme some poor do not take up assistance because of stigma.

form a tainted and discounted picture absent in usual persons. Goffman suggests three types of stigma; physical stigma because of deformities, tribal stigma of race, nation or religion and blemishes of individual's character perceived as weak will (cited in Waxman 1977). Other features at individual level include unnatural passions, treacherous and rigid beliefs. It includes dishonesty, behaviours and circumstances such as mental disorder, imprisonment, addiction, alcoholism, homosexuality, unemployment, suicidal attempts, and radical political behaviour. In social policy it is regarded as institutional process of stigmatising the poor (Titmus 1974: 43). In practice it has meant that a person on welfare is helpless and dependent. He has often been regarded with disdain or even punished.

Stigma of poverty is also close to Matza's definition of the 'disreputable poor'. The disreputable poor people are the paupers, the dregs, skidders and infirm. Multiple stigmata arise where several sources of stigma befall one person. An anecdotal example is being a black and woman recipient of welfare in the U.S. We shall encounter such stories in our analyses on Rwanda as well¹⁷. Noteworthy is that so far a lot of the bases of the individualistic theories and stigma have been severely attacked.

One major criticism is that most of the individualistic and culture of poverty research was conducted in the U.S and based on U.S society. Care has to be taken in transplanting the generalisations from such research findings to other parts of the world. The social and economic environment an individual is brought in, shapes his behaviour. Therefore life in the U.S in 1960s cannot shape the individual in the same way as in South Africa or Rwanda forty years later.

It is also noted that even in the U.S., the studies that have supported this outlook on poverty were biased and prejudiced. A case in point is crime and poverty. Generally, associating crime and poverty is easy but the causal relationship is not determinate in the sense not all crime is motivated by poverty. It would be difficult to explain white and

¹⁷ In Rwanda an ethnic group of minority of Twa is marginalized and stigmatized. We argue in the next chapter that Twa women face multiple stigmata as women, Twa and poor

blue-collar crime in our societies. Not every criminal is poor and the most vicious of the world, such as drug lords, happen to be the richest.

Secondly, we need to remark on the concept of a culture of poverty itself. A pattern is cultural, only if a traditional element is present. According to Waxman (1977), culture must involve at least two generations. If it is less than two generations, then most likely it is just situational. That is, it involves immediate and short-lived response to an external situation. It is not internalised. Culture involves recipes of living, ways of doing things passed on from one generation to another. A situational pattern can become a tradition if it is transmitted from one generation to another. That is when it becomes a cultural pattern.

Another criticism has to do with the question whether there is such a thing as a poverty culture. There may be a poverty lifestyle that people are forced into due to socio-economic conditions. The latter is a separate issue from alluding norms, attitudes and values, which are common for all classes. In other words, there are no norms and values of the poor. The poor are forced into those circumstances against their will.

2.2.2.2 Labour market theory

The second set of explanations has to do with the labour market theory. In terms of this set of explanations, 'the labour market is the main arena of poverty-causation in terms of demands for different qualities of labour force, different levels of workers and the interaction of these with the motivations of workers (Stitt, S 1994: 24).

Two strains of labour market theory are identified. They are a dual market theory and segmentation theory. There are primary and secondary labour markets. The latter, having developed over a period of time do have identifiable behavioural norms, expectations and rules. The labour market theories consider competition as central to development of poverty.

In the primary market there are production conditions that require 'firm specific' skills. Employers invest in their workers financial resources, time and training and offer them higher wages, security and comfortable and amenable working conditions to ensure that such workers remain in their employment and repay the employer. A process of socialisation build behavioural characteristics towards work such that primary sector workers are regarded as 'reliable' and secondary market workers as 'unreliable'. The tendency is reinforced by strong trade unionism in the primary market.

The secondary market is characterised by poor wages, poor working conditions, variability in employment and harsh and arbitrary discipline. It is in the secondary market that the poor are most likely to be. Thus certain categories of people find themselves unequally represented in the secondary labour market such as Blacks in the U.S and U.K. This theory can also account for unemployment and poverty among women¹⁸.

This theory shifts emphasis from the weaknesses of individuals to the characteristics of the secondary labour market. The theory includes also demand factors in the explanation of wages and poverty. The demand factors are for example specific levels of qualification of workers demanded by employers. The supply side emphasised skills, health, brainpower and motivation.

In this case welfare would be to the unemployed. It would be merely for subsistence to maintain an appropriate and readily available supply of labour to meet the demands of the labour market.

The segmentation labour market theory is an extension of the dual labour market theory. In the former the contention is that a market is much more segmented than in a simple duality. A segmentation theory also suggests that there are class interests reinforcing the construction of the partitioned labour market. In the development from competitive capitalism to monopoly, market segmentation is a deliberate process of 'divide and conquer'. Segmentation is along various fault line, manual and non-manual production,

¹⁸ Note also the emergence of a Theory of Exclusion. e.g. Jordan 1996.

classification by economic and occupational classes, methods of remuneration and working conditions, using ethnic and racial and gender backgrounds. The ultimate result of such processes is the institutionalisation of social inequality, which should explain poverty in terms of those in inferior jobs and the unemployed(Stitt 1994:26).

2.2.2.3 Structuralism

The structuralist approach emphasizes the roles and conditions of both poor and non-poor. It does not isolate individual traits, group sub cultures or labour market developments. Poverty can be understood by identifying distinct and separate strata within society. The very existence of poverty is functional to the maintenance of this societal hierarchy.

The logic of this line of thinking is that poverty is a social problem and relieving it involves confronting major social obstacles. Relieving or eradicating poverty may be stifled because its existence serves the interests of politically and economically powerful groups of `elites`. If the causal base of poverty is located within unequal structures in society, then the solution to the phenomenon must address this inequality and therefore reform social and economic systems such as the distribution of income and resources and the values, which consolidate the inequality of deprivation and privilege (Stitt 1994: 29).

Functionalist theories of poverty are also a form of structuralism (Gans 1972, Holman 1978). There are several of these. The mere existence of poverty makes a hierarchy with top and bottom layers possible and justified by the structure of society. This is so if the poor are poor because of their refusal to save and invest, fecklessness, idleness and neglect of their children. Secondly a stratum feels relatively better off by looking at that below it. Thirdly the existence of the unemployment and the poor provide a source of labour for dirty, dangerous and undignified work, which the relatively affluent would not want to do. Fourthly the poor `subsidises` the non-poor, a good case being regressive

taxation¹⁹. The fact that the poor pays proportionally more of their income as tax in the case of taxes on expenditure does not usually lead to a subsidy of the non-poor.

Other functional benefits, according to some structuralists, include the creation of highly paid professions (these professions are in fact very seldom highly paid) such as social workers and the police. Poverty helps to uphold the legitimacy of dominant norms by providing examples of deviance such as laziness, dishonesty and promiscuity and thirdly it provides emotional satisfaction, evoking compassion, pity and charity so that the affluent may seem righteous. The poor absorbs political and economic change and growth in society such as reconstruction of city centres and 'inner cities', and industrialization (Gans 1972:4).

Another form of structuralism is the Marxist explanation of poverty. Poverty is caused by the very existence of capitalism and the solution lies in the abolition of the capitalist system. The capitalist production relations are such that the owners of capital give primacy to capital accumulation. The wages of workers will be so low that their needs will not and cannot be met. In such a structurally conflictive situation poverty is a natural outcome.

In Marxian language there exists an antagonistic relationship between two classes of the bourgeoisie on the one side and the proletariat on the other. Marx refused to see poverty as a social problem, as a result of industrialisation or urbanisation or lack of motivation. To him, these were explanations geared to confuse and to cover structural issues of inequality, oppression and alienation with an individualistic cloak. The causal base of poverty is the capitalist mode of production and the production relationships it fosters (Stitt, S 1994:36).

A common version of the Marxian explanation of poverty is historical materialism (Novak 1988; Szentes 1983). Present day poverty is seen as a characteristic of the

¹⁹ The observation may be criticized, in that a tax may be regarded as regressive in relation to redistribution but good also in collecting revenue required to fight poverty.

present stage of imperialism and laws of motion of capitalism. Marx showed that unlike under other modes of production, labour became a commodity under capitalism. Under feudalism there was poverty and exploitation, but a worker was not compelled to sell his labour power by the circumstances of the mode of production (Lenin 1938)²⁰.

A worker had to sell his labour power by necessity to the capitalist because the alternative was starvation, the workhouse and social security. These alternatives had to be as unpleasant as possible in order to force the worker to sell his/her labour power.

According to Marxists the unemployed form a reserve army, which is seen to be a function of the laws of motion of capitalism to ensure that there is a surplus of workers for the capitalist enterprise, who can, as a result, keep wages very low. Wealth and poverty are analysed as essential dynamics for survival of capitalism²¹. As wealth is accumulated poverty must always be the consequence. The state under capitalism plays the role of ensuring the interests of capitalist development are not compromised²².

The structural explanations have greatly influenced how we view and interpret poverty. Except for the ideological differences between Marxism and the rest of these theories, this category of theories detaches the cause of poverty from the individual. Poverty is external and structural. Poverty is a consequence of the poor occupying an unfavourable position in a restrictive social structure. In this regard a change can be effected not by changing the poor themselves but by changing their situation, by correcting the restrictive social structure.

Thus with regard to the question of crime discussed earlier, it is argued that there is something more than crime being just related to poverty. Across all social classes there is

²⁰ Current citation is based on summaries at www.marxist.org done by Paul Mallick

²¹ The Marxian critique is usually very incisive but lacks clarity in providing solutions. The traditional solution was to abolish capitalism and build socialism. But the crumbling of the socialist states in the East has led to some disillusion with socialism as a direct solution. On an interesting note some welfare and non-welfare schemes drawn by some types of capitalist governments rate higher than what a socialist regime could have offered see e.g. Swedish welfare programme.

²² See summary of Mandel on Theory of Reserve Army at www.isg-fi.org/uk or the International Socialist Group

a high premium put on economic affluence, but the lower the person is on the class ladder, the more difficult it is to achieve the common goal of success. Having limited institutional means to achieving the goal leads to illicit attempts (Waxman 1977).

The higher incidence of mental illness is explained as a result of the structural features of lower class living. For example, mental illness might be linked to slum conditions in the city and the consequences of industrialisation on the type of work the unskilled workers have to do.

Another example of structural association was between poverty and education. The education-poverty problem is not blamed on the early socialisation process of individual children, but on the inadequacies of the school system and negative attitude that the entire system has towards the lower class.

It can be observed that the structural outlook on poverty may have influenced some policies even in the U.S. The problem of lower class delinquency, being linked to lower opportunity, led to programs for the youth. In the field of education, a series of reforms were instituted including decentralizations, community support, open enrolment and affirmative action. More effort was put in giving information on birth control and devices through Planned Parenthood programmes. Most of these policy prescriptions have naturally found their ways to other parts of the world.

The preceding discussion is of relevance to Rwanda and the developing world. Most interventions are related to what policy makers believe are the causes of poverty. In Rwanda for example street children and beggars used to be rounded up and sent to their places of origin²³. They were punished if they were caught another time. Though unwittingly, these policies are embedded in the belief that there is a sub culture of poverty among poor people, which leads to behaviour that causes the poor to be a

²³ Such actions for instance hit headlines in early 2003 because beggars and street children were rounded up just before a summit of African Heads of states were to meet in Kigali for a NEPAD conference.

nuisance in urban areas. It betrays the belief that poverty is the problem of the individual, who is stigmatised by being regarded him or her as an eyesore in the urban areas.

In one of the surveys referred to later in this chapter, descriptions of poverty and poor conditions were loaded with phrases that reflected disdain of the poor (PRT 2002). The poor have the burden of being poor and being stigmatised. The consensual definitions found among Rwandans also reflected that poverty was seen as the problem of the individual (PPA 2002). The philosophy behind Poverty Reduction Strategy Papers (PRSPs) championed by the International Financial Institutions (IFIs) reflects the belief that poverty is caused by bad structures of the economies and bad governance. We shall show in Chapter 4 and 5 that policy prescription should follow an informed analysis of poverty. Although we share the views of the structuralist, we believe policy mix will contain elements of some or all of these explanations. In the next chapters we shall be concerned with the practical implications of our analysis.

Finally this analysis has supported our argument that there cannot be one prescription for poverty. Why? Because poverty being so multifaceted, it cannot be viewed from a single poverty theory. To cater for this diversity we propose towards the end of the thesis, multiple interventions, coordinated by a comprehensive social policy framework that can adequately face what we analyse as the cause of poverty in Rwanda- the evolution of some structures in the economy of Rwanda and their linkage to conflict. Having dealt with the explanations of the causes of poverty, let us now turn to a critical methodological issue in poverty analysis- the measurement of poverty.

2.2.3 The measurement problem

A measurement tool, which is important for policy analysis is the poverty line, mentioned above. A poverty line divides the poor from the non-poor. It is this line that can make targeting meaningful in that it will provide an estimate of who the poor are. The line also allows policy makers to make comparisons regarding poverty and the impact of policy over time, across countries and between generations. Thus policy formulation is sensitive

to the reliability of the poverty line. The problems of quantifying the poverty line, determining a threshold, or a poverty datum line remains a formidable challenge to economists and non-economists (Ruggles 1990, Ravallion 1995, 1998, Foster 1998).

First, highly contentious political and ethical issues are usually involved in selecting the particular aspects of well being to be considered and their acceptable minimum level. (Lanjouw and Stern 1991). Secondly, data problems are pervasive in analysing living standards. Several elements of well-being are qualitative and resist measurement. Thirdly, the unit of analysis may be based on all the members of a residence, on households, on all those in a household who share expenditure or on individuals. Different measurements of welfare among the members of the unit (e.g. expenditure per capita or income per capita) and different equivalence scales used can lead to different results (see Atkinson 1991).

Hagenaars and Vos (1988)²⁴ show that there can be a variety of measuring methods depending on how poverty is conceived or on the policy objectives. There are policy makers who believe in absolute poverty indices, others in relative and some attempt to combine the two. The result is an array of measuring methods corresponding to most of the definitions we discussed earlier.

The first category of indices implies that poverty is absolute. It includes first the **Basic Income Approach**. A poverty line is determined by a bundle of goods that are considered basic such as food, clothing and housing²⁵(Rowntree 1901 and Orshansky 1965). Secondly one can use the **food/income ratio**. It is a measure based on the so-called Engel's Law which states that the ratio of food to income declines when income increases (e.g. Watts 1967, Orshanky 1965 and Love and Oja 1977)²⁶. A third method is the **fixed cost/income ratio**. The ratio was derived from Dutch social policy and

²⁴ They used Dutch household survey data of 1983 involving 12,000 households. Observations here are general and show the problem of choosing poverty lines in developing countries as well.

²⁵ The problem is of course that basic needs may vary from one place or one person to another. Sen (1985) has also suggested the use of capabilities instead of commodities in defining basic needs.

²⁶ In developing countries food as a ratio of income may take up to 80%. The law is used for example to determine non-food expenditure if food expenditure is estimated say from surveys.

considers people poor when certain expenditures exceed a given level. A fourth method is a **total expenditure/income ratio**. According to this method one is in poverty when one has to borrow more than a certain proportion of one's expenditures.

The second category of indices is based on the assumption that poverty is relative. Only one measure is suggested. Relative deprivation is described in terms of income or a bundle of commodities in relation to the median income or the bundle of goods used by the median household (Abel Smith and Townsend 1965 Rainwater 1969). Considering an example of the commodity based definition Townsend (1979) defined poverty as lacking those goods regarded as common in society one is living in. Of course choosing the bundle of goods is rather arbitrary as will be noted in a while²⁷.

The third category is about indices that are both relative and absolute. They imply that poverty is a feeling of not having enough to get along. First is **subjective minimum income**. Survey questions are used to know how much income people think is just *sufficient* before one can consider himself or herself poor (Goedhart et al 1977). Responses regarding what is sufficient or not sufficient are clearly very subjective. Second is **subjective minimum consumption**. Again one elicits, by survey questions, information on basic needs or the minimum amount required before one can consider himself/herself poor. It is, however, noteworthy that minimum amount is a vague concept and food as a basic need is a very relative term. A third is an **official minimum**. There is an official minimum income below which a person should be regarded as poor²⁸ which is the most commonly used method.

In brief, the previous account shows at least eight methods of determining the poverty line. The method selected depends *inter alia* on the pragmatic argument of data availability, on political decision-making or on some other reasons. The multiplicity of

²⁷ Hagenaaars and Vos for example use car, coloured TV, refrigerator etc with regard to the Netherlands. These would be luxuries in a developing country setting especially in rural areas.

²⁸ The tendency in most developing countries is to have an official poverty line express in terms of minimum consumption, because measuring household income is elusive in the non marketised sectors of the economy. At times international lines like expenditure of a \$ a day per adult equivalent (in Purchasing Parity Terms) are used as the official poverty line.

methods suggests a difficult task that a policy formulator faces. Another problem is that even these may still lack the capacity to capture every attribute a policy formulator would have wished to measure. Stigma, deprivation, insecurity and vulnerability in Rwanda may be difficult to measure.

Sen (1987) has summarized some challenges policy analysts have to face in choosing methods of evaluating poverty. The first challenge is the distinction between commodities and characteristics. It is based on the argument that the identification of poverty is an exercise of specifying a set of ‘basic’ or ‘minimal’ needs. The inability to fulfill these needs is the test of poverty. Now, the issue is whether basic needs are better specified in terms of commodities, e.g. a certain amount of wheat, rice, potatoes or some other basket of goods, or characteristics such as a certain minimum of calories, protein or vitamins.

In practical terms, basic or minimum needs are often specified in terms of a hybrid vector such as amounts of calories, protein, housing, schools and hospital beds. Some of the components are pure characteristics while others are undisputedly commodities. The poverty lines that we use in the empirical parts on Rwanda are based on determination of a basket of commodities²⁹. This does not preclude that some studies (most likely related to FAO and WHO) use characteristics such as minimum calorie supply. It is one of the measures used where the head count index is not available³⁰.

The second challenge is that of choosing to use consumption or income. The actual consumption basket may leave some basic needs unsatisfied. Another way is to calculate a minimum income at which all the specified minimum needs are satisfied. In essence income and consumption are not alternatives, but two sides of the same coin³¹. The difference comes in measuring. When you ask people to estimate how much they have

²⁹ see Appendix to the Rwanda Poverty Profile (2002) for detailed explanation.

³⁰Under targeting Sen actually prefers to use the concept of capabilities. To Sen (1985) capabilities is a concept that is more dynamic than that of commodities in explaining poverty.

³¹ In economics a similar case is that of measuring national income. Ideally the same figure can be reached by using an expenditure approach or an income approach.

consumed during a month, they usually overestimate the consumption. When you ask them to estimate what their income was during a period, they usually underestimate the income they have received.

The direct consumption approach seems to be more popular in developing areas. The principal reason is that a majority of the people do not earn incomes or wages, which would make estimation of living standards based on income difficult. The poverty line is thus usually seen as the level of consumption below which a person is regarded as poor.

A variety of other problems not yet discussed have to be addressed in estimating a poverty line. The first is adjustments for differences in prices. If prices facing different groups of people differ, such as between social classes or income groups or localities, then the poverty line will be group specific, even when uniform norms and uniform consumption habits are considered³². Despite this variation one universal line is usually determined.

A second problem is that of the family composition and size³³. It is common to find that, the family or household rather than the individual is the natural unit, in the identification and quantification of poverty. This leads to a number of difficulties. Firstly, exact consumption patterns vary from family member to family member. The family minimum levels of consumption can be found to vary among the children, women, pregnant women adults and the old³⁴.

Secondly, use of the family, as a measurement unit is also a problem in itself. In Africa, the concept of the family is taken to mean members of the extended family. Household

³² Muller (1998) tried to study the impact of such variations on poverty estimates in Rwanda using the household survey of 1983 to 1985.

³³ For a professional and rigorous treatment of this issue see Atkinson (1991) *Economica* 59. A trace of the evolution of the theory and problem of household equivalence a good paper is by Nelson Julie (1993) *Household Equivalence Scales: Theory versus Policy. Journal of Labour Economics* Vol 11 Issue 3.

³⁴ A common variation is the amount of calorie requirements. A hard working middle-aged man requires a minimum calorie requirement far greater than that of a sedentary housewife or children.

surveys therefore usually choose to define a household as those people 'living under one roof' or those 'feeding from the same pot'³⁵.

For the moment, to overcome such problems, economists use 'equivalent scales' or defining the size of the family or household by the number of 'equivalent adults' and looking at expenditure in terms of expenditure per adult equivalent. The significance of these scales and the debate about them is substantial. The most common problem is that while we assume that poverty is associated with large households, it is possible to argue that the larger the size of the household the better is the chance to reap economies of scale. The equivalence scales chosen are therefore very important³⁶.

It is therefore clear that, a poverty line does not depend on quality and quantity of data only, but also on the specific definitions and criteria used in defining and calculating it. These problems have not discouraged policy makers. It is from the estimate of the poverty line and indices arising from it, that impact of policy can be measured. The enduring problem remains whether the measures and estimates are reliable enough to permit sound policy decisions. A possible approach is using as many methods as possible and allowing comparisons to triangulate the most proximate policy intervention.

To conclude, there can be different poverty lines in a given country depending on availability of data, need and emphasis. In Rwanda, after the 1994 genocide, a dollar a day was used as the official poverty line. Calorie intakes between periods or places if the emphasis is on health are also frequently used. Even if one agrees on poverty line, this data can be used for very different types of analysis, with different policy implications.

2.2.4 Standard Measures for policy analysis

The most commonly used measure of poverty in economics is the Head Count Index. Its aim is to make an estimate of the number of people who are below a poverty line. It is so

³⁵ The current Household Survey of Rwanda 2002 uses such a definition.

³⁶ See for a rigorous analysis Lanjouw and Ravallion *Economic Journal*, 1995:105.

far the simplest and most popular measure. It is the ratio between the number of poor over the total population or the total number in the community. It can be stated as;

$$H = q/n^{37}$$

where q is the poor in number and n is the total population.

The Head Count index is however sensitive only to the number of the poor below the poverty line. It thus does not at all consider the extent of the income shortfall of those who lie below the poverty line. The Head Count Index cannot determine whether someone is just below or very far from the poverty line, in acute misery. This is the weakness, which makes policy analysis prefer to use other measures. One such measure that policy makers tend to use is the poverty gap. The gap is in fact the average of the distance of the poor from the poverty line. For the non-poor the poverty gap is zero. If translated into monetary terms the poverty gap is the measure that is used frequently in this study as the amount of income required for the poor to reach the poverty line.

The poverty gap is in fact given by the second formula of the Foster, Greer and Thorbecke (FGT) family of measures (Forster, Greer and Thorbercke, 1984). The latter are a set of three indices that are denoted by P-alpha and have become very popular in poverty and policy analysis as will be demonstrated in this study. The basic formula is presented as follows;

$$P\alpha = 1/n \sum (z - y_i)^\alpha / z^{38}$$

where z is the poverty line, y_i is the income of unit i, i is the income- receiving units and n is the number of the poor. Thus a poverty gap, as we show shortly, for the poor person i is given by the z-y.

³⁷ See Sen (1976: 220) Poverty: An ordinal approach to measurement. *Econometrica* Vol 44 or Kanbur (1987: 67) Measurement and Alleviation of poverty. IMF Working paper.

³⁸The presentation here is based on Kanbur (1987) cited in the next footnote but for original derivation see Foster, Greer and Thorbecke (1984; 761-66) A decomposable measure of poverty. *Econometrica* 52

The attractiveness of this measure is the capacity to decompose population groups and to measure different forms of poverty. By giving different values to alpha it is possible to measure different levels of poverty across population groups or regions.

The parameter $\alpha \geq 0$ measures how sensitive the index is to transfers between poor units. When Alpha is set to zero we have the head income index mentioned above. When Alpha is set equal to 1 then we have the poverty gap. For $\alpha > 1$, transfers from low to high incomes will increase poverty. In fact $\alpha = 2$ is sensitive to distribution of income among the poor as well as the poverty gap.

The FGT gives us three most popular measures of poverty used in policy analysis today. $[Pa] \alpha = 0 = P_0 = H$ measures the *incidence* of poverty. It is the head count index. $[Pa] \alpha = 1 = P_1 = HI$ measures the *depth* of poverty. It is the poverty gap. $[Pa] \alpha = 2 = P_2$ measures the *severity* of poverty which is the square of the poverty gap³⁹. This means the square of the poverty gap can indicate how the poorest groups in the population are fairing an issue we shall mention again in policy selection criteria below.

There are a number of policy issues that surround the use of these measures⁴⁰. Firstly there is a dilemma between poverty indices and policy for poverty reduction that has to be addressed. The poverty indices are essentially static in motion whereas policy to be effective needs to be dynamic. In other words the reliability of a poverty index depends on its stability while a policy should be able to capture changes. In social life there are a lot of interactions that can affect the poverty measurement. Two or more people may exchange incomes. Poor people are not equally poor. The poorer one may surrender part of his income to the relatively better off. These have to be understood by an analyst.

To be more specific if a transfer is between two people below the poverty line, the Head Count Index does not change. But the distribution of income among the poor has

³⁹See Kanbur (1987: 69) Measurement and alleviation of poverty. IMF Working Papers. The Household Living Conditions Survey 2002 of Rwanda uses the three measures. So does the Poverty Profile of Rwanda 2002 as well.

⁴⁰ For empirical considerations see e.g. Rodgers and Rodgers (1991).

changed. But FGT measure, because it squares the poverty gap, will be sensitive to the distribution changes. In other words the transfer mentioned will worsen the poverty gap. This is the reason why the poverty gap and its square is preferred for purposes of policy analysis over the Head Count Index. The Head Count Index has a very limited capacity to let policy makers know what is happening below the poverty line⁴¹.

. The head count poverty index does not measure when a persons who is rich today, becomes poor tomorrow if at the same time the same number of poor people move to above the poverty line. It does not show us how many crosses the poverty line upwards compared to those crossing it downwards. Above all the question is whether the aggregate income of the poor decreases or increases in any of the processes. For this policy requires more information. If the average poverty gap goes down, the aggregate income of the poor has increased, so this measurement would show that.

A third remark is that poverty indices depend much on distinguishing between those who are poor and the non-poor. We noted that, although this is helpful in many ways it is the source of stigma among the poor. The moment a category of people is classified as being poor by indices, the attitude towards them changes. It is like creating two distinct classes with two distinct characteristics in society. It is as if there is one clear cutting edge between the two groups. Poverty is economic as it is social. But it is not a permanent label of some social group.

Fourthly policy has also tended to exploit the static nature of poverty indices. If more people cross the poverty line upwards then poverty naturally has decreased. It is therefore not uncommon for policy makers to prescribe policies that enable more people closer to the poverty line cross it. In other words, a few people near the line will not cost much the policy makers, and yet within a very short period indicate considerable achievements in reducing poverty at aggregate level. Thus, if one uses the head count index, it is possible that in an economy some poor become poorer while the economy is registering poverty reduction.

In practical terms policy formulators and implementations should strive to capture the dynamic nature of poverty. Firstly, a medium to long-term strategy should compile panel data that can be used to monitor poverty. Secondly in the mean time, the poverty gap should be used to check the effect of policy against the poverty trap. Thirdly, in many policy actions one approach is to use all the different poverty indices such as the FGT mentioned above. Finally we shall argue later that the use of universal targeting approaches avoids the weaknesses of dividing the populations into the poor and non-poor which may lead to stigma or social tension.

2.2.4 Some application of the measures

There are other estimates that can be developed from the standard measures that are important to policy. The two most commonly used are the estimation of cross over time for poverty and estimating the cost of crossing the poverty line (Kanbur, R 1987, and Borat, H 1999).

The cross over time is the number of years required by the poor to cross the poverty line. The following relation gives it;

$$T = [\ln (z/y_p)] / [\ln (1 + g)]^{42}$$

Where T is the crossover line, z is the poverty line and y_p is the annual per capita growth rate. The estimate is interesting in that varying values of g can be estimated in relation to existing scenarios; corresponding either to International Development Goals or Vision 2020. Moreover, *cross over times* are estimated for various poverty lines. This measure is used in Chapter 5.

⁴² Kanbur (1987: 70) Measurement and alleviation of poverty. With an application to macroeconomic adjustment. IMF Working Paper.

A second application is the estimate of the amount of resources that may make the poor reach the poverty line. The minimum financial cost for alleviating poverty is as given below;

$$P_e = nz P_1^{43}$$

Where n is the number of units, z is the poverty line, and p_x is the measure of intensity.

For policy purposes it is important to analyse the expenditure by the government for poverty alleviation. It is also used in Chapter 5.

But before moving on to another important sub heading, it is important to note that there are several non-monetary measures of poverty that are commonly used and applied also in this study. Most non-monetary indices will report outcomes in health and education. There are measures and description of human poverty, insecurity and powerlessness. The UNDP has actually developed a series of other measures of poverty that are composite in nature and can compare levels of poverty over time, within and across countries. These are for instance the Human Development Index (HDI), Human Poverty Index (HPI), Gender Empowerment and Development (GED) and Gender Development Index (GDI) (UNDP 1990,1994,2000). .

Finally there are two more issues we ought to mention that will be analysed in some chapters ahead. These are inequality and vulnerability as methods in poverty and policy analysis in Rwanda (Coudel, Hentschel and Wodon 2001). Inequality is not a synonym of poverty. Income distribution is measured using a gini-coefficient⁴⁴. The coefficient can be used to compare two periods of time, regions or groups of people. Distributions can be expressed also according to deciles, quintiles or percentiles. Like what share of the national income is held by the bottom or top quartile of the population (for quintiles) or

⁴³ *ibid* pg 71.

⁴⁴ For measures of inequality see e.g. Atkinson, A(1984). A gini-coefficient is derived as a ratio of the area between the diagonal of a Lorenz curve and the curve representing the distribution of incomes along deciles or percentiles of the population and the entire triangle below the diagonal. Numerically it is between 0 and 10. 0 means absolute equality and 10 absolute inequality. These are two extremes. A country that has a coefficient above 0.5 is usually regarded as having a very skewed income distribution .

the bottom 40% of the population for the (percentiles). Vulnerability can be estimated by rates of transitions (e.g. Muller 1999 on Rwanda) or simple ratios and percentages.

After considering the methodological problems of defining and measuring poverty let us analyse another methodological issue central to this study. It is targeting poverty.

2.3 TARGETING METHODS

According to the International Glossary on Poverty (Gordon and Spicker 1999:134) targeting is the process by which policies are focused on certain individuals or groups within a population. Given a scarcity of resources targeting aims at spending resources for poverty alleviation on the most needy sections of the population.

Keen, M (1992) defines targeting as a formalized way of minimizing some explicit index of poverty subject to resource constraints. It is not a notion exclusive to the western systems only, but is also encouraged for developing countries as well (World Development Report 1989)

Saunders (1991) makes a clear distinction between targeting and selectivity. He argues that selectivity in social security system is more on who to include in a benefit system than who is targeted in general. But targeting, he says, implies, in quantitative terms, that a greater proportion of programme resources are directed to those whose needs are greatest (or whose means are lowest).

The way targeting is construed has however varied widely. The variety is important since as we argued earlier some targeting methods can have different implications to poverty that others do not have. Below are some of the most common.

2.3.1 Methods

Firstly there is **beneficiary oriented** targeting. A common type of beneficiary targeting is direct targeting. It assumes the correct identification of the poor to which cash transfers or in kind transfers, food subsidies and food stamps can be transferred. It is the targeting method that involves means testing. It has a number of problems. Delivery is usually cumbersome, needing skilled welfare workers and bureaucratic procedures of identifying who is eligible to assistance⁴⁵. It is important to note that for a moment this method, except in the case of food subsidies, is not used in most low-income countries like Rwanda.

Another form of beneficiary targeting is indirect. Specific cases in this study are expenditures on education and health. Another form of indirect targeting is taxation. A progressive tax system is poverty alleviating in that it taxes the rich relatively more than the poor, although this depends on how the money is spent.

Between direct and indirect targeting is a method called grants plus. By the method persons identified as poor, or everyone, will be entitled to a grant, which is subject to taxation. In the policy section of the study we propose a targeting method of this nature⁴⁶.

A second is ‘**administrative**’ targeting. We call it administrative because it is a set of targeting mechanisms whose major concern is the minimization of administrative costs.⁴⁷ Three types are identifiable. The first is the individual assessment mechanism. In this case a poor person applies for relief and is subject to means test. It may be also a case of identifiable attributes such as a female head of a household. In Rwanda a good case is assistance given to widows and orphans of genocide

⁴⁵ In countries like West Germany it involves creation of social police whose activities include following up wrong doers.

⁴⁶ In Chapter 7 a case of VAT on a universal grant is shown to be progressive and capable of targeting the poor without a lot of cost. Cost here is broad to include political compliance and stigma.

⁴⁷ See e.g. Grosh (1995).

Second is targeting by groups. The most common example is geographical targeting. In this case there are easily identifiable characteristics such as observable poor conditions of a region or the poor nutritional status of children. An example in Rwanda would be some provinces that given assistance because they are prone to perennial hunger.

A third method is public **employment schemes**. It is a self-targeting mechanism. It is also called work requirement. Others methods are usually influenced by time costs, stigma, and low quality jobs. In other words if pay is very low in a public works scheme non-poor will not present them for such work. If the poor will be stigmatised by declaring himself or herself poor in order to get poor benefits, self-targeting will not work. Self-targeting mechanisms are preferred because they diminish administrative and targeting costs.

A fourth method is **targeting by commodities**. This category has evolved in the debate of subsidies as tools of poverty alleviation (Kanbur, Keen and Toumala 1995). The center of the debate is based on which goods should be subsidized and which should be taxed. Kanbur and Besley (1988) have argued correctly, that the goods that are dominantly consumed by the poor should be the ones to be subsidized for a better impact on poverty. Alternatively inferior goods that are usually consumed by the poor can be the ones to be subsidized.

In a study on Fiji, Kanbur (1987) shows also that one practice has been the use of food rations in food shops located in areas where the poor dominantly live. In all these cases a food subsidy has almost the same effect as cash transfer other forces being constant. One assumption for this is not restricting the poor from selling a subsidized product to get the equivalent of the money in the subsidy. Like wise, commodity targeting would tax luxury commodities likely to be consumed by the well to do classes. It is common for example to tax luxury goods such as expensive wines and cigars, which are mostly consumed by the rich⁴⁸.

⁴⁸ It is always important to remember that taxation has several other purposes and depend on how they are elastic to income. For instance, taxing tobacco is used to generate revenue for the government because its

A fifth method is **targeting by income**. Targeting by income is the most popular form. If a poverty line is well estimated, then income targeting is simply giving a transfer to the poor that will raise him or her to the poverty line. The Earned Income Tax Credit in the USA is based on helping those who earn wage to get a higher income. This method is bedeviled with a lot of problems.

In brief targeting can be effective if there is no leakage to the non-poor, which is rarely the case. Besides resource constraints there are administrative costs that arise from income testing. Taxation is also another strong area of controversy in relation to labour supply effects and real benefits to the beneficiaries. That is how much of the income benefits must be taxed.

Another is **targeting by indicators**. This is the most popular with the World Bank. The argument haunting targeting is the efficiency of administering poverty alleviation programmes especially the costs. This mechanism is desirable in that it differentiates population by easily identifiable indicators, which are correlated with unobservable characteristics of interest⁴⁹.

It is popular in developing countries where income estimates and testing are not easily tenable. Labour market, demographic status or anthropometrics can be used to reveal the incidence of poverty in the population. An important shortcoming is that by doing so we are targeting effects of poverty instead of addressing poverty itself. Leakages can also be very severe as will be discussed in later chapter with regard to Rwanda.

consumption is relatively inelastic due to addiction, habit or because it takes a small share of the disposable income of the taxpayer.

⁴⁹ Donors may be more interested in monitoring how their monies are spent than the impact on poverty. In this regard what matters are output measured by monitoring indices. The argument is indicators may be good, but the impact minimal. e.g. An evaluation report can indicate that more monies were spent on primary education than higher education, which would please a donor as being a pro-poor outcome. But the impact on poverty may be minimal. As is shown below, a lot of government allocation for primary education spills over to the non-poor. See e.g. World Bank(1998) World Bank Workshop on Targeting in South Africa or Haddinot(1999).

A seventh method is **efficiency based targeting**⁵⁰. Three variants of this method have been identified by Kanbur (1987). These are zero targeting, perfect and imperfect targeting.

Zero targeting is the same as no targeting at all. This does not mean recklessness or neglect of poverty. It can be called poverty alleviation through growth. In other words poverty alleviation can be accelerated by the fastest growth rate. An economic jargon often used to explain the approach is *'trickle down.'* Growth may be accelerated without regard to inequality. Growth may be left to favour the richer strata of the population provided the benefits of the growth will trickle down to benefit the poor. In fact this approach is also premised on the contention that distributive measures that dampen growth will hurt the poor more than they benefit them in the long run.

The remaining two methods are redistributive. A perfect redistributive strategy involves two costless conditions. First disbursing income to the poor involves no leakages to the non-poor. Secondly raising the required income from the non-poor entails no costs in terms of efficiency and growth.

But perfect targeting in the truest sense is idealistic. There are usually a lot of imperfections in the market. Therefore between the no targeting at all and the perfect targeting there is imperfect targeting. Using Forster, Greer and Thorbecke (1984) economists are now able to divide poor populations in sub groups and direct expenditure to those in the sub group that are under the poverty line. The sub groups can be by regions, by gender, by age and by occupation.

Moreover the decomposability of poverty indices, referred to as FGT above, has additive and multiplicative character that is used by policy makers. The two instruments are those that increase each income group by the same additive amount such as grants, pensions

⁵⁰ In practical cases this, especially the last two variants, has been used more the measure the distributional consequences of grants where the latter are applicable. One example are the labour market studies of Borat (1999) in South Africa

and unemployment benefits. A second is an instrument that increases income by a given multiplicative factor such as income tax relief or price support.

A seventh method is **composite targeting**. In real practice targeting does not take one single form. In any one program there may be in employment more than one targeting mechanism. Grosh (1995) gives an example in Latin America where a nutritional programme (commodity) is targeted to children in grades 1 to 3(group), in selected poor areas (geographical) from female-headed households (individual) and means tested (income). All in all this can be expected to be a form of imperfect targeting⁵¹.

It is clear that like poverty, targeting is also problematic. There is no single method that is correct. However in any economy and especially poor countries a composite method of targeting methods is commonplace. Moreover targeting agencies may also be multiple. While there may be an official government agency, it is common to have many NGOs doing some poverty alleviation targeting. For policy purposes however and following the statement of the hypothesis, an important distinction in targeting methodology is that between universalism and selectivity.

2.3.2 Universal versus selective targeting

Targeting has been subject to fierce debate. One basis of the debate is that targeted programs do not seem to have been very efficient. On the other, there are those preferring means testing as one way of reducing the costs of funding poverty. Another group prefers universal provision that does not hurt the non-poor and does not stigmatise the poor. In this section we take stock of the existing facts before attempting to conclude on the practicality of targeting.

⁵¹ For comprehensive treatment and easy to read principles and practices Haddinot (1999) is recommended

*The Universalists*⁵²

After the Great Depression in 1930s universalism became more widely applied both in UK and the U.S. After the Beveridge Report in 1942 England and the rest of Europe more application of universal pensions is recorded. It is after 1970s that a fierce debate opened in almost the entire western world between **Selectivists** and **Universalists**. The main reason was increased pressure on governments, slow down in economic growth and expanding demand on extra welfare spending on emerging vulnerable groups such as unemployed, retiring and those whose families were breaking. Mitchell et al (1988) put it precisely as budgetary pressure. The need to use scarce resources in a more effective way has revived old questions about selectivity, targeting and means tested benefits.

The debate is both wide and deep. Universalists deplore governments targeting welfare benefits as bad public policy for a number of reasons. Firstly, targeting involves intrusive inquiry into people's circumstances to establish entitlement and demonstrate continuing need

Targeted welfare payments require recipients to give information to government agents, which involve more personal issues than universal programs. For example universal programs can involve information on age, employment status and number of children.

Targeted payments require information about the recipient's means for example income and assets to determine entitlement. The level of intrusion can depend on how serious the government is in getting the required information. It also depends also on the nature of the program. A classic case is that of women on AFDC in the US in 1970s. Social workers visited them regularly and would raise some degrading questions including checking whether they had male friends.

⁵² see for detailed elaboration Handbook of Economics Series

Secondly, such inquiries stigmatize the recipients and establish two classes of those in need of income support and those without such a need. In other words targeting is socially divisive while universalism is conducive to social cohesion.

Aspects of a program administration that will affect stigma include intrusive application forms, ongoing relationships, the behaviour of functionaries and the relative emphasis placed on fraud versus ensuring that beneficiaries get what they are entitled to.

Another argument is that there has been a tendency to increase the power of the bureaucracy in the means tested programs over beneficiaries. That is, under universal programs bureaucracy has little power. But the demerits of means tested programmes will depend on the behaviour of the bureaucracy in a specific case.

Thirdly, given that targeted welfare support is only received by the politically weaker, poor targeting makes it easier over time, for targeted welfare payments to tend to become less generous to the poor than universal welfare payments. In simple terms, not being able to argue for themselves in parliament, the most likely scenario is that of less and less funds.

A fourth argument is that the extent of need or deprivation is difficult to identify in groups of individuals or households. Targeting can then lead to many of those in need missing out.

Sen (1995) and Atkinson (1995) have ably discussed the problem of all forms of difficulties in identifying the poor. It is also noted in Mitchell that more than income information is required. More information on assets, family relationships, receipts in income and in kind are required before the living conditions can be ascertained.

In reality however, government decision-making is based on imperfect information and has to be undertaken under uncertainty. Two types of errors exist; Type I is where action is taken which would not be taken if the circumstances were known with certainty. Type

It is where action is not taken but should have been⁵³. Policy seeks to reduce such error but it is known that there is always a certain irreducible minimum. Some prefer to suggest that it is better to accept to err on the side of kindness of welfare, but it is not easy to dismiss targeting simply on this argument of inaccuracy.

A fifth argument is that alleviating poverty is only one objective of welfare payments⁵⁴. Most welfare programs have other additional objectives. The following are cited; smoothing income over the life cycle, provision of security against events such as sickness, disability, unemployment and bereavement, redistribution in general and redistribution according to categories like gender. In France and Germany welfare was conceived as solidarity. The best argument to advance is perhaps that, however multiple should the objects of social security be, they should not downplay the poverty alleviation objective.

Another issue is that poverty lines are by nature arbitrary. That poverty lines are fuzzy at the edges should not be a source of much outcry. For how many measures in economics including GDP and per capita income are the truest reflections of what they are meant to measure?

There are two possible ways of aiming to reduce poverty that may mean two sets of policies. One is reducing the poverty count under the poverty line or reducing the poverty gap. If the aim is to reduce the number of those in poverty one policy may achieve its objective by making a large number of those near the poverty line cross⁵⁵. But those in deep poverty will become even more alienated by the policy. So it would suggest that in most policies it would be better to target the poverty gap or the gap squared.

⁵³ The two errors are well presented by Cornia and Stewart (1999). Although simplified to apply to targeting they are based on the same principles of errors in hypothesis testing. Although targeting errors have nothing to do with hypothesis testing it is conceivable that a shrewd economist can link the Errors of targeting to calculate probabilities of spillovers and targeting efficiently –vertically and horizontally.

⁵⁴ See e.g. Atkinson 1995 and Mitchel 2000).

⁵⁵ Note however a concept of *poverty trap* concerns those near the poverty line who by receiving assistance are liable to taxation and withdrawal of other benefits that makes them worse off. At times such people may opt not take up the assistance see paragraph below. See further Pichaud, D (1973), ‘Taxation and poverty’.

A sixth argument has been the problem of take up. The argument is that means tested benefits may not be claimed by those for whom they are meant. However Mitchell makes two points; first lack of take up need not be restricted to mean tested welfare payments. Any categorical non-means tested payments for instance to the aged, or to sole parents, can also suffer from take up problems.

Secondly, why should it matter if some people do not take up the benefits to which they are entitled? One simple explanation would be they would be poorer than society would like them to be. Such a problem could be remedied in an appropriate way on by modifying the means test mechanism or in the administration of the payments. It may also be the case when simply be the case that people do not care to take up little amounts.

A seventh argument is that means tested benefits involve a lot of administrative costs. This is not necessarily as alarming as is usually suggested. Grosh (1995) in a study of 30 programs in Latin America found that administrative costs ranged from 0.4% to 24% of total costs. Pure targeting costs ranged between 0.4% and 8 % of total program costs. Kanbur (1988) says for U.K and U.S where data is available it is about 10-12%. Indeed Atkinson (1995) remarked that Grosh's figures were based on quite narrow assumptions.

Besides these facts, Grosh herself admits that targeting costs correlate well with program incidence. Programs with at least 1.5% of total program cost as targeting costs deliver about 80% of their benefits to the bottom 40% or 2 lowest quintiles representing poor households. In this regard, if costs especially those related to targeting were important for efficiency, then they would be justified.

The last argument is that withdrawal of payments leads to high effective marginal tax rates and hence discourages work and savings.

As private income of an individual increases and hence needs decrease a targeted welfare assistance scheme has to decrease the level of payments to such recipients. It means as private income increases benefits will decline so that disposable

income will rise less rapidly. Those most in need therefore will be subject to high effective marginal tax rates.

In extreme cases, if effective marginal rates exceed 100%, then beneficiaries fall in what is called a poverty trap. This is to say disposable income actually declines as private income increases. Such poverty rates are usually a result of withdrawal rates of various types of benefits such as pensions, family allowance, and Medicaid earlier mentioned with regard to Assistance to Families with Dependent Children (AFDC).

Besides the arguments above that show the distinction between universalism and selectivity, there are arguments that stress that the generosity of welfare schemes needs to be scaled down. For example with social insurance retirement provisions in OECD countries selectivists estimate that the present value of future liabilities are more than the present value of future income by about 130% (Mitchell 2000). The latter example is very important because such a form of social security is normally dependent on contributions, but in many welfare states these have developed into entitlements regardless of contributions. "Improvements" in pension funds health usually means the exclusion of the poorest groups, which is not really proper targeting. So while targeting the elderly is pro-poor there should also be some targeting schemes for the poorer groups that are not pensionable.

A second argument is again related to the growth in welfare expenditures in Western economies. The argument is that they have resulted in increasing administrative and political costs. The political costs are mostly related to the need to raise taxes for revenues required for redistribution. Information technology is cutting down administrative costs, but the volume of universal transfers requires consideration of these costs.

To these critics the success stories of welfare states like Sweden or Germany are not necessarily a success of universalism. They would argue that in these countries universal targeting is not the sole method. They do have a mixture of different tier systems (e.g. a

mixture of basic means tested and mandatory social insurance along side universal targeting)⁵⁶.

2.3.3 Political economy issues of targeting

There is a set of philosophical and policy issues that are raised on targeting regardless whether they belong to the universal or selectivity philosophy (Sen 1995). Some are considered below.

Firstly the word –target- means something fired at. It is combative. Sen raises a fundamental criticism of this notion. By having the poor as targets then the whole process is not active. The poor are regarded as passive. He actually says they are regarded as patients and not agents.

Sen (1995) remarks that “people are involved, act, react and fret in response to poverty – removal policy.” What it means is that they are not inactive targets.

Saunders (1991:310) also remarks on this combative connotation, which is almost makes sense since many people have tended to regard poverty alleviation as some sort of a war. He argues that

“Targeting is like trying to replace a blunderbuss scattering buckshot over a wide area by a rifle firing a single bullet at the bulls eye. It is important if ammunition is in short supply. Its success depends however on the target being the right one as well as the bullet actually hitting the bull’s eye”.

Saunders metaphor is important because it emphasizes that targeting does not guarantee success.

⁵⁶ In this regard one important remark would be that some support are by nature not universal. e.g. a disability grant can be there even if there is a universal grant. See e.g. Le Roux (2002) on how a Universal Income Grant in South Africa can be coupled with other grants to make it even more affordable from the point of view of the fiscus.

Secondly there are problems of targeting that are apparent regardless whether universalism is preferable or not. These include a number of distortions.

First is the informational distortion. Some people can pretend they are poor. On the other hand policing mechanisms can make mistakes and miss those cheating. These are Type I and Type II errors and I mentioned above and presented more formally later. In trying to prevent inclusion of the non-poor targeting can frequently result in the exclusion of those who are genuinely very poor.

Second is the incentive distortion. This argument was advanced earlier above in the discussion of the Universalists. It means the fear that earning an additional income can reduce the incentive to work, particularly if the additional income is lost if you should earn more. Moreover there is a social cost of behaviour shifts such as net loss of the fruits of economic activity forgone. There can be a change in labour supply, which also has a value. To some extent this argument is similar to earlier debates on welfare and workfare.

Finally there is the issue of political sustainability and quality. By this argument, it said the poor are always the weaker politically and may not be able to ensure that the programs for them are sustained, or are sustained to the standards of living levels required.

One policy consensus has been that remarks on targeting do not mean targeting should be abandoned. Some selection is always necessary either by regions, classes, occupations or groups. One suggestion is a broadening target to go beyond income targeting. Sen (1984,1985,1992) suggests targeting `capability deprivation` a concept that includes social characteristics and a bundle of other non-income poverty indices⁵⁷. There are a number of policy advantages of to this approach.

⁵⁷ This is in pursuit Sen's criticism of targeting as a combative notion that ignores social characteristics and capabilities of the poor.

Firstly, people cannot refuse education or foster illness or cultivate under nourishment on purely tactical grounds. Thus the targeting process cannot be easily manipulated.

Secondly, elements of deprivation unlike income cannot be adjusted. Disability, old age or gender has a fixity that cannot be easily altered.

Thirdly, self-targeting shows a wider spectrum than valuation of income deprivation. That is to say a combined income and deprivation index is conducive to self-targeting. This of course means acknowledges the usefulness of self-targeting.

Lastly the concept has a wide focus which links well with existing public provisions rather than catering for low personal incomes. Most of these public benefits cannot be shifted to benefit on individuals e.g. medical facilities and education.

Sen makes an important point regarding the social and political feasibility of poverty alleviation programmes. He notes that some classes may disproportionately use some of the services. Hitherto some of the politically disadvantaged groups like women and children have not been reached by public policy especially in Asia and North Africa.

A number of programmes have been plagued by urban bias or fallen prey to the influence of powerful groups. There has been a tendency to respond more to current problems such as famine at the expense of enduring problems in society such as diseases like Malaria.

The arguments pioneered by Sen do not seem to support universal provision as much as arguing for a more holistic but realistic approach to targeting⁵⁸. Targeting that accommodates such pertinent issues of political economy require more effective and efficient targeting. This is the issue we turn to now.

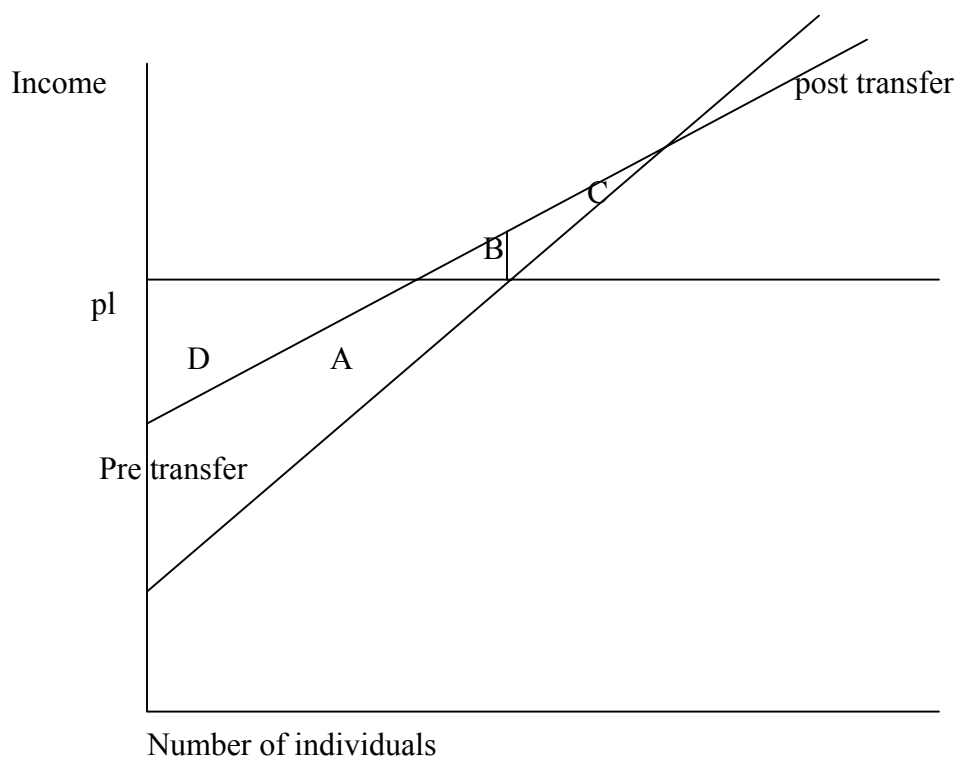
⁵⁸ Self-targeting is evidently the most convenient and least costly. The curious question is whether it always easy to deliver except by a universal grant of the type we propose in Chapter 7. Public works are also self-targeting but as noted earlier they seem inferior to a Universal Grant with a progressive tax that is indirect. However they are presented as safety nets in Chapter 6. Given the thesis developed it is also unlikely that a government would prefer a system where it has no direct control for legitimacy or political purposes.

Method of measuring targeting efficiency

Measures of efficiency have been designed in relation to welfare state poverty interventions (Beckerman 1979; Atkinson 1995; van de Walle 1995). However we show later that the ratios derived can be used to estimate the levels of targeting efficiency in Rwanda.

A simple model of target efficiency in a modern economy is as shown in the diagram below. The area enclosed by the pre transfer and poverty line measures the poverty gap or the total amount of money that would be required to raise all those below the *poverty line* up to the line (see Creedy 1996 and Atkinson 1999).

Figure 2.1 Measures of Targeting Efficiency



Therefore area C represents transfers to those whose pre transfer incomes is above pl. Area B represents total transfers, which although received by pre transfer poor are considered to be excessive since the individuals are raised above the poverty line. The

area A + B represents total transfers received by those with incomes below the poverty line. D represents individuals who are still in poverty after the transfer.

There are three measures of target efficiency.

1) Vertical efficiency $= (A+B)/(A+B+C)$.

2) Poverty reduction efficiency $= A/(A+B+C)$.

3) Spill over $= B/(A+B)$...

The vertical efficiency measures the proportion of total transfers going to the pre transfer poor. Poverty reduction efficiency measures the proportion of total transfers which go to the pre-transfer poor and raises them to the poverty level *pl*. Spill over is the proportion of transfers received by the poor, which are considered excessive.

The problems of targeting arise again. Firstly, as is reflected in the diagram, the measures are convenient where income is measurable and the impact of transfers can be assessed in terms of poverty reduction. Of course it is assuming a poverty line that is truly dividing the poor from the non-poor⁵⁹. Secondly there is an implicit assumption that incomes can be tested and the means tests will guide the targeting. In practice however there are many cases of universal transfers.

At this level then targeting efficiency would seem inapplicable to poor countries where no western type of support is available. Where own-consumption and subsistence agriculture are dominant imputed measures of living conditions are via consumption. It is however not completely true to assume that the model is wholly inapplicable to poor countries. Two remarks are in order.

Firstly, even welfare schemes are not uniform across countries and comparison of efficiency between countries is not always possible. Poverty gap efficiency has been suggested as an appropriate measure for comparisons (Atkinson, A 1999). It is essentially

⁵⁹ Recall problems of determining poverty lines above. It would be a conspiracy theory that government can use a poverty line that makes policy easy to monitor like a fraction of average consumption. But the issue here is technical. The more realistic and stable is a poverty line the more rational issues of targeting become.

the horizontal efficiency whereby a comparison is between the poor benefiting an intervention over the total number of the poor targeted ($A/A+D$).

Secondly, it does not mean the problem of target inefficiency does not apply to poor countries. A simple way of applying the principal of the model is viewing it in terms of common errors in poverty intervention that can be inferred from budgetary decisions. There are two types of targeting mistakes.

The first kind of targeting mistake is called the F-mistake. It is the failure to reach the target population. The second type of mistake is that made when the intervention reaches the non-target population or what was referred to as spill over (Cornia and Stewart 1999).

A matrix reflecting the mistakes is shown below using food support as an example.

Table 2.2 E and F mistakes in targeting poverty

Population covered	Poor	Non poor	Total population
All covered by food intervention	P^c	NP^c (E-mistakes)	N^c
All not covered by food intervention	P^{nc}	NP^{nc}	N^{nc}
Total	P (F mistakes)	NP	NP

N is the population, P is poor people targeted by food intervention, and NP is non-poor.

Thus from the matrix the identity in the economy is $P+NP = N^c+N^{nc} = P^c + P^{nc} + NP^c + NP^{nc} = N$. In an ideal situation E- and F- mistakes are nil where $P^c+ NP^{nc} =N$. Total mis-targeting is where none of the poor are covered by the intervention and all the non-poor are, $NP^c + P^{nc} = N$ (Cornia and Stewart 1999).

We shall therefore use population ratios, affected by interventions to estimate levels of target efficiency. Moreover the model of target efficiency is built on the minimum amount to cover the poverty gap, which is essentially the backbone of our simulations. At macroeconomic level estimates may be limited by lack of accurate data, but at meso level such the education and health sectors, it will be possible to estimate such levels of inefficiency.

2.4 DATA SETS

Data used in this study were derived from the following surveys and studies.

1. Household Living Conditions Survey: (2002)⁶⁰

The survey was carried out nationwide from 1999 through 2001 with a relatively well-designed sample covering 6450 households. Of these 5280 were rural and 1170 urban households. Most of analysis of the current status of poverty is based on the survey. More information is derived from a Poverty Profile compiled from the survey.

2. Household Living Conditions Survey (1985)

The last survey of living conditions before the 2002 survey was carried out from 1983 to 1985. A modest amount of information was collected to provide a basis for comparison and observation of change over time. Nevertheless, as will be noted, the degree of comparability is very weak mainly because of differences in survey design and events that happened between the survey and the most recent one cited above. Still information presented shows a situation in Rwanda, approximately up to 1993 before the break out of war and genocide.

⁶⁰ Referred to in the text as HCLS 2002

3. Core Welfare Indicators Questionnaire (CWIQ) 2002⁶¹

This is a survey, designed by the World Bank, and has been used in many countries to provide background information for drawing out poverty reduction strategies, especially on household characteristics, education, health, employment and household assets, amenities, and access to services.

The survey was concluded in 2001 and covered a sample of households equivalent to 29,500 individuals. Basic data on social sectors are derived from this survey.

4. Public Expenditure Tracking Survey (2002)⁶²

The survey was started in May 2000 and concluded in 2001. It focused on the flows of public expenditure on education and health for 1998 and 1999. It had a nationwide coverage of 400 schools from all provinces of Rwanda. All 12 Regional Health officers and 351 Health Centre heads were visited.

It is so far the only source of data that has information on public expenditure on social services. The Living Conditions Survey has data on the household expenditure and on education and health.

5. Socio and Demographic and Health Surveys 1996 and 2000

Data on health is mainly extracted from these two surveys. The first one was a nationwide survey of households by a questionnaire administered to household heads to obtain information on fertility, child mortality and contraception

The survey is the major source of demographic and social conditions after the 1994 genocide in Rwanda.

⁶¹ Referred to as CWIQ 2002 in the text

⁶² Referred to as PETS 2002 in the text

The second one is more recent and detailed. It was carried out all over country involving 3,000 males and 9,500 females of between 15 – 59 years of age. It covered all 12 provinces of Rwanda and used a sample extracted from the current Household Living Conditions Survey.

6.Rwanda Development Indicators 2000 & 2001 & 2002

These statistical databases for of the Ministry of Finance and Planning provide aggregate statistics on the economy, poverty and fiscal systems. They are useful for the macro economic aspects of the report.

7.MICS2 2001

This is a small but useful report on the Multiple Indicators in the economy. It was a nationwide basing survey based on clusters clustered survey amounting to 4589 households. It has some useful data on children and health.

8.UNICEF Survey (1998)

The most comprehensive survey on children and women in Rwanda is the UNICEF Survey of 1998. Where major changes have taken place data is updated using more recent surveys.

9.Participatory Poverty Assessment (2002)

It is a qualitative survey that was carried out by the government in preparation of the poverty reduction strategies. It contains original and contextual information on poverty in Rwanda. It covered the whole country.

10. Poverty Policy Relevance Test 2002

A mixed quantitative and qualitative inquiry, the survey was carried out in 38 districts of Rwanda, covering all provinces. It contains qualitative and limited quantitative assessment of poverty-oriented policies in Rwanda as perceived by all stakeholders in the country. 20 researchers mainly from the National University of Rwanda conducted it.

The preceding are the most important sources in terms of quantity of data and information relied upon in this report. However, some of the data cannot would not have had any meaning in the absence of a range of other books, leaflets and dissertations.

2.5 ASSUMPTIONS FOR POLICY ANALYSES

For policy analyses we stated 7 assumptions, which seems to be embedded in the current policy framework. Then we used each of these for detailed evaluation

Assumption 1: Growth can be traded-off with income distribution-the debate

Assumption 2. Vision 2020 and PRSP constitute a poverty reduction policy in Rwanda

Assumption 3. Government expenditure and national budgeting framework are effective tools for reducing poverty in Rwanda.

Assumption 4: Growth targets of Vision 2020 are tenable and poverty will be eliminated

Assumption 5: PRSP is a neoliberal and viable approach to poverty reduction.

Assumption 6: Vision 2020 and PRSP are capable of addressing income inequities and other elements of the ‘poverty-conflict trap.’

Assumption 7: *Ubudehe* is a Rwandan poverty reduction approach that will lead to effective poverty reduction and break the poverty –conflict cycle

2.6 POLICY DESIGN CRITERIA

The objective of the comprehensive social policy framework towards the end of the thesis is to overcome some of the weaknesses inherent in current policy approaches and to have a real impact on poverty. The following are criteria that we have used identifying the

preconditions and policy prescriptions. They are also based on empirical facts presented in this chapter and Chapter 3 (e.g. targeting approaches), findings on poverty in Rwanda (Chapter 4 and 5), policy review in Chapter (5) and in presentations of policy items in Chapter 6 and 7).

Criterion 1: To overcome the poverty trap

A poverty trap is a concept that originates from analysis of poverty in the western developed countries where there are welfare systems. It refers to a situation of people of low incomes who find that if income out of own income increases their total income may decline because of a withdrawal of welfare benefits and of a liability to taxation (Gordon and Spicker 1999).

The importance of this criterion is that it wishes to deal with a fundamental weakness of means testing. It is because of the poverty trap inherent in traditional means test that we argue for universal targeting. In Los Angeles it was noticed that at a certain level of income and public assistance withdrawal, coupled with tax increases meant that families ended up being worse off in terms of spendable income, even though their earned income had increased. As a result they either avoided assistance or taking up jobs that will take them up to that level. Further explanation of the weakness inherent in 'selectivist' targeting was given in the section on targeting.

Criterion 2: To minimize the severity of poverty

Several measures of poverty were discussed above. The most common is the head count index, which is the total number of people below a computed poverty line. However it was shown to have some weaknesses summarized as Axioms (see e.g. Sen 1983). A common weakness with this measure in policy formulation is that it does not show how the poor groups are distributed below the poverty line. Therefore a policy may be regarded as having a significant impact on poverty by raising the number of poor people crossing the poverty line upwards, while in fact the groups of poor still below the line

may be worse off. Indeed this is can well happen in means tested schemes whose objective is minimization of resources allocated to target the poor. It is less costly to let more of those closest to the poverty line, cross the line upwards than, pulling up those farther away from the line. It is thus, as we have argued above important to measure not only the head count, but also the depth of poverty (the poverty gap), and the severity of poverty (which is calculated, as shown above, by squaring the poverty gap).

Another fundamental weakness is that there can be a transfer from a poor person to a less poor person who is also below the poverty line. The head count index will not as a result, change. The result of this is severity of poverty may go up among the poor, especially those in the lowest layers without the head count index reflecting this. In policy terms therefore, the head count it is not a good measure. The sum of the square of the poverty gaps is much better in measuring any increases or decreases in the severity of poverty.

The poverty gap in simple terms is the average distance of all poverty groups from the poverty line. In operational terms it is the amount relative to the poverty line that has to be transferred to the poor families to bring them to the poverty threshold (see Kanbur 1987). Minimizing a poverty gap is therefore reducing the distance between the average incomes of poor groups to the poverty line. Minimizing the sum of the squares of the poverty gap means that one gives particular emphasis to reaching the poorest of the poor – those who are the furthest below the poverty line. It is argued in Chapter 7 that we identified a universal income grant financed by increases in the indirect tax because, unlike selective targeting, it gives greater value to reductions in the depth of poverty and the severity of poverty.

Criterion 3: Effective targeting of the poor instead of targeting of sectors or indicators only.

Different forms of targeting poverty were discussed above. When targeting is geared to the most needy under constrained resources, choice of a targeting strategy may end up focusing on improving indicators or allocating resources to sectors while having less

impact on the poor themselves. It was shown that the World Bank has favoured targeting by indicators, sectors or commodities for one important reason. It is usually not easy and quite costly to pinpoint the poor in developing countries. Most poor countries have structural problems in their economies such that poverty reduction policies seem to be more successful when they improve economic indicators in the economy and sector wide readjustment of allocation of resources. However findings in Rwanda show this approach to be seriously flawed. (see Chapter 4).

Two sectors usually considered by the World Bank approach to be closely attached to poor groups are education and health. According to the logic of the World Bank Approach an increased expenditure on these sectors would lead to a reduction in poverty. However increased expenditure on the sectors means allocating more resources to the non-poor attached to the sectors such as teachers and nurses. The latter distortion in allocation, especially if there is no significant improvement in delivery of services to the poor, amounts to targeting sectors without targeting poor groups. A universal income grant combined with an increase in indirect taxes effectively is a progressive expenditure tax which ensures that the poorer the recipients are, the greater the benefit they receive, and the richer they are, the greater the tax they pay. This approach would at the same time avoid high costs of targeting the poor, which can be associated to means tests.

Criterion 4: Breaking the ‘poverty-conflict trap’

The virtues of universal targeting were discussed earlier in this chapter and those of a comprehensive social policy framework for Rwanda are presented in the last chapter. In the thesis we demonstrate that Rwanda has a poverty trap not related to welfare assistance or to the Malthusian trap alone. There is a cycle of poverty and conflict that has tended to keep a large number of Rwandans in poverty. The generic bases of this concept will be shown to originate from the link between chronic poverty and violent conflict (Goodhand 2000), the link between land and conflict (Daudelin 2003), the link between environment and conflict (Dixon-Homer 1994, Kaplan 2000) and entitlements and poverty and conflict (Peluso and Watts 2004) and the cycles of poverty and conflict (Gertzel 2002). The roots

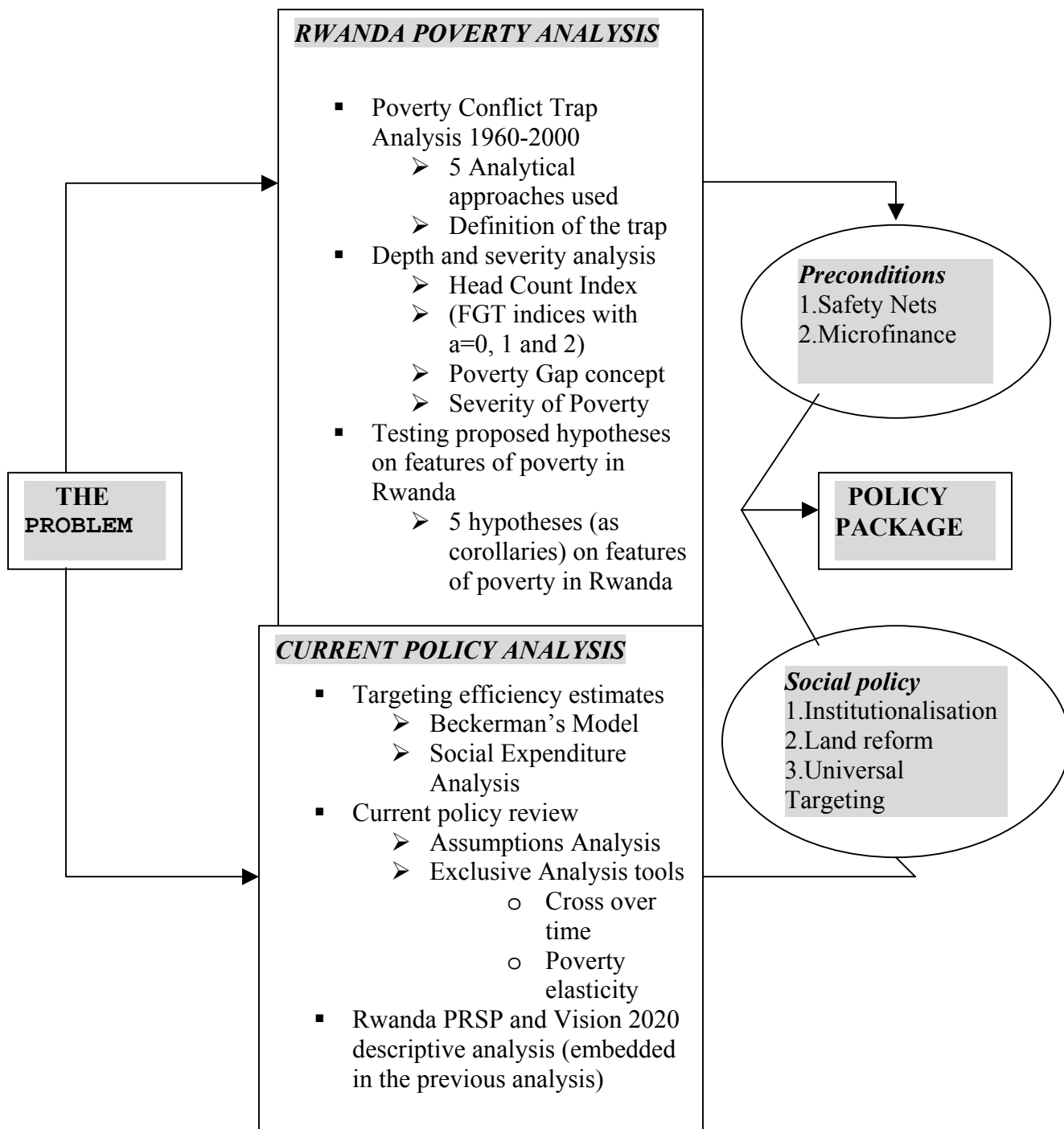
were diagnosed to be related to access, distribution and security of tenure to land, environmental degradation and economic and political exclusion. We argue that the cycle can be sustained if inequality persists and if ethnic pretensions are not overcome in a long-term perspective.

A policy consideration should therefore contain a policy mix that addresses the roots of poverty and conflict that has characterized poverty in the past and sources of inequality and ethnic realignment in future. A policy framework that will be biased to growth alone without considering the long-term objective of breaking the ‘poverty-conflict trap’ is likely to be inadequate for the Rwandan context.

Noteworthy is that growth is important for poverty reduction in the long run. However the long-term objective of growth would serve to break the trap only if it does not lead to further inequality and social tensions that again lead to violent conflict. The requirement that the poverty-conflict trap must be broken thus require a policy mix that can ensure pro-poor growth, which will lessen the possibility of group and ethnic conflict. The proposals in Chapter 6 involving an assortment of safety nets, land reform and universal targeting are based on this criterion.

From the criteria above, it is projected that Rwanda will design a policy regime that may have both short term and long-term perspectives. It will be a policy regime that may draw lessons from any of the different welfare ‘worlds’ or regimes - neoliberal, conservative, democratic, ‘greenish’, ‘gendered’, left or right. But it will be a policy regime whose mix can meet the four criteria set out. It is therefore important to note that it is these criteria, which can explain the specific policy mix that was chosen.

2.7 SCHEMA OF THE METHODOLOGICAL APPROACH



2.8 CONCLUSION

This Chapter was concerned with the methodology and methods adopted. It is however possible to outline some conclusions that are apparent from the presentations. The first

was an argument for a mixed model. It can be concluded that a mixed model is the appropriate approach for our study for a number of reasons. Firstly it is an approach that could be robust to disciplines and a variety of discourses that are current in relation to developing countries. It is common in Development Studies to complement pure economic analyses with explanation from political economy, sociology and other disciplines. Elaborate narratives and qualitative interpretations can ably accommodate the latter disciplines. The economic parts can be analysed using statistics from secondary data sets that were outlined in this Chapter.

The first argument leads us to the second issue that featured in this chapter. The study uses an analytical approach. The summary of the methodological approach is given in section 2.6. The chapter leads us to the conclusion that it is possible to use multiple tools of analysis to carry out a study while at the same time telling one and the same story. In fact, the different types of analyses can reinforce each other.

The observation above leads us to another important feature of this chapter that is important to our study. In the discussion of policy analysis, it was shown how the concepts, definitions, measurements and targeting of poverty are all sensitive to methodological issues. If you use the head count index to measure poverty, some poverty dynamics will not be captured, e.g. distribution below the poverty line. Selective targeting may be cherished by neo-liberals but it suffers inefficiencies when evaluated in terms of other poverty measures and targeting estimates.

Finally important criteria for selecting appropriate policy was spelt out in our conclusion. We will return to these criteria in the chapters that follow. Amongst other things it was concluded that the poverty trap needs to be avoided and the depth of poverty needs to be minimised. Policy prescriptions should pay attention to the contextual nature of Rwandan poverty. Policy needs to deal with -'poverty-conflict trap' and the poor rather than sectors or indicators should be targeted.

CHAPTER 3

A BACKGROUND TO POVERTY AND POVERTY REDUCTION POLICIES

3.1 INTRODUCTION

This Chapter, as suggested by its title, provides a background to poverty and poverty reduction policies. It hinges on the argument that attitudes to and understandings of poverty have varied over time, between schools of thought, across countries, and among welfare regimes and among social security models. The variations more often than not influence views on appropriate policies chosen to relieve or reduce poverty in a society. What were the variations? What lessons can we learn from these? Answers to these questions will provide our study with a theoretical background and provide guidelines to policy prescription in the next chapters.

The analysis is set up around a number of arguments that are interrelated. Firstly, welfare schemes, which have developed over the years in the West¹, are part of the stock of existing knowledge on interventions into poverty. However their impact on poverty in general and poor groups in particular has varied from one country to another, over time and by approach. They have important but restricted lessons for developing economies like Rwanda.

Secondly, different security policy and welfare regimes have different approaches to poverty reduction, welfare outcomes and distribution. But none of them singularly provides a model for the same goals to a developing and precapitalist economy such as Rwanda.

¹ Admittedly there are records on welfare in Third world countries of India and China but the bulk of literature are dominantly on the West. Nevertheless we address select Third World models in one of the sections below. They include land reform in China and public works in India.

The Third World is not detached as a group from the conventional wisdoms of social security policies and welfare regimes. There is ample evidence that other models can provide lessons to economies like Rwanda. There is also growing interest in debates about policy regimes in Third World countries.

The rest of this chapter is organised as follows. Section 2 outlines the emergence of poor relief and its relation to poverty. Section 3 analyses how different forms of welfare regimes differ in policy on poverty reduction and Section 4 discusses Third World model cases. Section 5 is a conclusion.

3.2 A HISTORIC OVERVIEW OF THE EVOLUTION OF POOR RELIEF: POVERTY ERADICATION NOT A CENTRAL CONCERN

Why this historical overview? There are several reasons. Firstly, concerns about poverty are not a new innovation. They have been in existence from time immemorial. Secondly, a background to poor relief gives one an overview of what happened in the past across different systems and phases of development. Finally, there are a lot of lessons we can draw from past experiences that do enhance our understanding of today.

It is not possible to assemble adequately all available historical facts on poverty and all policy interventions. Not all countries, both in the developed and developing world, have well documented histories of poverty interventions. But there is a general tendency that cuts across centuries. In every epoch of human civilisation, policy interventions into poverty relief were always overshadowed by other usually more important objectives. In the rest of this section we provide examples from the history of poverty to support this argument.

For analytical purposes we put the development of poor relief into four phases. The first phase is the times of early-organised societies represented by the Roman Empire. It is

usually referred to as Antiquity². The second phase is the long transition between early-organised societies and the Middle Ages³. It was a period dominated by charity operated by the church. A third phase was the intervention of the state into poor relief starting from the Middle Ages to the modern state⁴. It is a period where the state intervened into poverty as a response to crisis or pending disorder. A fourth phase is the modern welfare system in welfare states⁵. Since this is not a thesis in history of poverty, only a limited number of accounts of relevance to this thesis are presented.

One of the earliest organised societies was the Roman Empire. There were policies against poverty instituted by various Emperors. But along these were also other objectives. The objectives were essentially political, including the desire to demonstrate power and prestige. To most Roman Emperors, poor relief was used for political purposes, to enhance the legitimacy of the state as opposed to being a primary business of the government machinery.

One was the gratuitous distribution of grain, as a form of relief, in the Roman Empire. Attention to the poor in the Roman Empire is identified with `social reform` under the rule of the Gracchi especially during the times of Tiberius Gracchus (c163-133 B.C.). During his reign a land reform restricted the size of land to be owned by a single individual to 350 acres. For example, part of the land of Attalus III of Pergamom given to the Roman people was divided among the poor to help them buy implements⁶.

Gaius Gracchus proposed a law by which the government procured an adequate supply of wheat to be sold at a low and fixed price to everyone once a month who was willing to stand in a line at one of the public granaries that Gaius had ordered to be built (Gillin, 1926).

² For a concise account of this phase see Tice and Perkins (2002) and for a more detail narrative see Hazlitts (1973).

³ See e.g. Gillin (1926).

⁴ See e.g. Quigley undated available online as indicated under footnote 14.

⁵ See e.g., Cochrane and Clarke (1993) or Alcock and Craig (2001).

⁶ This is a remarkable point for proponents of land reform as social security that we support in this chapter on Taiwan and China and later on Rwanda in Chapter 7.

The practice went on for many centuries. During the reign of Gaius people applied for the grain dole. A conservative ruler known as Sulla tried to withdraw the cheap wheat, but after a lot of unrest he was forced to restore the programme. Emperor Nero is known to have disposed gratuitously food and other items. Emperor Augustus started child support schemes and Emperor Nerva extended a child support scheme to cover the whole of Italy.

It is also on record that Julius Caesar found many people on grain relief but succeeded in reducing the number. After his death the numbers on the rolls climbed once again, but were reduced later by Emperor Augustus and remained at this reduced level for a long time. About 300 years later, under emperor Aurelius, the dole was extended and made hereditary⁷. Two pounds of bread were issued to all registered citizens who applied. Pork, olive oil and salt were distributed at regular intervals (Rostovteff 1960).

None of the emperors, not even Caesar or Augustus, dared encroach on this sacred right of the Roman proletariat. They limited themselves to reducing and fixing the numbers of the participants in the distribution of corn and to organising an efficient system of distribution. They fixed also the number of days on which the population of Rome was entitled to a good spectacle in the theatres, circuses and amphitheatres. But they never attacked the institution itself.

From this evidence it can be said that poverty relief is as old as organised society. It was some form of social insurance (see e.g. Grant 1960)⁸. Grant observes that while they were in office the members of the Greek or Hellenic local ruling class had to spend a good deal of money upon cheap food and amusements for the urban proletariat as well as upon other public services. He points out that it was a form of social insurance aimed at conciliating the populace that was thwarted in so many other ways.⁹

⁷ Quite an early evidence of the concept of poverty as a culture or sub culture!

⁸ It is important to note here that Michael Grant has written on antiquity since mid 1950s. More detail on this phase can be obtained from this almost fathomless granary of knowledge.. see library catalogue University Stellenbosch

⁹ Michael Grant argues this in a context of subjects and slaves in the Roman Empire.

But it is also recorded that the intervention was in fact a political weapon. Rostovteff (1960) argues that that Gracchus himself looked upon the law as a temporary weapon during times of strife, which would secure him the support of lower classes, his main source of strength¹⁰. A politician Claudius won his platform by using a `free wheat` campaign¹¹. It was linked to power and prestige epitomised by lavish entertainments and the indulgement of the subjects by the emperors (Hazlitts 1973:1);

The administration of the city of Rome was a heavy burden on the Roman state. Besides the necessity of making Rome a beautiful city worthy of its position as the capital of the world, there was the enormous expense of feeding and amusing the population of Rome. The hundreds of thousands of Roman citizens living in Rome cared little for political rights. ... under Augustus ... and Tiberius they insisted on their right acquired during the civil war to be fed and amused by the government.

It is important to note that the multiple role of poor relief is not archaic or exclusive to early societies. It is for example mentioned below (p.118) that a major poor relief policy in the U.S always preceded the year of presidential elections.

The second and long epoch in the history of poverty was from the times of the Roman Empire to the end of the Middle Ages. This period has also some lessons. Interventions for poor relief were through charity. But charity again was not motivated by the condition of poverty in society only, but had motives governed by individual and religious needs.

Charity evolved as mutual aid in the struggle for survival in a hostile world. Charity appeared in different forms governed by different motives. One motive was based on sympathy, where people offered charity to fight distress or took action to alleviate the suffering of others. A religious motive for charity was the desire to please God. An individual wanted to earn recognition from God (Gillin 1926).

In Biblical times care for the poor were a common practice. Among the Hebrews it was identified with love and good deeds. In the Bible there are the stories of the Good

¹⁰ Ironically Gaius was killed in a riot by 3,000 of his own followers

¹¹ It would be an interesting study on its own to see how poverty reduction is related to politics.

Samaritan and Lazarus¹². By the beginning of the second century widows were supported by the church – a practice that continued for a long time. One scholar Tertullian in his Apology is cited (Gillin 1926:154) to have written that

The contribution of the church are expended upon no banquets or drinking bouts or useless eating houses but in feeding and burying poor people on behalf of boys and girls who have no parents nor money ...

Gillin (1926) notes also that in the year 250A.D the Church was spending substantial amounts of money every year on relief to the poor, widows and the Church of Antioch. St Chrysostom supported 3,000 widows, strangers and the sick. The Church is however criticized that it did not care for some types of the poor. While it helped the lepers it never cared for the insane before 1409 A.D. Moreover it always offered charity for selfish and religious motives¹³.

From the 6th Century the Church divided revenues into four votes of expenditure for the bishop, clergy, church building and the poor. In the 8th century an obligatory tithe was set and was generally used for caring for the poor.

Later the care of the poor was passed on the monasteries. In the Middle Ages hospitals to a great extent replaced monasteries when the latter started becoming inefficient. (see e.g. Geremek 1994:26 and Gillin 1926:163ff). By about the 14th and 15th centuries the role of the state in poverty reduction started emerging. The poor were put under the care of municipalities. At this juncture it is worth making an overall comment on the position of the Church and the role of the state.

One remark is that the Church was by then like a state. Tierney (1959) gives an account of a person who was punished by the church for going to steal from a wrecked ship on a Sunday. The punishment he got (during the Middle Ages) was not for stealing from the ship, but the crime was doing it on a Sunday. But at the same time the Church could not

¹² In generic terms this may not have anything to do with poverty as such.

¹³ The Church and Christian even today regard caring for the poor as a virtuous action. But again it means the carer wants to do it for his /her own gain of being good before God.

care less about poverty since people like St Francis Assisi regarded helping the poor as a spiritual attribute. This does not, of course diminish his effort in fighting poverty as such. The teachings of the Church were that poverty was there forever and could not be eliminated¹⁴.

That poverty was a critical issue in the Middle Ages is illuminated by Mollat (1978:3). He listed up to 30 categories of people who would have been classified as poor in the Middle Ages¹⁵. A summary of the role of the state in poor relief during the Middle Ages, from a relatively longer narrative, show a number of salient features (Hazlitt 1973).

Firstly, there was lack of any attempt by the state as a whole or by any secular authority to relieve distress. Secondly, charity was left entirely to the church and its motive were chiefly religious.

A third feature was that, whatever attempt had been made to organize charity in a systematic way by the church, making the parish priest the authority and the relief officer, the source of funds had altogether broken down. Fourthly, practically all assistance was alms giving and in actual practice it was indiscriminate.

A fifth feature was that no attempt was made by any public authority, secular or ecclesiastical, to view the problem comprehensively and to co-ordinate the various agencies. A sixth feature, it is argued by some observers, was that reckless distribution of alms had a pauperizing tendency and rendered it easy for the idle to live without work¹⁶.

¹⁴ Verses in the Bible cited are Deuteronomy xvii and Mark iv.7

¹⁵ Poverty could refer to impecuniosities and destitution in general –**egens, egenus, indigens, inops, insufficiens, mendicus, miser**; physical defects such as blindness-**caecus**-; shortage of food –**esuriens, famelicus**; clothing-**nudus pannosus**; lameness-**claudus**; arthritic deformity-**contractus**; infirmity in general- **infirmus**; leprosy-**leprosus**; injury-**vulneratus**; feebleness due to poor health or old age-**aegrotans, debilis, senex, valetudinarius**; mental deficiency-**idiotus, imbecillus, simplex**; temporary weakness affecting women during pregnancy and childbirth-**mulier ante et postum artem**; situation of adversity such as those involving loss of one's parents-**orphanus**; husband-**vidua** or liberty-**captivus** and finally banishment and exile-**bannus, exilat** .

¹⁶ There is need to be cautious of some of the features as they may be presented with a flavour reflecting the position of the one making the analysis. In this instance conservative analysts tend to emphasize, and not always correctly, that relief may act as a disincentive to work.

Finally, charity of the Middle Ages did a lot in some directions and too little in some others. Towns got more than their share while some poor regions became poorer

The most important event characterizing the end of the transition from church dominance of poverty relief to a greater role for the state was of the promulgation of the Poor Laws in Britain. The first overt government response to economic distress was the Statutes of Labourers of 1349/1350. The law is considered to have come in response to the breakdown of feudalism and to the Black Plague and famine. Many people were alienated from the land and as a result roamed about looking for jobs or begging. This marked the emergence of the third phase. It is a phase of direct intervention into poverty by the state

The third phase in poor relief can be seen as the period between the Middle Ages to modern welfare schemes. The lessons from this phase are that poor relief was a response to crisis (Fox-Piven and Cloward 1971). In opinions of most radical scholars it was a result of the crises of capitalist development (e.g. Novak 1988). It was a phase of regulating the poor, not eradicating poverty. We cannot give a detailed account of what happened in the long transition from Middle Ages to modern times. This has been adequately done by historians of poverty (e.g. Gillin 1926, Fox-Piven and Cloward 1977, Geremek 1977, Pullan 1994) In the rest of this section we only give a summary of this phase and of what we can learn from it. For convenience (since we cannot review histories of all countries in the West and because the poor laws are used as the model of poor relief in the West) let us start by focusing on Britain alone.

The emergence of official Public Relief in Britain is identified with Acts of Parliament of 1531 and 1536. These laws established governmental criteria regarding who is legitimately in need, the government's obligation to search for those who were in need, government registration of need, prescriptions of what government should do for the needy and the construction and administration of a system of contribution for the poor.¹⁷.

¹⁷ The bulk of anecdotal evidence on the emergence of poor relief is based on Quigley's Five hundred years of poor laws for the working and non-working poor. Available online at www.uakron.edu/law/pdf/quigley.pdf

One provision by these laws, that emphasizes the concept of regulating the poor, was that a beggar without a permit to beg in a place to which he was not allocated could be “stripped naked from the middle upwards and ... be whipped (Quigley undated online pg11).” Certain people were forbidden to beg such as scholars of Oxford and Cambridge. The punishment for such people for the first offence was two days of whipping; part of a second offence besides whipping was to have one of the ears cut off and a third involved severing the other ear. A later version of the law included death by execution. These are cases in the evolution of interventions into poverty by the state during this transition, which serve to show policy against poverty was more punitive than prescriptive.

The foundation of the English poor law is usually identified with the Poor Law of 1601. It is regarded as having been the most influential for the next 305 years. Its main features were making poverty relief a local responsibility of the parish, the removal and settlement of the poor and the principle of the primacy of family responsibility for the poor. It is interesting to note that by this law every body receiving relief was required to wear a badge with a letter “P” in red or blue on the right shoulder of the uppermost garment. Again the underlying logic is that poverty was an individual’s burden and the state was intervening to regulate the poor instead of eradicating poverty as a problem in the structure of the economy. In fact, as we have shown in the previous chapter, the original meaning of stigma is the branding of people of certain low category such as slaves and the poor (p.33).

Another important legislation was the Poor Relief Act of 1722, which established workhouses. It was called “indoor relief” as opposed to “outdoor relief”. Indigents could be housed, supervised and made to work. It was argued that the scheme would reduce the cost for relief by making the poor pay for their upkeep and by discouraging people from seeking assistance because they would wish to avoid going to the workhouses. The workhouses were to become a liability especially with regard to overcrowding and providing a breeding ground for epidemics (Spicker 1993).

A law that drew attention to the working poor was the Speenhamland reform of 1795. Relief for the working poor was given in form of supplementation to wages tied to the price of wheat and the number of family members. This was replaced by the 1834 reform of the poor laws. The law was supposed to correct inefficiencies of the Speenhamland system which is thought to have resulted in higher taxes for poverty alleviation and in benefits for some able bodied people. Another objective of the reform was to try to make poor relief less attractive (Stitt 1994:83).

All in all laws were introduced to control and regulate the poor and not to eradicate poverty. The law regulated workers by promulgating compulsory work, the control of wages and punishment for quitting work, and it put in place a judicial system to oversee the enforcement of the law. The law also restricted the mobility of workers from one locality to another and provided for the forced labour of beggars who had no work. It was an intervention to regulate the poor and not to eradicate poverty (Deacon and Bradshaw 1983:6, Stitt 1994:82, Quigley pp1-47).

General lessons that can be learned from this phase are several. Firstly, relief became the responsibility of the state. However legally and in practice, it was made a local responsibility. Secondly, throughout this period poverty was regarded as an individual failing and the state tended to use punitive measures as part of the package of relief. Poverty was not seen as a consequence of economic or societal changes.

Thirdly, the aim of the state was not to eradicate poverty but only to alleviate it. In fact the word 'relief', deliberately connotes that¹⁸. State interventions were by legislation to be kept minimal and relief was made difficult to accept. In earlier years more emphasis was on the non-working poor but it was noticed later that there were working poor who were under the stresses of poverty even if they were not paupers in the real sense of the word.

¹⁸ Novak (1988) though with a Marxian undertone deals in detail on this argument

Relief as a corrective measure among people who were poor because of their own failing, is one of the earliest motives of state intervention. Another case of state intervention is related to the political and economic processes that have been taking place during the last three to four centuries. A strand of this argument is the position held by many radical scholars, especially Marxian as pointed out earlier. Novak (1988) presents a typical position of a Marxian sociologist on the evolution of poor relief. The following quote summarizes such an argument (Novak 1988:vii).

The truth of the matter is that state intervention in the problem of poverty has never been intended to abolish poverty. It has rarely had the alleviation of poverty even as its primary aim. Rather the system of social security has been developed to meet a set of economic and political objectives and constraints, which set for it an entirely different agenda.

It is important to identify clearly and upfront the demarcations of the arguments in this chapter and the Marxian analyses in its broadest sense. Firstly, Marxian analysis from which the arguments are derived is predicated on the theme that capitalism is the cause of poverty. Subsequently eradication of poverty is possible with the abolition of capitalism. In this sense Marxian analysis is not useful to our argument because we show later in the thesis that there are some models of interventions in poverty, even with the retention of a capitalist economy, that seem much better than others in that they did in fact eliminate poverty. The ultimate objective of the thesis is thus to identify a relatively efficient intervention.

A second demarcation is that of scholars who criticize forms of interventions in the capitalist systems that are relatively inefficient, without subscribing to the broad capitalist ideology. Thus below are debates between conservatives and liberals (detailed distinction between the latter concepts is done later) on poverty alleviation, both of which are embedded in the capitalist economic systems. Thus some remarks that are picked from the radical side of poverty discourses do not insinuate that socialism would necessarily be the answer to poverty reduction. For socialism is always the nemesis and answer to capitalism. To put the issue of ideological demarcations to rest, it should be noted that the

old debate of building either socialism or capitalism in Third World countries such as Rwanda is not in the scope of the thesis.

But exactly what is tenable in the analysis that supports our analysis? The Marxians show that the poor in the accounts of the Poor Laws in Britain feared the state (see e.g. Novak 1988) and the state works to preserve the labour market. We argue that the government faces limitations in targeting poverty effectively by locating poverty and subsequently policy in the role of individual or groups of poor. Thus an example given by Novak (1988: 9) on Britain of Henry VII is interesting for our analysis

Punishment for loitering, wandering and idleness was to be tied to the end of a cart naked and be beaten with whips till his body be bloody. ...and to return to the place where he was born and put himself to labour as a true man oweth to do.

By 1547 it was ordered that

If any man or woman able to work should refuse to labour and live idly for 3 days that he or she should be branded with a red hot iron on the breast with the letter V and should be adjudged a slave for two years (cited in Novak 1988: 9).

Attempt to escape resulted in a person being declared a slave for life. These are not isolated perspectives in the history of poverty. That today the poor are ostracized, beggars and street children rounded up and humiliated in many Third World countries, is testimony that states take actions that identify poverty in the individual poor themselves. Some of these practices take place in Rwanda of today. They have neither an interpretation of the poor fearing the state nor preserving a labour reserve for the capitalist sector.

Meanwhile poor relief continued proliferating allover Europe (Pullan 1971). The Venetian state formally attempted to organize poor relief circa 1529. In Germany, as mentioned above, the first attempts were in the 1520s, in the Netherlands 1524-25, in France in the 1530s and in Spain in the 1540s. These dates demonstrate that in many parts of Europe, government participation in poor relief started around the same period. The transition between monolithic charity by the church and state intervention clearly

was coming to an end towards the beginning of the 16th century- on the eve of capitalism.

In France a big role was played by thinkers in making poor relief become a state responsibility just before the French Revolution (Forrest 1981). A feature similar to that observed for Britain at roughly the same time, was that of regarding poverty as an individual sin that is punishable. Vagabonds were severely punished, begging discouraged and hospitals were built for the disabled.

There is a set of arguments that focuses on how the state in the west was compelled to intervene in order to stop a crisis that was developing out of growing poverty. It is argued for example that where there was no crisis the state took up the responsibility of regulating poverty as a way of mitigating imminent crisis (Piven and Cloward 1971). It is important to note that the idea is not derived from Marxian analyses as in the previous sections on Britain.

A documented account (Piven and Cloward 1971:9-10)¹⁹ is that of a French town, Lyons. Between 1500 and 1540 it grew as an important manufacturing town in Europe that attracted people by scores from Italy, Flanders and Germany. Soon the industry could not absorb all new comers and beggary and vagrancy became a problem. Coupled with famine in 1529 food riots erupted and a food granaries were looted. In 1530 artisans and journeymen armed themselves and took to the street. In 1531 mobs of starving peasants literally overran the town. Church charity could no longer suffice and in 1534 a centralized relief system had to be put in place, which was copied all over France by order of King Francis I (Piven and Cloward 1971:11).

A number of events show also that in Britain, the state took responsibility to relieve or regulate poverty as a response to crisis. As a result of the disintegration of feudalism, disorder developed in form of “organized tumults, disturbances and insurrections from

¹⁹ Note that in the next two paragraphs we use Piven and Cloward. Their argument and indeed the title of their book suggests, and we concede, that poor relief was for regulating, not eliminating poverty. Piven and Cloward (1971). *Regulating the poor*. The Functions of Public Welfare. U.K. Tavistock Publications.

Wat Tyler's rebellion of 1381 and Jack Cade's march on London of 1460, to the Pilgrimage of Grace in 1536 and Kett's Norfolk rising of 1549 (Piven and Cloward 1971). Besides being put down it prompted King Henry in 1536 to establish a procedure for relieving poverty. It involved regulating the poor because as seen earlier these are the times when relief went hand in hand with severe punishment (Piven and Cloward 1971).

Cloward and Piven (1971) further point out that in the late eighteenth and early nineteenth century changes in the conditions in rural England were accompanied by mass displacements of the rural poor and towns became racked by phenomena such as Luddism, radicalism, trade unionism and Chartism. The English royalty feared the spill over of the ideas from the French Revolution and a solution to possible disorder was the reason for the massive relief up to 1850s.

It is quite useful also to provide some account of what happened in the U.S as well since it has played a leading role in the formulation of welfare policy as we have it today²⁰. In the United States the trigger for relief was the Great Depression and particularly the political disorder following it. By 1935 some 20 million Americans were on the dole. The period is referred to as the period of the New Deal following Roosevelt's policies to address issues of poverty alleviation (Alcock and Craig 2001).

After 1960s the U.S witnessed growth in government poor relief because of developments in agriculture. Machines increased output by 45% but reduced employment at the same rate. Most of the displaced people, especially the Blacks, could not be absorbed into the industrial sector. Widespread disorders especially among black communities exploded. The disorders became more ominous as civil right struggles increased and large scale rioting broke out in many cities (Fox-Given and Cloward 1971). To counter this the American extended poor relief. For instance the number of beneficiaries of the Assistance to Families with Dependent Children (AFCD) rose by

²⁰ Having a complex system of federal and state welfare schemes, it has been questioned whether the U.S is as a typical welfare state as say Britain. The most important issue here is however the various welfare schemes that have evolved for the working and non working poor,

225% in the 1960s. This is a period often referred to as the Great Society following the War on Poverty by Lyndon Johnson and Kennedy (Alcock and Craig 2001).

However, evidence again that in the U.S, the primary aim of relief was not addressing poverty is in how the AFDC was administered. It was not only intrusive but also aimed at discouraging the recipients from taking the assistance. The mothers were for instance asked about their sexual behaviour “(like when did you menstruate?), their closets were opened for inspection (and they had to answer questions like whose pants are these?) and they had to permit their children to be interrogated (like do any men visit your mother?)” see Piven and Cloward 1971:166). Raids were conducted on their homes usually after midnight and a public worker who refused to take part in the raid in Oakland California in 1962 was dismissed (see Piven and Cloward 1971:166).

It is clear that there are several forces and motives that shaped the role of the state in poverty reduction. When forces that are essentially not related to poverty shape policy, the latter cannot be eliminated. The Marxians argue that there is a strong desire in a capitalist system to preserve its labour market. However, the non-Marxist argument of regulating poverty as a way of mitigating possible crisis also explains the systemic failure to target poverty directly or deliberately.

While tracing the emergence of state intervention is a rich area of study for the historian, there is no need for the thesis to provide more detailed evidence. A few observations can be put together on the evidence presented so far. Firstly the present failure to deal with poverty effectively, which means that it continues to be a social problem all over the world, is not a recent one. The evidence provided so far point to lack of a policy that primarily targets poverty.

Secondly, even if there is a multiplicity of explanations on how states engaged poverty it is clear that in these early societies governments regarded poverty as reflecting individual frailties and did not earnestly aim at eradicating it. In most of the cases cited above, punishment of individual poor was adopted as an intervention to regulate poverty.

Countries like Rwanda need to address the question of what causes poverty and which interventions need to be undertaken to ensure policy genuinely addresses what it is supposed to target- poverty.

A last phase is the modern era characterized by the welfare state in the west that exists to this very day. Let us again use the British system as a starting point.²¹ This phase is identified with increased responsibility of the state in poor relief²². However as in other phases some of the objectives of the state have been rather more political than relieving poverty. Indeed, the welfare system has not completely eradicated poverty even in the case of many of the industrialized states.

The present day coherent social security system in Britain originated from scientific work on poverty by scholars at the end of the 19th century and the beginning of the 20th century. The pioneers were particularly Booth (1901) and Rowntree (1902).

By the last decades of the 19th century Britain had fully undergone an industrial revolution. A devastating recession in the 1860s, the American Civil war and the resultant famine had started to indicate that poverty was no longer a problem to be attributed to individual pathology and responsibility. Surveys started showing the presence of large magnitudes of poverty amidst a sea of plenty. This necessitated state intervention.

Booth studied poverty in London between 1886 and 1902. His first report in 1886 coincided with the hunger riots in London. Rowntree set out to show that the problem was common to other cities by studying York. He was the first to come up with numerical estimates of how many people were living below a poverty line and was a vigorous advocate of the role of the state in sponsoring social security. It is the findings of Rowntree, which led to the Liberal Reforms of 1906 – 1911(see e.g. Stitt1994: 86).

²¹ The German and Scandinavian systems are well documented but in languages that the author is not well versed in.

²² For a good but concise account from which a substantial part of this section draws see Stitt (1994; 81-114). Chp 3 History of poor relief in Britain

The Reforms came up with the concept of public assistance and public provision instead of relief and marked a turn away from attributing poverty wholly to the individual. Schemes of social insurance against unemployment and invalidity were designed, as were old age pension and health schemes. After the First World War and through the 1920s, due to necessity and violent street disorders, assistance was extended even to working people.

Rowntree undertook a more detailed study of human needs using updated nutritional surveys and expert advice in 1936. The release of his report in 1937 shifted public opinion and policy on social security and led to the famous Beveridge study of 1940. The Beveridge Report recommended putting all hitherto independent schemes together and stressed the importance of cooperation between the state and the individual. Beveridge came up with assessment of social security schemes based on the Rowntree methodology. However the grading scheme met a lot of criticism, which led later to the National Assistance scales of 1948 (Stitt1994: 101).

The scales were subject to revision in relation to what was termed the `scandal of poverty in the midst of potential abundance` in 1964(Stitt 1994: 101). In 1966 a Supplementary Benefits Act provided for legal entitlement to poor relief.

The Act was again revisited leading to the Social Security Act of 1980. The act involved innovations to relate assistance to economic expansion and maintaining work incentives.

One of the latest reforms was the Income Support, which replaced the supplementary benefits in 1988. One important characteristic of the act was making old age pension and disability more important than unemployment and single parents benefits.

The case of Britain is an example of an increased role for government in matters of poverty alleviation. The landmark of the British social security system was the Beveridge report of 1948 that introduced social insurance. However it is useful to note at this

juncture that the emergence of the so-called welfare state is not solely concerned with poverty relief. It can only be so in relation to say people who benefit the system by virtue of being out of the labour market or by other contingency. The present social security systems in the West may have a much broader goal than fighting poverty as such. As Spicker (1993: 103ff) suggests these schemes were parts of broader political processes.

In U.K social security has been influenced by the different positions of different governments in relation to universality and selectivity. The Labour party used to be associated with an institutional model of welfare committed to universality and resistant to means testing. The Conservatives have tended to favour a residual model with means tests that target resources on the deserving poor. Thus since 1970 the Conservative governments have been responsible for family income supplement and family credit for low-income earners, the housing benefit and the means tested supplementary benefit and income support (Deacon and Bradshaw 1983:51-73).

The labour governments introduced non-contributory benefits for the disabled and the Child Benefit, both universal benefits that are not means tested. In some cases the division in policy has not been clear. The Conservative Tax Credit Scheme of 1972 is based on an institutional model of welfare. The Labour party supported private pension schemes in that they would ensure adequate pensions in future (Spicker 1993,Stitt 1994).

France is said to base their social security on a principle of solidarity, a long-standing political idea. In practical terms it evolved as some sort of mutual aid scheme. A national state sponsored insurance, works together with special schemes administered by or for different groups²³. Several non-contributory schemes exist such as one for long term unemployed people²⁴. In general poverty has not emerged as a big concept except recently. Schemes are said to be generally on such vague concepts like exclusion or marginality of groups (Matt 2002).

²³ This is what is referred to in French as *regime generale* and *regime speciaux* respectively

²⁴ They referred to in French as *allocation de solidarite specifique*

The U.S leans more on pluralism within the concept of American democracy. That is many bodies are involved in the schemes and the role of government is residual. It is not as institutionalized as in continental Europe. In the U.S there has to be a clear distinction between the rights of states and the division between their responsibilities and those of the Federal government. The evolution of the system was outlined above. We outline some recent developments only.

Federal government includes security for old age, survivors, health and disability, Medicare and food stamps. But Assistance to Families with Dependent Children (AFCD) for unemployed families has been phased out. For sometime now states were being given much more independence to spend the same money on different options. The entire welfare scheme was overhauled and AFCD abolished in 1996 by President Clinton. We shall summarize these changes in a while. Before that let us review one scheme that has dominated debates among scholars in the U.S and abroad- the Negative Income Tax and its practical offshoot, the Earned Income Tax Credit as well as its application to several economic policies (Friedman and Friedman 1969, Rea 1973, Williams 1975, Pencave and Johram 1982).

The Negative Income Tax (NIT) is usually taken as a product of Milton Friedman's work in 1962, *Freedom and Capitalism*. Theoretically there would be a threshold below which beneficiaries of NIT, instead of paying income tax would receive checks- or credit- which would be larger the further one was under the minimum level. If the threshold for a family of four was US \$ 10,000 a year and NIT was 25% then a family with \$8,000 income would get a credit of \$ 500 or 25% of the distance from the threshold (Allen 2000). A family without any income would get US \$ 2,500.²⁵ There was also a rich debate on the application of NIT that touched a range of diverse issues. These were for instance its impact on human capital²⁶, fertility²⁷, school performance²⁸, labour supply²⁹, employment³⁰ and regional distribution effects³¹

²⁵ See basic explanation by Allen Jodie on www.econlib.org/library/enc/NegativeIncomeTax.html.

²⁶ See Rea (1977) Canadian Journal of Human Economics 607-620 .

²⁷ Maynard and Murrane (1979) JHR Vol 14.

The scheme faced serious challenges and its practical experimentation did not bring widespread consensus. (Allen 2000, Moffit 2002, Dos Santos 2000). Firstly the determination of the NIT is problematic. How is it determined different from the national poverty line? Like the poverty line the determination involved a lot of costs.

Secondly, there was already a package of welfare in cash and in kind. The Negative Income Tax appeared as a threat that would work if the welfare schemes in place were abolished. But above all it was regarded as a scheme that would act as a disincentive to work, a remark that reduces the debate to that of workfare and welfare³².

Thirdly administratively, it would become a problematic scheme. What would be the accounting period? If it were one year then some families in great but temporary needs would not benefit the system.

Finally, like in the case of tax returns, cheating would necessarily be part of the scheme. Although still quite live in debates, it has not become widespread as a form of poor relief and would definitely apply where all the people including the poor can show evidence of income returns. The strength of this system is that it would not create a poverty trap –no one would only loose a percentage of any increase in income.

Otherwise after the period labeled as the Great Society, the 1980s were dominated by the comeback of the new right and neo-liberal policies like those of Ronald Reagan. Recent reforms are those identified with President Clinton in 1996. But generally it has been a time dominated by a debate between different schools or ideologies and between conservatives and reformists. The same debate is reviewed later in this chapter.

²⁸ See Keeley (1980) JHR Vol 16 Issue 4 No 675-694.

²⁹ See Keeley, M; Robins P;, Spiegelman, R and West, R (1978) JHR Vol 13 No 3.

³⁰ See Hens, J. (1970) JHR Vol 5 Issue.

³¹ See Golladay and Haveman (1976) American Economic Review Vol 68.

³² For a recent discussion see Dos Santos (2000) www.aiel.it/bacheca/MODENA/PAPERS/Lagesdos_santos.pdf.

Now the crucial issue is whether what has been narrated above so far is related to effective poverty reduction policy. Some believe the U.S welfare system is generally pro-poor (e.g. Spicker 1993). Others have the contrary view, showing how opinion on effectiveness of anti-poverty policy is divided (Burtless Gary in Danziger et al 1996).

For example Burtless and others note that generally public programs do not work. Conservatives in America condemn redistribution. Their argument is reinforced by official statistics, which show that poverty has climbed since 1970s even though public spending on the poor has soared. They point out that most programs for the poor achieve their objectives to a limited degree. The destitute become less destitute.

Another important limitation to anti-poverty programs mentioned by Burtless et al (1996:51) is the state of the economy similar to the argument advanced in relation to the Roman Empire. They summarize the changes in poverty alleviation policies for the U.S as follows:

The 1970s through 1980s saw curtailed anti-poverty programs because of stagnation and shrinkage of working taxpayers. Extending help to the poor not only did not help them to escape poverty it undermined incentives that spurred them to improve their own lives. But the 1990s saw a new surge. Even states curbed on the most unpopular aid programs but increased spending on Medicaid, Medicare and Disability Insurance outweighed cutbacks.

Accounts of social security systems in Germany, Sweden and Israel describe well-developed schemes that constitute elements of the welfare state³³. In general social security is not designed for poverty reduction only. It becomes an anti-poverty weapon as one of its functions among many others. Sweden and Germany are clear cases of social security schemes that have greatly challenged poverty considerably if not absolutely³⁴. Accounts of social security in developing countries also show evidence of schemes that are not necessarily related to poverty reduction in the first place (see Ahmed, Dreze and

³³ See Alcock and Craig (2001) for a recent and international comparison of social policies

³⁴ While it is generally believed that there is no poverty in Sweden today poor groups can be noted in Germany especially among those who belonged to former German Democratic Republic or East Germany

Sen 1991). The latter are not only focused on those people with job employment but also affect a very small sector of the population. A short summary based on the work of Illiffe (1987) is provided later in this section.

There is one variable that can be noted across different countries. Differences in levels of development have determined different levels of development of the labour force and subsequently differences in the availability of resources that can be easily channeled to employed families as well as unemployed groups of people. But generally social policy is not designed for poverty reduction as such. In a way, the entire post war period debate has been how welfare and its interface on the economy, which sheds light on sympathies to the poor, were changing (Andersen 1999).

The symptoms of a perennial welfare crisis, as Andersen puts it, could be summarized as follows. In the 1950s the complaint were that welfare creates inflation and harms growth. In the 1960s welfare was regarded as too bureaucratic and leading to inequality. Then in the 1970s through the 1980s there evolved concepts that were used in a context critical to welfare. These were stagflation, unemployment, post materialism and government overload. From the 1990s till now, welfare debates have been related to globalization, unemployment, inequalities and family instability (Andersen 1999: 5).

Some concluding general remarks can be made. Where there was evidence of poverty reduction, the practice was to ameliorate the conditions of poverty. Indeed relief itself is a word that means amelioration. It lifts a burden caused by a problem. It is not necessarily to solve it (Spicker 1993). Secondly there was no single country or programme that could be singled out as being a good model to replicate elsewhere in the Third World. We have just noted also that the debate between the interface of relief and economic performance has not only been inconclusive, but has been changing in the post war period. Despite this observation, there is evidence to show that some systems have been better than others with regard to their overall impact in the economy. We mentioned this in passing above, but it becomes clearer when we consider the differences between welfare and ideologies or what we call in the section below, welfare regimes.

3.3 SOCIAL POLICY AND WELFARE REGIMES

In this section we advance our argument that policy against poverty vary from country to country and from one ideological approach to another. We outline the differences in various welfare regimes either by specific states or by specific criteria. Then we attempt to link the debate in the west with the problem of social policy in the Third World. The conclusion about what Rwanda can learn from this will come later towards the end of this chapter.

3.3.1 Are there ‘Three Worlds’ of welfare only?

After the Three Worlds of Welfare written by Andersen in 1990, it has become almost conventional that there are usually three regimes. These are the conservative, neoliberal and social democratic. The differences are identified with specific welfare states and schemes. But let us first consider why such an analysis is also important for the thesis, since most of the examples are the welfare states of the west capitalist countries.

Firstly, it provides a medium through which we can see how poverty is viewed across different ideological positions. The generalized classification will show the differences and possibly justify why some schemes are better in targeting poverty than others. Scandinavian countries have been identified with social democratic regimes and there is no poverty in these countries. Does this mean this welfare regime is best? If so what has made it so good, and what lessons can we draw from them?

Secondly, as argued by Titmus (1958) classifying welfare states assists in seeing the ‘forest’ instead of a myriad of trees. The analysis will deepen our tools for policy analysis in Rwanda later in the thesis.

Thirdly, it is by considering each type that the linkage with poverty reduction, our main theme, comes out. Indeed, since our focus is poverty reduction in Rwanda some specific lessons can be drawn from individual models.

Finally, classification makes it possible to analyze the dynamic nature of the different schemes. It is not enough, to bunch together all types, as capitalist social security schemes that have not worked efficiently³⁵. It can be seen from the classification that within the capitalist system itself schemes do differ on how they can affect poverty. Some schemes in the capitalist realm can be seen to have made more strides in challenging poverty than others and probably even more than the known socialist experiments.

The terminology applied to the three regimes should be understood in a classical sense. In this thesis therefore, unlike in the American sense, liberal is not similar to leftist but what would qualify today as neo-liberal. Conservative does not mean whatever is not neo-liberal such as the Republican Party. Each has a set of attributes (Andersen 1999).

The liberal regime is renowned for its faith in market sovereignty. This regime reflects a political commitment to minimize the state, individualize risks, and promote market solutions. The liberal social policy prevails where Christian and social-democratic movements were weak or absent. It is characterized by at least three features.

Firstly, as a child of the classical poor relief, liberal policy has a narrow definition of eligibility. Means tests are more preferred. Needs based programmes have an upper hand compared to rights programmes. Targeted social assistance is dominant in social protection programmes in Australia, New Zealand, Canada, U.S., U.K and Ireland (Andersen 1990:26)

Secondly, the liberal policy has a narrow definition of social policy. In the U.S, for instance there is national health care, sickness and maternity benefits, family allowances

³⁵ This is in line with a common fallacy that dominated thinkers in the past decades 1960s and 1970s. Either one thinking was left or right, capitalist or socialist. Thus for leftists anything capitalist was bad and for rights anything Marxian was communist and therefore bad. *Sic!!!*

and parental leave pensions. It does not support universal assistance or more generous transfers like direct support to children.

Thirdly, the liberal policy encourages the market. A good case is the promotion of 'welfare capitalism' in the U.S in 1920s and the Thatcher regime in Britain.

The social democratic regime is almost identified with the Nordic countries. Firstly in Sweden, Norway and Denmark there is a remarkable degree of universalism. Norway had had universal old age assistance by 1891 and in 1913 Sweden had a universal insurance plan.

Secondly, the social democratic welfare state is committed to comprehensive coverage of social risks, and generous benefit levels and egalitarianism. This set of attributes is attached to the development of strong social democratic governments in Scandinavian countries.

Thirdly, the social democratic model attempts to de-commodify welfare and to reduce its dependency on the market. While private welfare was being encouraged in U.K, the Nordic countries were struggling to close markets in order to promote equality.

The social democratic model has also been characterized with the promotion of well-being and life chances especially for women as well as redistribution and abolition of poverty. The model has also been identified with the promotion of employment.

The third type of regime is conservative. In Continental Europe liberalism played a marginal role and after World War II socialists were excluded. In Germany, Austria and France, early social policy was inspired by monarchical etatism, traditional corporatism or catholic teachings. The following are its major features.

The conservative system blends status segmentation and familialism. It was influenced by Bismarckian social insurance system and was in no way based on egalitarianism. Social

Catholicism has been influential to social policies in southern Europe, the Netherlands and Belgium. The apparently corporatist, and Confucianism (that is functionally similar to Catholic familialism) make Japan another example of a conservative regime (Andersen 1990:27, Gough 1999:2).

A second feature is that of risk pooling (solidarity) and familialism. A good example is the privileged treatment of the public service in the post war period evident in Austria, Germany, France, Belgium and Italy.

The conservative regimes have also seen a lot of corporatism in social security systems. Germany has more than 1200 occupational health plans in regional, occupational and company-based funds.

Conservatism as said has a strong element of familialism. The system is that of the family around the male breadwinner as the center of social protection. However it seems that the more familialistic the system the less are family benefits. An adult with a family to depend on may not receive any assistance. The family wage also makes family protection redundant and problems like lone mothers somewhat residual.

In distinguishing the three regimes it is noticeable that the regimes converge on some aspects but diverge on others. It is common to exemplify the liberal regime by the U.S, the social democratic by Sweden and the conservative by Italy and Germany. The role of the market is central under the liberal but marginal under both the social democratic and conservative regimes. The role of the state is marginal under the liberal, central under the social democratic and subsidiary under the conservative regimes. The family is marginal under both the liberal and social democratic and central under the conservative regime.

Another approach by which to distinguish the regimes is by the nature of the welfare state (Andersen 1999: 99). The welfare state may be first in terms of the dominant mode of solidarity. Under the liberal it is the individual and it is universal under the social

democratic. Under the conservative dominant modes of solidarity are multiple. The dominant mode may be corporatism, *etatism*, family or kinship.

The welfare state may also, as said above, be in terms of decommodification of welfare. Under the liberal regime it is minimal, maximum under social democrat and high (for the breadwinner) under conservative.

The typology has been criticized on a number of issues. The typology has been based on the male breadwinner as the center of the family. This amounts to gender-insensitive analysis.

Secondly the most important question, as posed in the title, is whether there should be three regimes only. South Europe and East Asia have been suggested as 'fourth world' each (Andersen 1999). In this regard also, social security schemes that are out of the welfare state system have no place especially in Third World countries where neither the labor market nor capitalism has grown substantially. In this regard we have social security and poverty reduction programmes that do not find place in this classification that are considered in this chapter as well. One is the case of land reform.

A more rigorous analysis of the three worlds has noted that in fact they can be four (Castles and Mitchell 1994). The fourth is derived from the argument that among the liberals, Australia and New Zealand for example, present a case of a more radical regime. As a result instead of three there are four with the social democratic (e.g. Sweden and Norway), conservative (Germany and Austria), liberal (U.S and Canada) and one more-the radical.

From a different angle are studies that consider social security schemes from a global character (see Standing 1999). Three welfare state regimes, already mentioned, are liberal, conservative and social democratic. The liberal prefer a sort of residual model that prefers selective targeting of state benefits according to perceived "needs". The conservative relies on social insurance whose benefits depend on contributions and on

income from employment. The social democratic prefers gradual extension of “social rights” that lead to universal social services.

According to the analysis by Standing (1999) there are, at a global level of analysis, three forms of crises. The fiscal crisis is the problem of rising expenses of social security schemes. The moral crisis is about problems of breeding idleness when benefits are guaranteed by the state and the break up of families if assistance is, for example, for single mothers only. A third crisis is that of legitimation. The idea is that welfare policies are a mechanism of social control just as Bismarck designed social insurance to induce loyalty to the state and Beveridge as a means of stabilizing wage labour. A second strand of legitimation crisis is that welfare has been ineffectual against contingency risks or achieving income redistribution.

Standing (1999: 258) identifies what a state can do in response to crises; raise tax and contributions, reduce the range of its commitments, increase selectivity and tighten conditionality and raise contributions for middle income and upper income groups. Other actions include privatizing social transfer and services, shifting from benefits to public services, shifting from benefits to private services and withdrawing functions, leaving them to voluntary NGOs, paid by those who could afford them provided free to the homeless and so on

From these actions Standing (1999) identifies some current policy trends. First, government cuts the value of transfers as a means of lowering labour costs. Second is the delinking of the real value of social benefits from real earnings. Third is partial privatization and increased selectivity and as well as means testing and tighter conditionality. Other trends are privatization of welfare and multiple tier pension system and the encouragement of private occupational welfare.

But generally the study notes that a global tendency is towards selectivity. It cautions, however, that there is a conflict between selectivity and equity. Essentially it is a conflict between who is needy and who deserves help.

So much on welfare regimes in the West. It is not possible in the confines of this study to analyse each country and regime exhaustively. One way to appreciate the analysis is to relate it to other parts of the study. We already had an analysis on how different ideologies consider poverty. Targeting and the distinction between universalism and selectivity, workfare and welfare were presented in Chapter 2. In this chapter, below some specific analyses provide more detailed information. The question is however, how the Third World fits in the debate.

3.3.2 The Third World and social policy

There has been relatively few works on welfare and social policy in the Third World and on Africa in particular. However the limited literature that is available shows some crosscutting features that can give us a glimpse into how policy on poverty reduction was handled (Illiffe 1987, Midgeley 1982, Gough 1999).

Firstly, during the colonial era in Africa social policy and welfare were extensions of the respective colonial governments and were limited to a small group of people who were civil servants (Illiffe 1987). It is noteworthy however that the rest of the African population in precolonial periods and even now have continued to rely on traditional forms of social support where they are not exposed to active labour markets (Illiffe 1987, Platteau 1991). A second issue is that there are a lot of dissimilarities in economic conditions and institutions surrounding social policies in the Third World with what we analysed shortly (Gough 1999). However, it is possible, we argue, to draw some lessons from the former experiences in designing policy interventions in a developing economy like Rwanda. Again since it is not a thesis in history let us review these, highlighting those facts that support our argument.

Midgeley (1982) has shown that welfare systems and social services became interesting areas of study and planning after World War II. In LDCs planning for social services and welfare followed three models. The first was a residual model. Social policies and

welfare would involve minimum state intervention. In plans that were implemented interventions were against such social problems as vagrancy, delinquency, beggary and drug abuse. In most of the plans in the 1950s there would be programmes against prostitution and begging. The residual model was for minimum cash and more in-kind support. Eligibility was to be minimised. Family care was encouraged.

In this residual model, departments were elevated to ministries and often linked to some U.N. organisations or western governments. Generally the model was in line with modernisation theories, growth and industrialisation. In brief however, the model failed. It did not deliver. Little impact of social services in education was felt and in the health sector, afflictions like malaria continued to affect majority of the populations.

The 1960s thus saw the emergence of a new model. This was characterised by state intervention and massive expenditures on providing social services. Again modernisation was the drive behind all policies. While there were achievements in social services delivery, a concern with this approach was the development of unequal access to these services. The approach fostered the protection of a minority.

The 1980s and 1990s was characterised by what is called an Appropriately-Redistributive model of social policy. The focus was on the provision of basic needs and redistribution. This was supported by the proliferation of Marxist ideas and socialist policies. This model coincided with periods of crisis in mid 1970s, the late 1980s and the 1990s. Today we can say this model, especially after the fall of the major socialist systems, has given way to what can be called a developmental approach to social welfare and policy. This is a development policy that seeks growth of the economy through largely a market-led strategy coupled with welfare provision especially to the poor.

Illiffe (1987) studied Africa in particular. His facts on poor relief in Africa augment the generalizations made above based on Midgeley work. He notes that Africa started experiencing systems of caring for the poor during colonial periods. These were diverse because, Africa not having had such institutions, the colonial authorities often created

them embodying traditions, preconceptions, concerns and circumstances of those who devised them for Africans. There are several examples that he has recorded. The next paragraph provides a bird's eye view.

The Holy Ghost fathers managed 132 orphanages and 176 hospitals in Africa before 1931. The French after 1914 preferred to offer charity in the field of education. In the 1920s the Protestants in Southern Africa encouraged what they called social gospel. The Salvation Army, between the Wars, did welfare work for the poor and in education in Nairobi, Lagos and Gold Coast. There was Islamic charity in Lagos and Zanzibar and Indians since 1890s had set up welfare activities especially hospitals in East Africa. Others included the Red Cross, which had established itself in Africa by 1863 and Save the Children by 1922. (Illife 1987)

But in general, as with the case with the British colonies, there was little relief from the colonial state in the same context that Africans cared for their poor. After the Second World War community development, which included mass adult education, was vigorously introduced. Illiffe argues that they were quickly instituted for winning Africans from nationalistic movements. As such they neglected the very poor. In any case, several schemes started dotting the face of Africa. Services for lepers, the disabled and the blind in the Gold Coast, training in crafts for the handicapped, repatriated destitute and aged in Zanzibar, vagrancy law in Uganda, and community centres, women organizations and football clubs in Nyasaland. In French Africa the schemes are said to have been better organized with broad social security systems, but also cared less about the poor.

Three principal remarks are in order for the entire colonial period. Firstly, in many areas poverty was regarded as a burden to be carried by individuals. The state responded, as in the case of Europe in the Middle Ages, by repatriating the poor to their home areas to be cared for by their own families. Most of the schemes were not focused on the needs of the very poor. Finally by the time of independence, many Africans had to change the attitude of depending on family ties for poverty alleviation.

In the period after independence Illiffe, as we did in the introduction and in Chapter 4, points, in particular, to the crisis of the 1970s and 1980s as having been responsible for the 'new' poor³⁶. These he refers to as structurally poor and notes that care for them remained almost the same. Africans cared for themselves. Except for relief work such as by NGOs like OXFAM, the poor still depend on mutual help.

Von Braun (1991) makes the same observation that state social security systems in Sub Saharan Africa are not related to poverty. Instead there is a big role played by the community-based systems. Referring to cases from Gambia and Rwanda, he shows that social security for developing countries in Africa can involve public action against famine and steps to ensure food security. It should involve also community based schemes to sustain the traditional systems and combat problems arising from poverty related to resource deficiencies such land in Rwanda.

Gough (1999) attempts to develop the features characterising the Third World into welfare regimes. His analysis is quite useful here because a clear gap in the analyses of Andersen (1990,1999) and others is the obvious absence of Third World countries. He uses similarities in the Third World to develop an approach to welfare regimes in the Third World. Which are the similarities among Third World countries?

Firstly, there are international factors. Most developing countries have a similar colonial background, settler economies or externally constrained development. Most are highly indebted or are economically dependent to industrialised countries and have structural imbalances. A greater role in their polices is played by IFIs especially the World Bank and IMF. In this regard they display a significant amount of political dependency (Gough 1999: 9).

³⁶ Illiffe (1987) is responsible for the distinction between structural poverty that is based on the structure of African economies and conjectural poverty like that, which is a result of structural adjustment.

A second set of similarities is socio-economic. They have low levels of industrialisation and incomes. The household structures are different from those in industrialised countries and in places there are gender inequalities. Thirdly, political organisation is weak. Fourthly, state institutions are less embedded and democratic practices are often absent. The state infrastructures are lower and institutions of the state are less autonomous. Fifthly, there is a wide range of functional alternatives to the Western style social protection. These are NGOs, religious organisations, the church, clan, local/communal, foreign aid and household provision. There is also a great role of functional alternatives to western type of social protection programmes such as subsidies, agricultural support, labour programmes and access to credit. Finally in terms of welfare outcomes, low levels of outcomes for the population masses.

He goes on to use these attributes to map out variables of policy regimes that can be identified in the Third World. These are threefold. The first is by looking at welfare outcomes, which can be measured by common UNDP indices such as HDI and GDI. The second is a distinction of countries by welfare mix. Suggested measures are private expenditure on welfare, proportion of household resources represented by state transfers and benefits, aid, communal welfare, enterprise welfare and remittances from abroad. A final variable is state policy mix, whose measures are the expenditure/budgets on social programmes and their functional equivalents

We have referred to Gough's work because it is so far the only one that has attempted to do such an analysis in a Third World Context. We have so far no quarrel with his attempt. Secondly he was also setting this analysis as a research agenda. It would be desirable for studies to find data that can show the different regimes that can be found in the Third World.

However this does leave us with a few problems. Firstly, is the Third World detached and isolated from the rest of the 'Worlds'? This would seem to be all right in as far as what constitutes similarities also constitute how they differ from the rest of the world. However, from what we have already seen this should not suggest that the Third World

couldn't draw lessons from the three or so 'worlds' we presented. In fact, it would be possible by mapping out trends in the Third World to identify, which countries are moving akin to a social democratic or neo-liberal regime. This is another lacunae in the current level of analysis of social security systems with regard to the Third World.

A more fundamental comment that applies to our analysis is however, the question of heterogeneity in the Third World. It seems even if a research was conducted and regimes mapped out, a question similar to that put with regard to the three regimes Andersen distinguished would arise. Aren't there some other regimes in the Third World that have not been identified? This is where we believe Rwanda can play a role. We have shown that Rwanda may be caught in a 'poverty-conflict trap'. Indeed she may not be the only one. Some indices of 'conflict-induced' and 'pushed' poverty can constitute another categorisation. Measures of affinity to and incidence of conflict can be devised. That said however, the measures that are proposed for Rwanda are abundant and some are used in Chapter 5 to assess how policy is pro or anti-poverty. Meanwhile in one of the sections below, some case studies of the Third World are considered in more detail.

3.3.3 Internal differences among the regimes

One issue reflecting differences in opinion within a welfare state is the debate on work and welfare. In this section we use the distinction to underscore the differences existing between the different ideologies that shape and govern welfare regimes.

Workfare is in brief the requirement that claimants to poor relief have to work in exchange for benefits. The use of work in this regard is old but the controversy around it is relatively new. The earliest example of this requirement was the English Poor Laws of 1834 in which poor relief was granted through residence in a workhouse. Workfare was also common in *ancien regime* France where relief was granted in "charity workshops". Poor relief through work is also popular in developing countries as well. A good case is the public works scheme (Besley and Coate 1992).

But the best example is perhaps the debate that surrounded the now defunct Assistance to Families with Dependent Children (AFDC) in the U.S. Its weaknesses were summarized by Burtless, G (1990: 4).

“Transfer programmes for able bodied poor discourage work and encourage illegitimacy and family dissolution. They provide too little help to prevent families from falling into destitution but too few incentives to spur breadwinners to become self-sufficient. The complicated array is expensive to administer and inequitable or capricious in allocating benefits across families in similar circumstances. Many types of assistance to the poor are more costly for taxpayers to provide than they are worth to recipients.

Gueron (1990) explains the problem stated above in a relatively more economic way. The problem is a dilemma posed by the impossibility of simultaneously maximizing two primary objectives; reducing poverty and encouraging self-support. She argues that since welfare programs are mean tested, they discourage work since the more you work the less assistance you receive. More efforts to increase benefits to combat poverty more effectively will further decrease the incentives for recipients to take low paying jobs, a dilemma that dictates a trade-off. But what is curious is how this problem has come to be very fundamental if a clear distinction can be made between able-bodied poor and those who are not.

The Social Security Act of 1935 for many decades guided assistance to the blind, aged and dependent children in single-parent households (especially with absent fathers). The assumptions were then that AFDC would comprise of small group of poor widows. After a period of 30 years this proved to be the contrary.

Many women assumed employment even if by part time out of necessity. It became difficult to distinguish and excuse single mothers from say other mothers with young children. Secondly, AFDC caseloads and costs grew very rapidly in 1960s and 1970s. A third factor was a dramatic change in family structures of Americans. For example while in 1960 only 7% of children lived in households headed by their mothers, the rate had gone up to 21% in 1987. About 50% of all children in America will be under a mother-

only family at some time in their lives. The imminent child poverty led to legislation in 1988 that extended AFDC to two parent families whose principal breadwinner is unemployed (AFDC-UP). The latter dramatised the dilemma since although encouraging families to stay together it extended benefits to a clearly employable group. A final remark was that about 60% of AFDC rolls were permanently on welfare in terms of ten or more years instead of being on transitional assistance (Gueron 1990).

Meanwhile, over the years some other problems plagued AFDC. These included low payment standards, wide interstate variations, automatic eligibility to in kind transfer and weak response to work incentives provisions attempted earlier. While the first two are forthright and clear the last two take the discussion well into the debate (Hsieh 1969).

Two problems are usually cited. First is the cumulative tax rate or benefit reduction rate. For instance, Hsieh points out that for every dollar acquired additionally through automatic-in-kind assistance 85 cents went in form of benefit reduction rates, leaving only 15 cents on the disposable income of the poor. Secondly, is the so called “income notch” effect. If automatic in kind benefits raised a recipient to the level usually used to qualify for AFDC the recipient would immediately be excluded from the list.

It is clear then why some recipients would refrain from increasing their income if only to retain eligibility for assistance. The AFDC is also known, for a long time, as an inducement to family splitting. In many states, AFDC programme offered benefits equal to the difference between their incomes and maximum standard payment or needs payment. If no income was earned the benefit equaled the standard payment. Extra income over the amount was subject to 100% marginal tax rate or the same 100% benefit reduction rate. The result was a disincentive to work since earning extra income would not raise disposable income. This is what justified workfare as public employment programmes. And this is where the differences between conservatives and liberals (using the American terminology) clearly emerge. As Andersen (1999) notes, a welfare regime is not the same as the welfare state. Thus these differences could be noted in the same country.

Liberals generally agree that work is better than welfare, but continued to emphasize reducing poverty over dependency. Their argument is that welfare recipients want to work but lack the education and skills that assure self-sufficiency and a decent standard of living and many would not find adequate care for their children if they did find jobs.

Thus liberals prefer programs that offer choices, provide intensive education and training services, do not require people to take low wage jobs or indeed any job and assure adequate child care and health insurance to those who leave welfare to work. Liberals focus on insufficient human capital as the critical reason for continued dependence and they believe countering this will have higher returns. (Gueron 1990)

Conservatives, on the other hand, usually emphasize reducing dependence over poverty. They argue that jobs are available and believe that welfare recipients are unwilling to work are too discouraged to try or have unrealistic expectations about their job prospects. (Andersen 1990,99).

Thus conservatives favour programs that set clear expectations for recipients, require participation in program activities or regular employment, provide low cost job place assistance rather expensive training and mandate *workfare* for those remaining on the rolls. They tend to doubt whether human capital is the solution given high expectations of the recipients and worry about the cost effectiveness of such an approach. In sum liberals look to increased earnings and reduction in poverty while conservatives stress welfare savings and the intrinsic value of program participation and work performed while on welfare.

Meanwhile there has been a group of **non-welfare reformists** (Ellwood 1987). A common argument is that both conservatives and liberals often converge on the observation that the whole system of assistance robs the poor of their confidence, initiatives and self esteem though the reasons offered are quite different. Ellwood for example argues that; by people with disabilities earning more than a poor worker, welfare

was violating basic values of work. In fact in the U.S non-dependent poor started being assisted by the government in 1989 (Gueron 1990).

A similar position is that by Tanner (1999) who advocates allowing Charity Organizations to take over relief work because neither the suggestions of liberals nor conservatives can work in America today.

Bill Clinton promised to end welfare but he did not. Despite the 1996 welfare reform, the modern welfare state is still fundamentally intact. Tanner (1999: 2) put it this way.

Liberals often claim that increased funding for job training and childcare coupled with an expansion of the earned income tax credit would help many leave the welfare rolls. But there is little evidence to support such assertions. Not only do job-training programs fail to move significant numbers of people from welfare to work they may actually have the opposite effect - moving people from work to welfare. Since individuals may be eligible for training programs only if they are on welfare it becomes a rational decision for low income working people currently making a marginal living to quit work and enter the welfare system.

Conservatives on the other hand frequently push for the establishment of workfare programs and support block grants. Those programs are flawed. Workfare does not address the most serious social consequence of welfare-children growing up in single parent families.

While the nature and direction of further reform is not clear with regard to whether it will be more towards work or non-welfare reforms, the trends also depend on the dynamics of major welfare programmes in the near future and how each state in the context of federal policies handle changes. There is a tendency towards reform in the USA that includes at least four principal issues (Ellwood 1987)³⁷.

Firstly, people who are already doing as much work as society deems acceptable ought to be able to support their families at or above poverty level without relying on welfare-like

³⁷ Ellwood takes the debates into current times. See Ellwood and Dickens (2001) in *Wither poverty in Great Britain and U.S? Determinants of changing poverty and whether work will work* NBER. This document is one of the most current and informed on the debate

support. Secondly, people who are poor and are not working as much as society would hope ought to be offered short-term transitional assistance. This would include short-term cash income coupled with training and with services designed to help them become self-supporting.

Thirdly, long-term income maintenance for people not working as much as society would hope ought to be provided in the form of jobs and work not in form of cash welfare of indefinite duration. Finally, absent parents ought to be required to share any income that they have with their children.

The debate is quite relevant in that it shows that different regimes imply different views on poverty reduction. Secondly it has been noted that these debates in the U.S like elsewhere are generally concerned with political issues. Hazlitts (1973) has shown how major reforms in America took place at about or before the times of the congressional elections in 1952,1954,1956,1958 and 1960.

But so far our discussion has been a distinction between the liberals and conservatives. While we gave some general description of Andersen's third type of regime-social democrat- it is in order to consider in detail how one of the programmes within this regimes operates as a way of seeking lessons from internal operations of these regimes. Let us consider the active labour market model of Sweden.

As a result of the Second World War there emerged a shortage of manpower in Sweden, especially a mismatch between supply and demand between regions and industries³⁸. A Labour Market Bureau was created during the war years, in 1940, and is largely responsible for the model. Its acronym is AMS or *Arbetsmarknadsstyrelsen*. Representatives of government, employers and unions man the Board.

³⁸ Although Sweden remained neutral during the war, it mobilized a large number of reserves to defend its borders from a possible German invasion.

The Bureau evolved a sophisticated range of manpower policies to improve the labour market that are regarded responsible for the current status of all major welfare activities in Sweden. Wilson (1979: 69) has provided a broad overview of the manpower policy that has created the backbone of the Swedish system.

The primary aim of the manpower policy is to improve the ability of society to provide work. For state in Sweden has concerned itself very actively with the creation of employment with retraining and redeployment of the unemployed, handicapped and to a limited extent with the encouragement of new industrial development in areas of declining employment and so on.

In 1956 the work of the Board was enhanced by the legislation of *socialhjälp*, a social assistance scheme for poor relief. In view of severe recession in late 1950s the Board was also instrumental in carrying out policies that were not only to help the needy but also to improve the living standards of the populations as a whole.

It was designed following ideas of economists Rudolf Meidner and Gosta Rehn and has subsequently been referred to as the *Rehn-Meidner Model*. Originally the baseline idea was to maintain full employment by vigorous labour market policies to retrain manpower and encourage labour mobility. Lundeberg (1985) on Rehn's version wrote that it is "selective measures designed to create jobs on the spot as well as support the movement of manpower after vocational training to expanding sectors and firms.

Moreover the model demanded 'solidarity wages policy', narrowing of wage differentials, the same pay for the same type of work regardless of profitability and productivity in the various branches of firms. It involved centralisation and strengthening of the trade union movement.

After 1950s, the Labour Market Board was strengthened. It became an independent agency directly responsible to Parliament. It consisted of 5 government representatives, 4 from unions and 2 employers' organisations. In the counties 24 representative organs were created with decentralised powers to operate on behalf of LMB or AMS. About 230 district and local offices were created and a number of local agents were appointed to operate the service at local level.

Wilson summarises its revamped status as still to operate extended training, employment and mobility programmes but also developed " a multifarious arsenal of instruments which can be promptly applied and discontinued in response to changes in the labour market situation". The Active Labour Market model included several functions (Wilson 1979: 69-91).

The first was employment services³⁹. The employment services unit was directed to clear the demand and supply problems of labour. The services involved finding jobs according to applicants' wishes and capabilities. Moreover the Board offered counseling services, vocational guidance and psychological tests. They also operated computerised registers of job vacancies and related information.

Secondly and perhaps most importantly was the offering training service. Employers became responsible for ordinary training facilities for the members of staff whether new entrants or those needing to be updated. Training was promoted for several purposes; firstly it was for people who have lost their jobs, for people who were handicapped and for the young. Training was also for people who were absent for long periods such as married women; those with physical, mental or social mishaps and training to cater for the changing demand for skilled labour.

The training scheme has become the brand name of the model and an answer to unemployment. Gordon's (1985: 254) remark with regards to training and reflects the importance of the scheme;

"The unemployment problem is somewhat more serious than the official data suggests. In recent years around 4 to 5% of the labour force has been engaged in training programmes, public works, sheltered workshops and schemes to support inventory build up. Sweden's practice in counting such persons as employed is no

³⁹ The Swedish example will provide insights into how government can intervene actively to mitigate the possibility of some people falling into poverty. In developing countries of course there are problems of scarcity of resources and inefficient bureaucracies that need to be addressed.

different from that of other countries. The difference is that no other country has as large a percent of labour force engaged in such activities.”

Other services included aid to mobility, employment creation schemes, programmes for married women, the handicapped, immigrant workers and insurance benefits to the unemployed.

The Board is a remarkable success story. It enjoyed support of all stakeholders particularly unions, employers, government and general public. It is argued that the active labour market model contributed to the rate of economic growth and low unemployment rates Sweden enjoyed in the 1960s and 1970s.

The most important issue is not the country case as such. It is important to note that it is based on the universal nature of the approach and the role of the state in ensuring there is work for everyone. The success is also notable in that it challenges poverty very effectively. Indeed, officially there is no poverty in Sweden. We deliberately considered this single programme as an example because we intend to advance the argument that under condition of deep poverty and a legacy of conflict in Rwanda, universal targeting may present a better alternative than some selective programs that are common.

To conclude this section we need to point out that it is not the intention to create the impression that a social democratic regime modeled on Sweden is necessarily the best. There are problems with this regime, as there are problems with the liberal and conservative regimes. We shall argue that public works is Third World version of the workfare debate. However, we also argue for an income grant, towards the end of the study, as an expression of welfare concerns that had to be addressed by a developmental state. While the discourses on different regimes are important, we have not come to a level where we can pre select one as a model for a Third World economy. In fact, as was argued in Chapter 2, a country like Rwanda probably has to draw on the experiences of a whole range of countries. To illustrate this argument further the next section undertakes

a more detailed analysis of some models in the Third World that are renowned and could offer lessons to other countries.

3.4 SOME THIRD WORLD MODELS

The aim of this section is two fold. Firstly, it is important to show that drawing lessons from western welfare schemes does not mean there are no lessons to learn from the experiences of Third World countries. Secondly, the fact that many Third World countries have limited resources to offer direct assistance does not mean they do not care about relieving poverty. Thirdly, we shall demonstrate in Chapter 6 and 7 that some specific programs against poverty, although not providing a panacea, but have a relatively stronger impact than others in the specific setting of a country such as Rwanda. In this regard our analysis does not end up giving us a model to emulate or a program to replicate. It gives hints about the package of policies we need. It is a package that can challenge deep and pervasive poverty, which is embedded in a long-term poverty trap. Finally, the overall objectives of growth and equity can be pursued within comprehensive programmes that do not require direct cash transfers or direct expenditures from government budget. To demonstrate this, we review four comparative cases from a Third World setting to see if there are any new lessons we can draw from the experience.

Firstly there have been attempts to execute neoliberal social policies in the Third World. A Model Case suggested here is the Chilean. Workfare may seem a western policy prescription, but stories of public works in India emphasize work as a means of relieving poverty in a Third World setting. Finally we note from land reform models of China and Taiwan that the objectives of growth and poverty reduction need not solely come through western models of poor relief. Let us consider each of these models briefly before putting together lessons that can be drawn.

3.4.1 Neo liberal reforms in Chile

The recent history and politics of Chile are a phenomenon itself. They would need a separate and lengthy treatment, a task that is clearly beyond the scope of this section. Briefly, the economic miracle has been attributed to the privatization of the economy, the privatization of the social security system, a free trade ethic, sound fiscal management, independent monetary policy and political stability. In this section we focus on the social security as a major component of the neo liberal economic model of Chile.

The admirers of the model believe that there are some lessons for many countries including the U.S. Indeed the origin of the neo-liberal approach can be traced to Milton Friedman and especially Hayek and the influence of their ideas on the Chicago Boys of Chile. The Chicago Boys were graduates of the University of Chicago under the cooperation between that University and the Catholic University of Chile. They got imbued with the ideas of the Nobel Prize laureate, Milton Friedman, who believed an export oriented, market driven economy with substantial foreign investment meant development and not dependency.

Despite the military, bureaucratic-authoritarian rule of Pinochet, the crises of 1970s and another one 1982-83, the Chicago Boys developed into a strong and powerful group of economists who shaped the neo-liberal model of Chile. Indeed their zeal went beyond economics, attempting to make Chileans change their outlook and mentality. The neo-liberal approach also meant believing in individual action rather than in the state, a revolution in the mind of the people with the intent of changing the culture of the country (Openheimm 1993). Social security was one of seven modernization programmes put in place by the group.

Being a Third World economy, the elements of the success story can provide lessons to other developing economies on a number of issues. One such issue is the experience on targeting expenditure to poverty. The latter issue will be pursued towards the end of

Chapter 6. The pertinent task is to outline concisely the content of the social security reform

A military regime established in 1973 remained in power for 17 years. It was responsible for the bulk of neo-liberal policies that have characterized the body politic of Chile. The policies in essence aimed at restricting the role of the state by way of curtailing public spending and transferring responsibilities of providing social services to municipalities and the private sector (Openheimm 1993:117-141).

The philosophy of the neo-liberal policies was that state funds should be directed to the neediest needy and should be demand instead of supply driven. Subsidies should be transferred to beneficiaries and financing for social services needed to be cost effective in terms of the services rendered instead of relying on historically determined allocation votes.

It was argued that these policies then would ensure that resources reached the poorest sectors effectively in the management and delivery of social services (Raczynski citing Castaneda 1992). At a broad level, policy reform in the two decades comprised of targeting education, health and safety nets, decentralization, privatization of social security and housing. It involved instituting demand or supply driven subsidies in health, education and housing. In the next paragraphs we consider each briefly.

Targeting of education and health was intra-sectoral. Priority was given to less complex levels of care. Public investment in education and health targeted underprivileged and isolated areas. Emergency employment programmes, welfare pensions, child subsidies, nursery schools, and community child care facilities for poor families were created to assist the extremely poor segments of the population (Openheimm 1993:151-158,Raczynski 2000)

Raczynski (2000) has noted a number of lessons that can be learnt from the Chilean experiment of targeting poverty. Firstly evaluation found that still very little funds

effectively reached poor populations. About 13% of GDP was spent on social services in 1987. In the same year only 7% can be said to have reached the poor. A second lesson is that pre-existence of universal programs facilitated targeting. A third lesson from the Chilean example was that targeting needs a lot of information if it has to be effective. The most crucial information is situation analysis, efficient methods and alternatives, size of target group and identification of expeditious ways of reaching the group

A major lesson is that it was seen that there couldn't be a single mechanism to facilitate targeting. The focus on the household is not necessarily the best and was found to be costly, ridden with unreliable information and related to stigmatization of the subjects.

Chile provided a lesson that it was an error to assume that targeting would increase effectiveness of social expenditures. The effectiveness could be seen to depend on objectives of the program, content and coverage of poor groups as opposed to spill over to non-poor (Riesco 2004).

A second element of the neo-liberal reform was decentralization that meant 'regionalisation' and 'municipalisation'. With 'regionalisation' three administrative levels were set up- regional, provincial and municipal and a national regional development fund created in that regard. The aim was to relegate some powers to sub national levels. It is however noted that, no significant decision-making or resource were transferred to the regional level only. Resources administered by the development fund were no more than 8% of public investment.

A municipal regime was created and new functions, responsibilities and resources transferred to them. Municipalities could analyze social problems, administer the social safety net, manage educational and health establishment and address specific problems related to their area. Originally this was not mandatory but by 1989 the transfer of responsibility was almost 100% for most of the social services (Raczinsynki 2000).

The municipalities also faced problems. They were restructured according to a common formula that allowed no flexibility for local adaptation. The municipalities had little autonomy. Funds disbursed to them in the 1982-83 crises were not adjusted to inflation and so depreciated in real value. Studies in the 1980s show a lot of requirements but poor coordination from the central government.

Perhaps the most important neo liberal reforms were those oriented towards privatization. After 1973 social services provision was partially or fully privatized. More specifically publicly subsidized services were put under public administration and social services were privatized (Openheimm1993: 155).

Business associations administered vocational high schools and schools were privately administered but subsidized by the state with modest successes. Public hospitals were put under private administration but the experiment is said to have failed. Housing was subcontracted to the private sector but the quality of housing became low and the poor tended to drift to outskirts where the price of land was cheaper (Openheimm 1993).

Privatization of social services essentially referred to privatization of the social security system, health, education and labour training in the 1980s. Raczynski summarizes the nature of privatization of the social security scheme as follows:

“The pay as you go social security system was replaced with an individual capitalization system managed by the private sector and regulated by the state. Under the new system contribution- 10% of gross wages are accumulated in individual accounts for workers. Pensions are drawn from funds accumulated over 20 or more years managed by private corporations, administrators of pension funds (APF), that invest the funds in the financial market under state regulation. The new system is mandatory as was the old and workers are free to choose at all times the APF they wish to join. The state guarantees a minimum return based on the average return of the system in a given period and a minimum pension for workers who having accumulated funds for 20 or more years lack enough savings to finance a pension above the legally established minimum. It also guarantees a welfare pension for poor people more than 65 years of age who contributed for less than 20 years or not at all to social security.

The system is said to have grown to about 43% of GNP by 1994. The new system has enhanced the performance of the Chilean financial market. It serves about 60% of the labour force. The problem is however that it involves high administrative costs especially those related to rotation among APFs caused by competition among themselves (Openheimm 1993). Had it not been for the high growth of the Chilean economy and the rapid increase in the stock market prices, the pension reform would have run into severe problems because of these high administrative costs.

The privatization of the health sector involved a heated debate on a number of crucial issues. These included the role of the public and private sector, the priorities of health care policy and the amount of resources allocated to health care. Other issues included a reorganization of the public sector, the salaries, and training opportunities, labour conditions of physicians and other health care staff as well as participation of the medical association and physicians in the decision-making and management of health care.

It is said that the end result was a mixed, ill-defined public-private system. The social security reform permitted affiliates to place their mandatory health care contributions that previously went automatically to the public health care fund in private health institutions. Affiliates opting for the private sector enter into a contract with the relevant institution that defines the nature of the health package. In so far there have been up to 8000 plans, the system has been less than transparent and difficult to analyze (Raczynski 2000).

In any case it is known to have expanded especially after 1985. It expanded mainly because of increase as incentives in health care contributions from 4% to about 7%, shift of maternity subsidy to the state in 1986 and an increase in employers' contributions to people earning near the minimum wage (Raczynski 2000).

The scheme has not been without criticisms. Firstly it has divided the population into two groups. The poorer low income and high risk go for the public programme while the rich go for the private sector plans. Secondly more resources paid as mandatory contributions go to the private institutions. The institutions, while catering for 27% of the population,

collect up to 65% of the resources in 1994. The public sector collected 35% of the contributions and catered for the whole population in preventive health care and curative care to 60-65% of the population. Other remarks include drain of qualified professionals from the public to the private sector and the tendency of public sector beneficiaries to be dissatisfied with services available compared with those provided by the private sector. (Larrain 2004⁴⁰).

In view of the difficulties, the 1990s saw attempts to modify and even develop a new model that improves on the pure neo liberal model of the 1970s and 1980s.

Meanwhile there have been admirations of the Chilean model and several efforts to replicate them. Experiments are recorded in Argentina, Mexico and Hong Kong to imitate the pension scheme. Jose Pinera (1998), the de facto founder of the pension scheme thinks the U.S need to copy the model given shortcomings of her schemes discussed above. There are however a number of problems that have to be taken care of with regard to the other poor countries such as Rwanda.

Firstly, for the pension scheme to have effect on poverty, it has to affect as many poor people as possible. Unlike in Chile, many poor groups in Rwanda are in rural areas where no wage employment with formal contributions exists. Secondly, the private companies running the private pension schemes have been known to face weaknesses related to competition among themselves and administrative costs.

Thirdly the system is marred by evasion and underreporting based on the uncertainty and risk of receiving less than the minimum guaranteed pensions under the private scheme. It is common with low wage earners. Earlier it was noted by some scholars that the scheme might lead to widening gaps among the rich and poor. The most ironic example of the

⁴⁰ Refer to www.worldtraveller.com

awareness of the Chilean bureaucracy of its weaknesses is that the military has never been put under the private social security system⁴¹.

While it presents a novel and innovative way of reforming the pension system it has to be received cautiously in countries of the like of Rwanda. Besides the problems raised above, the private sector is any case too weak to take up such challenges and foreign direct investment is lacking. Recipients of wages in Rwanda hardly reach 10% of the population and can in no way qualify as the poor. However it shows how an ambitious neo-liberal approach can attempt to challenge poverty in a Third World setting. It provides us with background lessons for current policy review for reducing poverty in Rwanda that we attempt in Chapter 5.

3.4.2 Land reform in Taiwan and China

Formal social security schemes whether of the Bismarckian type or similar to those expounded by the Beveridge Report in the U.K, have not been implemented in most Third World countries. Here social security may involve traditional mutual help schemes, land reform, expenditure on social services and several other programmes that enhance the welfare of the majority of the people who are not directly related to the wage labour market. Land reform in Taiwan and China is a case that served this purpose. This is the case of social security schemes that involve essentially landed and dominantly agricultural populations of the Third World.

Land reform is argued to have been one of the economic pillars of Taiwanese industrialization. Carried under the banner of *land to the tiller* or *land of the tiller by the tiller*, one of its secrets was the gradual but successful implementation.

Fei, Ranis and Kuo (1979) argue that land reform was carried out for several reasons; firstly, the Japanese had developed a remarkable agricultural infrastructure but had paid

⁴¹Only in the US are the words “social security” used to refer to a pension scheme – in Europe these words have a much wider connotation

little attention to distribution of land. Secondly there was fierce competition for scarce land because of a large number of tenants. As a result rents were often up to 50% of the anticipated harvest, especially in the more fertile regions. Contracts were frequently oral. Rents had to be paid in advance and no adjustments were made for crop failures.

The slogan-land to the tiller- was also part of the ideology of the Chinese Nationalists and could be easily put into practice when the Mainland was lost to them. To quell social unrest land distribution was also a desirable policy taken up by the government. It was also a strategy to stimulate agricultural growth and economic recovery. The reform agenda was broad. It involved strengthening farmers' associations and other elements of organizational and financial infrastructure in rural areas. Specifically however the process was in three phases.

Phase one involved reduction of the rent to 37.5% from 50% in 1949. Contracts signed covered a land area of 256,557 hectares and benefited 296,043 farming families or 43% of farming families numbering about 600,000. Secondly, if crops failed because of natural forces, tenants could apply to the relevant committees for further reduction. A third component of phase one was that tenants would no longer pay rent in advance. Fourth, written contracts and fixed leases of three to six years had to be registered and fifthly tenants had the first priority to purchase land from the owners (Fei, Ranis and Kuo 1979:39).

The immediate results of phase one was dramatic. Prices of farmland immediately dropped, paddy fields by 20% dry fields by 40% by 1949 and 66% by 1952. Other reforms like written contracts and reduced rent is suspected to have been the major factor behind the rise in agricultural productivity in 1950s. With higher yields and lower rent farmers income rose by 81% between 1942 and 1952 and this in turn enabled them to purchase land put up for sale by landlords.

Phase two entailed the sale of land to the public. A total of 139,058 hectares of land were sold to 286,563 farming families after 1957. The program gave priority to cultivators of

public land and landless tenants. The parcels were on average 1 chia. The selling price was about 2.5 times the value of the annual yield of the main crops and payments in kind were set to coincide with the harvest period for a period of 10 years.

Phase three was the actual turning over of the land to the tiller. It was a compulsory sale of land by landlords. Privately owned land in excess of specified quantities had to be sold to government, which would in turn sell the land to tenants. The price and conditions were like those of sale of public land. Note that landlords were given 70% of the value in land bonds and 30% in industrial stock in four public enterprises formerly owned by the Japanese. Meaning the deprived landlords was given avenues to participate in the industrialization process.

Beginning in 1953 the land reform program was designed to enable tenant farmers own land they tilled. The aim was that ownership would lead to increase in farm production, increase in farmers` income and transfer landlords` capital to help the development of the industrial sector. This process was referred to as *nurturing industry with agriculture and developing agriculture with industry* and has characterized Taiwan`s rapid economic progress. A total of 194,823 farming families have received a land area of 139,249 hectares (Fei, Ranis and Kuo 1979).

A final process was that of equalization of land rights, which began in 1956. It was designed to maximize land utilization. The process involved regulating land value, taxing and purchasing land according to value and giving the unearned increment to the public.

Under the regulation, the Provincial Government verified and adjusted land value by cross checking with actual cases and prices of urban land transactions in all counties, cities, district towns and townships. These were analyzed to ensure an accurate picture of movements in land prices as a basis for adjusting county and city land values, setting new land values and banding taxation levies with the aim of making tax assessments fairer and more reasonable and thoroughly implementing the policy of directing price increases into

public coffers. In 1994 land value was reassessed and total land area affected was 1,765,422

It is clear that Taiwanese land reform was radical and gradual. It involved not only redistribution but also ownership. A major lesson is the use of land reform to influence a clear development strategy such as rapid development and industrialization. Chuang Wu, T (2000) points out that land reform challenged substantially rural poverty but notes one major problem. Peasants complained that they were finding it difficult to sell or buy land. Fei, Ranis and Kuo (1979) show how reform had graphic impact on distribution of assets, which is self-evident.

It is not possible to account for the success story of Taiwan in the confines of this section. Of importance was the idea that land reform led to growth of income and substantial reduction of poverty.

Another prominent land reform was in **China**. Reform of the Economic System in China was embarked on at the death of Mao Ze Dong who preferred a form of doctrinaire Marxism often called Maoism. The reform, which in effect is still ongoing, touched many sectors of the economy. The most advanced was that related to the rural sector, initiated after the third plenum in December 1978.

Perkins (1988) puts the objective of the rural reform simply as that of raising the material rewards going to farmers and to relate those rewards firmly to the effort expended. This calls for, even if briefly, knowledge of how the system worked for the farmer in the period prior the reform.

Agriculture had been collectivized in 1955-56 by forming agricultural producers' cooperatives with an average 200 families each. Most crop production was on collective basis and rewards made on point basis to individual. Scores of points on individuals depended on amount of time, skill, effort and political attitude, a very difficult if not inaccurate task.

Perkins (1988:610) summarizes how the system worked.

The number of work points accumulated plus the value of each work point determined collective income at the end of the year. The latter was calculated from the net income of the cooperative after deducting taxes, investment expenditures and welfare fund. Farmhouse members also worked in their spare time at home and on small private plots that constituted about 5% of all arable land. Household production could be sold on free markets that were allowed to exist for that purpose. Collective production was sold to the state marketing system. The state set quotas for the deliveries of the main crops and fixed prices for those deliveries at levels below what would have been required to elicit voluntary sales.

During the Great Leap Forward 1958-59 an average collective unit was about 5000 families. Food was distributed on the basis of needs and points scored. Private production on small farms was abolished. However private plots had been re-established in 1962 and accounted for about 7% of all arable land. The organizing unit, a sub unit of a Commune was 20-30 families. In fact the system remained intact by the time of the Cultural Revolution 1966-76. Collectively produced output was sold through the state by quotas.

Thus the first element of reform was to create free markets in rural areas. Croll (1988) like several scholars often call them domestic sideline production but admit that they had much meaning and value to the individual Chinese peasant. Prior to this time, rural cadres who were known to hate them on ideological basis tightly controlled them. Indeed they made it difficult to convince farmers go to the collective farms since they had better return than that from the collective farms. It is believed this reform raised peasants income by 58% in 1978 and another 35% in 1980 consisting mainly through raising poultry and livestock.

Reform of the agriculture sector started in 1979 and continued slowly to 1981. A new name of organizing agriculture after the reform was the “responsibility system” carried at local levels and centrally in Beijing. In Chinese the system has been known as *baogan dao hu* literary meaning `contracting everything with the peasant household (Croll 1988).

As hinted earlier, assessment of reward and performance could be expected to be difficult quantitatively or qualitatively. Mutual assessments were tedious and led to tensions among villagers. To portend unequal treatments earlier efforts tended to favour some egalitarian methods of distributing income or depended on team cadres to determine the work points, a very costly task for numerous small peasant productions with an array of heterogeneous agricultural activities.

The responsibility system attempted to pay work points to small groups for tasks completed such as transplanting one hectare of rice seedlings. Another method was for example allocating a plot of land to a family on a long-term basis and allowing the family to receive all the income after fulfilling certain obligations. By 1983 most collective farming had given way to farming based on almost individual holding. Nuclear farm families were given portion of the formerly collective land for a period of 15 years in exchange for meeting certain conditions of taxation and crop delivery. Virtually the concept of *rural people's commune* ceased to exist. In 1995 the contracts have been extended for a further 30 years but the farmer still had not acquired legal right to the plot of land to which he has usufruct rights only.

The state's control through contract with collective units, quotas and under pricing was discontinued. Beginning 1979 prices of farm produce in general and not grain and select produce were increased, but with government subsidies to agricultural marketing organizations. With millions of farm families instead of production teams it became difficult to continue using quota to direct the output of major products the state tended to allow more and more market forces to determine this. The tendency was reinforced by the bumper harvests in years leading to 1984. Quotas were sharply cut down in 1985.

It is not easy to say that the reform provided a better alternative to collective agriculture. In terms of economies of scale there is theoretical basis to think they are better than individual holdings. This economies of scale was also at the heart of the Ujamaa reform in Tanzania, but the collectivist production always delivered less than individual peasants

producing for the market. Moreover collective farms were outlets of other advantages like education and health services. Perkins (1988) mentions for example the role of ‘bare foot’ doctors in the communes and how labour mobilization was facilitated by the former system.

On the other, the decay of the former Chinese economic system has been well documented (see for e.g.Cheng Chu-yuan 1983). These ranged from social injustice, stagnation of the economy and deepening of poverty.

Despite these observations data show there was substantial achievements under the reform. Table 3.1 below gives a summary of principal indicators slightly before and after the reform.

It can be seen after the reform that there were great increases in grain and more substantially non-grain crops and animal husbandry. Perkins notes that grain output increased in spite of a decline in acreage sown of about 10 % between 1978 and 1985 an indication of a rise in X efficiency and inputs other than land.

Table 3.1. Composition of agricultural output

a. Growth rates as % per year

	1971-78	1980-1982	1982-86
Gross value of agric. Output	4.3	7.5	13
Crops	2.7	5.6	4.2
Grain	2.9	3.9	2.5
Non grain	2.1	13.2	9.4
Animal husbandry	2.6	10.1	10.1
Subsidiary output	17.9	13.7	40
Village industry	23.5	14.8	43.1

The increase in cash crop and animal husbandry was due to improved ‘allocative’ efficiency with regard to regions exploiting their comparative advantages. Coupled with the comparative advantage was more use of chemical fertilizers and input varieties and

improved total factor productivity resulting from release of energies for private household production.

b. Share in total output growth (percent) 1980 constant prices

	1971-78	1980-1982	1982-86
Gross value of agric. Output	100	100	100
Crops	45.8	49.2	17.8
Grain	39.6	27.1	7.9
Non grain	6.3	22.1	9.8
Animal husbandry	9.1	19.7	11.5
Subsidiary output	34.5	25.5	66.3
Village industry	27.2	19.5	58.7
Forestry and fisheries	10.6	5.6	4.4

SOURCE: Perkins 1988; 612

Perkins concludes therefore that market forces applying in place of the state under a collectivized agricultural system succeeded in increasing output and productivity. Households expectedly are natural income maximisers compared to the state. Small farm families producing at the same time led to atomistic competition. The state could intervene only in case of starvation. The reform led to a dramatic increase in production, and again, as in the case of Taiwan, to an increase in demand for implements and consumption goods, which helped in the dramatic industrial take-off of the Chinese economy. However, from the perspective of the poor, who had a minimum security.

Land, we shall demonstrate in Chapter 4, is an important factor in the evolution of poverty in Rwanda. In this section we have noted briefly how it can act as a non-budgetary intervention in poverty. We shall come back to land reform in Rwanda as an element of a comprehensive social policy in Chapter 7.

3.4.3 Public works in India

The case of public works in India is a case of 'workfare' in a Third World situation. Other workfare schemes and debate in earlier sections were related to the U.S. Public works in India also referred to as Employment Guarantee Schemes (EGS) are anti-poverty schemes which insist that participants work to gain benefits or what we have already referred to as 'workfare'. Reference is made to the Maharashtra Employment Guarantee Scheme, which is considered as the most famous and successful in developing

countries as a direct government effort in reducing rural poverty (Ravallion, Datt and Chaudhari 1993).

The rationale of workfare schemes is that they lead to better targeting. They target the poor better in that they actually lead to self-targeting. It is poor people who will most likely present themselves for the public works. Secondly if the poor present themselves then the budgetary cost of targeting is minimized. In principle this general assumption has to be analyzed because the cost of participation in strict economic terms need not be costless to the poor.

The most current and scientific evaluations of the public works in India are those carried out by Ravallion and Datt (1994 and 1995). They attempt to make this evaluation using two villages in Maharashtra State of India. In the sections that follow no attempt is done to relate what was actually done in the two villages of Kanzara and Shaipur. We outline the more general observations that can be applied to India as a whole.

Ravallion and Datt point out that using employment schemes to alleviate both chronic and transient poverty is not a recent endeavor in India. In the 19th century such schemes were incorporated in the famine relief codes of India. The Maharashtra scheme is a new model putting into practice an old technique.

The programme started in mid 1970s provides unskilled manual labour on small scale, rural public works projects such as roads, irrigation schemes, and reforestation. The programme is labour intensive and can have a varied mix of specific tasks such as digging, breaking rocks, shifting earth and transplanting. It is run under the slogan *magel tyala kam* (-whoever desires work will get it)(Ravallion and Datt 1994).

In the 1990s it estimated to have expanded and reached about 100 million person days equivalent to a workforce of about 25 million persons in the mid 1980s. The scheme is financed from taxation of the Maharashtra urban sector. Using Ravallion (1991) and survey data Ravallion and Datt state that there is evidence to show very few if any of rich

or non-poor may have participated in the scheme and thus is thought to be a well targeted programme for the poor.

The assessment is supported by the design and implementation of the programme. The payment is equivalent to a basic agricultural wage, which is so low that non-poor could hardly be attracted to the jobs. They are cautious on this argument following the fact that in mid 1988 wages were increased and there is evidence of some sort of employment rationing (see Ravallion and Chaudhuri 1993).

Net gain would also be easy to know if forgone income was known. Evidence available showed that recipients responded that they would not get any other jobs if the programme was not there, but other evidence showed that probably after some search alternative jobs would be tenable. Although the scheme is based on self-selection it is thus not conclusive that foregone income would be equal to zero (Ravallion and Chaudhuri 1993).

Ravallion and Datt using data for the two villages and an econometric model found that the income lost due to labour displacement for public works was not high and was about a quarter of the wage earnings from the public employment. For the villages the bulk of time going into participation in the programme came from unemployment, leisure or leisure with negligible pecuniary opportunity cost.

On efficiency of the transfers they use share of the wage bill in the transfer and found that this represented about 70% of the government outlays for the scheme. This is rather efficient, since for EGS this was constrained at 60% minimum level for efficient allocation. Using the headcount index, the poverty gap, and poverty gap squared Ravallion and Datt found for the two villages decrease in poverty by public works compared to a situation of estimated incomes without the intervention.

On an observation of why results showed less cost effectiveness of targeting by public works than untargeted transfers, they suspect weak targeting of the works or high administrative costs and forgone income of the participants. They raise the important

point that if such a programme can reach remote villages it is a plus for targeting that defrays the other implicit targeting costs of the programme

There are several indirect effects of the programme that are certainly tenable to the works. An anecdote is a person who acquired two milking cows from the wages received from the programme or an increase in the demand for milk to another person owning cows that could be attributed to the programme. A clear advantage is also improved infrastructure. They also concede to the fact that uniform transfers may not be after all practicable in terms of their hidden costs (such as administration and incentive effects). In an earlier paper they note the stigmatizing effect of the public works (Ravallion and Datt 1994) but later note probably unwittingly for the poor and unemployment may be stigmatizing also (Ravallion and Datt 1995).

The importance of the Indian model is its relevance to other developing areas. Gaude and Watzlawick (1992) offer a more generic argument for public works for developing countries. They argue that these schemes can be used to generate greatly needed employment in a situation of high indebtedness, donor fatigue and falling returns to investment. To them these schemes need to be long term and sustainable instead of being what they call *make-work* schemes.

Poverty alleviation is an urgent agenda that cannot wait for philosophizing- *primum vivere, deinde philosophari* meaning first survive then philosophise. To them public works should be part of direct policy instruments that can alleviate poverty, reduce dependency on foreign aid, reduce wastage in use of resources and generate employment. These can be a package of labour intensive investments, land contingent schemes, wage employment infrastructure works, social or compensatory funds, subsidized credit, lump sum transfers and food for work and introducing appropriate employment practices and social standards in hitherto foreign organized areas of work.

A brief but elaborate argument for public works is that for food security in developing countries presented by Braun, Teklu and Webb (1992). They argue that public works

programme can be used to do three things at the same time; face food insecurity, reduce wide spread unemployment and rescue the poor infrastructure.

Experience from other places in the developing world is there to draw from, particularly from India, China, Bangladesh and Guatemala. The cases have demonstrated that they can act as relief works as is the case with the Indian public works, target effectively the poor and may stimulate private savings and investment by the poor.

They make reference to the extensive use of public works in general and for food security in Africa. Countries with the most extensive experience include Nigeria, Niger, Burkina Faso, Senegal, Cameroon, Ghana, Ethiopia, Sudan, Kenya, Tanzania, Rwanda, Zimbabwe, Mozambique, and Botswana. While they may not be fool proof they argue that they can be effective if for instance they were integrated in national planning systems for infrastructure and public goods provision

Garnier and Majeres (1992) make a very strong exception. In some parts of Africa compulsory collective works have been used as another form of unpaid labour or taxation in the pretext of community works. They caution the dangers of confusing politically instigated compulsory works with genuinely labour intensive attempts. Examples cited are *Harambee* of Kenya, *Salongo* in the then Zaire, *Umuganda* in Rwanda *bega kwa bega* and *Ujamaa* in Tanzania. At this stage of our analysis this amounts to problems of design, aim and implementation issues that will arise later in policy discussions.

Gaude, Guichaoua, Martens and Miller (1987) have summarized impact studies of pilot programs supported by ILO. In Burkina Faso, Burundi, Rwanda, Tanzania and Nepal. They record modest successes in anti-erosion, afforestation and dirt road works francophone countries of Burundi, Rwanda and Burkina Faso and irrigation in Tanzania and hill reservoirs in Nepal. They note the importance of design, organization and technical choices. In all cases the short term aims of employment creation is tenable. Another observable success is in income distribution and infrastructure creation.

However there are many instances where technical support was always necessary. For project sustainability a lot of care should be in careful designs and targeting, participation of the local communities and a workable implementation strategies. They see a big role that public works can play in view of diminishing foreign resources. We also propose public works as a form of safety net in Rwanda in Chapter 6.

3.5 CONCLUSIONS

What has this chapter achieved? It is clear that poverty reduction policies like poverty itself is also like a large forest as Titmus metaphorically put it. For centuries various interventions have been attempted. In various countries and regimes poverty reduction is viewed with differences in emphasis. The primary lesson we drew from them is that interventions are not always directed against poverty reduction.

A second lesson was based on an analysis of the schools of thought and the different welfare regimes. Different schools of thought and different regimes are also linked to different types of poverty reduction policies. Some policies are geared to correcting the individual and group behaviour. Poverty reduction is like a social engineering exercise. Other policies address structures in the economy. The bottom line is that in any economy like Rwanda there is a trade off between different policy prescriptions and it is important to determine a good mix of the different approaches appropriate for the county's particular circumstances.

Poor relief experience teaches us about the behaviour of states in relation to poverty. In ancient societies like the Roman Empire as well as in contemporary societies such as the U.S and UK, poor relief is laced with political objectives. An analysis of charity up to the Middle Ages shows that poor relief could be to fulfill personal and religious motives. From the Middle Ages to the beginning of modern welfare, the state intervened directly into poverty reduction. But it always did that in response to crisis or disorder. Modern welfare systems do not aim at eradicating poverty but regulating it. Poverty is seen as a bad thing befalling unfortunate or lazy people. Some view policy as aiming to make sure

these are assisted, but not at a level where the assistance replaces work. Others think the states should take responsibility since it is partially responsible for some of the problems such as failing to provide adequate job opportunities. There is no definitive lesson of how poverty can be targeted since opinion from experience in poor relief is not unanimous.

There are a few lessons we get from the analysis of welfare regimes. There can be a fairly egalitarian scheme in a capitalist system. In Scandinavian countries there is officially no poverty and income inequalities are much lower than in the other western countries. In other regimes the debates still revolve around universal schemes and selective targeting. Poor countries like Rwanda can regard themselves as latecomers to poverty reduction strategies. They should be able to see which are the problems they will face soon in their bid to reduce poverty, and which approaches are most suitable.

We compare Sweden and UK in the west. But we do also compare our countries with Malaysia, Taiwan, China, India and Chile. A good lesson is that models of what some countries have been doing can shed light on what may be tried in other countries. The successes and pitfalls of neo-liberal experiments in Chile provide ample lessons to Rwanda.. Land reform is a non-cash transfer intervention that can be used to bring economic change and reduce poverty. The example of Taiwan and China was informative. Some Third World programmes can be seen to have accepted the principles of welfare programmes in a different setting. Public works employ principles of offering work as a safety net but ensuring that it does not replace regular employment. Public works in India provides ample lessons, but Rwanda has already learnt some lessons of how to be cautious with putting the policy into practice.

In a nutshell the Chapter presented a background to poverty and poor relief. It has also offered us lessons that will shape our approach to policy in Chapter 6 and 7.

CHAPTER 4

RWANDA: EXPLAINING THE ROOTS AND EXTENT OF POVERTY

4.1 INTRODUCTION

This chapter is designed to rest on two pillars. The first pillar is that poverty in Rwanda is characterised by a ‘poverty-conflict trap’ that can be demonstrated in all the proposed approaches of analysing its roots and causes. The second is that poverty in Rwanda is structural, multifaceted, deep and a product of past political and economic governance. Taken as arguments they will be pursued as follows;

Firstly, we shall suggest some analytical approaches to explaining poverty in Rwanda and then use each of them to show how poverty and conflict are interlinked in Rwanda. This departs from common approaches that separate structural correlates of poverty from the process of conflict in Rwanda. Our aim will be to illustrate the existence of a ‘poverty-conflict trap’ in Rwanda that can be captured by an analysis in Development Studies. This argument is premised on the hypothesis that policy for poverty reduction is bound to fail if does not address the element of conflict in the causes of Rwandan poverty, that we identify in this chapter.

Secondly, we propose a number of hypotheses under which the multifaceted nature of poverty in Rwanda is analysed. In no way do these hypotheses replace the central theme of the study. Instead they are used to analyse the features of poverty basing on what it is thought to be at a general level. In this sense available data is used to test whether what we advance as a specific feature of poverty in Rwanda is true or false, positive or negative and to what extent. To distinguish them from the main hypothesis we call them corollaries – meaning that they are corollaries to the central hypothesis.

Thirdly, we use the existing stock of secondary data to assess the depth and magnitude of poverty in Rwanda. Specifically we review statistical indices of poverty to see if they reflect truly the nature of poverty. The last section is a conclusion.

4.2 EXPLAINING RWANDAN POVERTY¹

In this section we advance a number of structural explanations of poverty in Rwanda. Whatever they are, we argue that Rwandan poverty has been either cause or effect of crisis and conflict at one time or another. We argue that poverty in Rwanda is related to a historical cycle of conflict that reproduces itself and assert that Rwanda has been caught up in a ‘poverty-conflict trap²’.

To explain poverty five vantage points are used; the neo-Malthusian explanation, the entitlements approach, the ecology and environmental approach, and poverty as a consequence of problems of economic governance and political exclusion. Each approach will be discussed in detail. All the approaches taken together, will demonstrate the ‘poverty-conflict trap’ as the overall explanation of poverty in Rwanda over the last four decades.

4.2.1 Neo-Malthusianism Approach

Poverty causes conflict and conflict causes poverty. One way of demonstrating this relationship in Rwanda has been by using Malthusian theory of population (Ohlsson 1999, Andre and Plateau 1995). The Malthusian trap, as it is usually called, has been

¹ Most of the arguments in the analytical approach here appear in different (transformed) forms in works by the author for OSSREA Addis Ababa (Workshop on Poverty Assessment August 2004), Ubudehe Chapter for Nordic African Institute, Land Question Monograph for Centre for Conflict Management of National University of Rwanda and Land Tenure for Conflict Prevention in the Great Lakes For ACTS Nairobi. Noteworthy is that this Chapter was the original source of the approach.

² There is a poverty-conflict trap modeled by Bloomberg, Hess and Thacker (2000), which is econometric. We are not doing any econometric modeling of the trap in Rwanda but follow the same logic. Conflict slows growth and some low growth can lead to conflict that results in a cycle which has kept some countries in virtual poverty.

diagnosed in the structural development of the economy of Rwanda. The trap is recognised to have led to poverty, crises and conflict that has led to further poverty.

Classical Malthusian Theory sought to show that population grew in geometric progression (or exponentially) while food production grew in arithmetic progression (or linearly). Sooner or later and when population growth supersedes that of food, absolute poverty and squalor would creep in. The resulting absolute poverty would lead unavoidably to crises. To Malthus the process was a natural phenomenon because man cannot control his passion and therefore unless checks were instituted natural rate of reproduction would overcome that of food. The imminent crisis could take the form of natural calamities or other forms of catastrophe or conflict (see Malthus 1789).

Table 4.1 Population growth in Rwanda

Year	Estimated population
1934	1,595,400
1948	1,890,000
1952	2,143,875
1955	2,309,499
1956	2,374,336
1957	2,452,737
1960	2,750,000
1964	2,750,000
1978	3,069,000
1980	4,819,317
1983	5,046,000
1985	5,700,000
1987	6,300,000
1990	7,027,000
1994	5,200,000
1996	6,200,000
1998	6,600,000
2001	8,000,000
2003	<u>8,160,000[1]</u>

SOURCE: various Baker 1970, Europa YearBooks, Census1991, Demographic and Health surveys 1992 and 2000,Prunier 1995,Clay 1998,World Bank 1998, National Census 2003.Caution many years are estimates

Malthus's prediction of the crisis in England did not come true. However NeoMalthusians have extensively used his theory in relation to policies in societies where excessive population growth cannot be supported by higher agricultural productivity in situations of scarce resources.

Subsequently there have been several attempts to use the Malthusian logic to explain poverty, conflict and even genocide in Rwanda. Indeed there is ample evidence on excessive population growth in the last four decades along with diminishing capacity to produce food.

Over seven decades population in Rwanda has multiplied almost six times. The population of Rwanda in 1934 was 1,595,400 and is currently 8.16 million (Republic of Rwanda 2003). The evolution of population in Rwanda is presented in Table 4.1.

In the 1980s Rwanda had a total fertility rate of 8.3 per woman, the highest in the world (World Bank 2004). For many decades the natural rate of reproduction was in excess of 3% the highest in Africa. On a limited area of 26,388 sq km, pressure on land resulted in a high physiological (number of people over arable land) density (Prunier 1995, Waller 1996). Statistics of land scarcity are provided in section 4.2.2 below. Suffice to mention that the physiological density (people per area of arable land), currently in excess of 350 people per square kilometre, is one of the highest in the world. Too many people in a limited space lead to a crisis in the simple sense of overcrowding. We shall later demonstrate that the crisis is fuelled by competition for accessing and using scarce resources.

Another aspect that can be pursued in explaining the demographic problem is the structure of the population. The number of children and old together constitute 52% of the population (RDI 2001). The age structure and dependency ratios over the past 20 years is given in Table 4.2

Table 4.2 Age structure the Rwandan population 1983-2000

	1983	1991	1992	2000
< 15 yrs	48.5	47.5	47.6	48.5
15 – 64	48.6	49.3	48.5	48.5
65 plus	2.9	3.2	3.4	3.2
Dependents	51.4	50.7	51.0	51.7

SOURCE: Natural fertility survey 1983; Census 1991; Demographic and Health Survey 1992 and 2000.

The actual rate of dependency is even higher if we include older school children (over 15 years) and the disabled who are also dependent on society.

Another aspect of population that will relate to poverty is size and head of the household. One source estimates that the average size of the household is 4.3 persons but the range varies between 4 and 5. An official figure given by government recently is 4.95(HCLS 2002). The larger families are often the poorer one's (ESD 2000). As a result of genocide, it is estimated that women head about 34 % of all households. Thousands (estimated at 85, 000 in 1996) of children also head households. All evidence shows that such households are more likely to be poor (HCLS 2002)³. Of course the current attributes of Rwandan population is a result of past experiences and processes. Firstly there was a high rate of growth of the population and large families over several decades and more war and genocide.

Population in general and density in particular, become a critical problem only when the capacity to produce food is limited. Food shortages are recurrent events in the history of Rwanda. It is usually argued that one reason Rwanda had high rates of population growth, was because of limitless supply of food due generally to fertile soils. Rwanda population was not disturbed by slave trade or wars of colonial conquest⁴. However this does not suggest that Rwanda was always a land flowing 'honey and milk'⁵ as was described by early European travelers (Codere 1967). Cycles of famines are recorded in the past history of Rwanda; 1890, 1895, 1887-98, 1900-1903, 1904-08, 1909, 1910, 1911, 1912, 1916-18, 1921-22, 1924-26, 1927, 1928-29, 1943 (Baechler 1999). Adverse weather, epidemics, locusts or military expeditions caused most of the famines. Baker (1970:145) writing in years after independence states, "Rwanda is a grossly overpopulated country subject to frequent localised famines of considerable intensity."

³ For a good debate see Clay and Johnson (1992) *Size of Farm or Size of Family*

⁴ However true these two factors may be it is curious to suggest that this may account for the most recent rates of growth

⁵ It was first used by a German prince visiting Rwanda in 1911 and had suggested that Rwanda was so beautiful it was suitable for European settlement.

Food shortages followed every political upheaval in 1959, 1963, 1972, and 1982 and in the early 1990s (Uvin, 1998). The great food shortages that preceded the genocide have been called ‘ruringaniza’⁶ (Verwimp 2003).

For some time Rwanda was able to evade crisis in various ways. Since colonial periods migration to East Africa and the DRC provided relief to land scarcity and population pressure (Baker 1970). It is recorded that after 1950s a third of the population (about 217,000) of Buganda Kingdom (a province of present day Uganda) were Rwandans. Migration figures to East Africa and Congo are as presented in Table 4.3.

Table 4.3. The flow of migrants from Rwanda to East Africa and Congo

Year	Number of people to East Africa	Number of People to Congo
1949	11,053	10,992
1950	12,759	6,693
1951	15,087	7,849
1952	19,200	14,018
1953	16,181	3,851
1954	17,548	3,020
1955	15,995	2,715
1956	16,703	2,505
1957	14,844	1,353
1958	16,101	1,013
1959	18,953	747
1960	19,638	140

SOURCE: Baker 1970:145.

There was also internal migration from land scarce areas to those, which had some surplus (Clay and Ngenzi 1990; Olson, Clay and Kayitsinga 1990). The province-to-province movements can be put into four phases corresponding to the evolution of the land problem nationally⁷.

The first phase was between 1945 and 1961. Heavy migrations were from Ruhengeri to Byumba Province and from Gikongoro to Butare. Moderate movements were those from

⁶ ‘Kuringaniza’ is vernacular for balancing. It curious whether the name is cynical way of referring to ethnic imbalances in Rwanda

⁷A very heavy movement is that involving about 1000 to 1500 net migrants per year. A heavy movement is that between 250 and 999 migrants per year, a moderate movement between 100 and 249 per year and modest movement 50 to 99 per year. Kigali province was then including the capital city.

Kigali to Gitarama and modest movements were from Gikongoro to Cyangugu and from Kibuye to Gitarama. Another phase in rural migration was from 1962 to 1971. Very heavy movements were from Butare to Kigali. Heavy movements were from Gikongoro to Butare and from Byumba to Kigali. Moderate movements were from Ruhengeri to Byumba. Modest movements were from Gikongoro to Kigali and Gikongoro to Gitarama. Another modest movement was from Byumba to Kibungo. A third phase was that from 1972 to 1976. It was dominated by a massive movement from different provinces to the capital Kigali. The heaviest movements were from Butare to Kigali. Other moderate movements were from Butare to Kibungo, Gisenyi to Kigali Rural, Ruhengeri to Kigali and from Ruhengeri to Byumba. There were modest movements from Gikongoro to Kigali and from Byumba to Kigali (Clay and Ngenzi 1990).

The last recorded phase was intensive, though not heavy movements from many provinces to those to the East of Rwanda. This was a period where land scarcity was acute and movement was to the province where there was still ample space. There were modest movements from Butare, Gikongoro, Kibuye, Gitarama, Gisenyi and Byumba all to Kibungo Province. But there were also modest movements from Gikongoro to Kigali Rural and to Butare. There were movements from Butare to Kigali, from Gitarama to Kigali, Ruhengeri to Kigali, from Byumba to Kigali and from Gitarama to Kigali⁸. The issue of migration is again mentioned in the thesis, in Chapter 7 under land tenure.

The second exit strategy was expansion of area under cultivation (Clay et al 1996). But by 1980s these two exit strategies were no longer able to ameliorate the situation. Migration had greatly diminished or was discouraged by host countries. For example Uganda expelled Rwandans in 1982 (Waller 1996). There was virtually no more land for extra acreage in most of the provinces.

Growth of population on arable land in 1970 through 1978 was only 1.9 per cent. It was supported by cultivation of wetlands and appropriation of lands left by Tutsi (Ohlsson

⁸ See Olson, Clay and Kayitsinga (1990:10) for diagrammatic representation of movements

1999, Semujanga 2003). But after 1980, the rate of increase on arable land rose to 2.9 %. One result was that between 1980s and 1990 total production increased by 10 % but per capita supply of arable land was diminishing. If it increased at 2.9% per annum the increase over 10 years should have been about 30%

On the other hand decline in agricultural production had started becoming significant. In early 1980s Rwanda was among the top three performers in Sub Saharan Africa. Between 1966 and 1982 food production grew by 4.7% compared to population growth rate of 3.4%. Soon the gap started to narrow and by the 1990s per capita output fell by 20% even if total output had been increasing by 10% in the previous decade. The decade 1990 to 2000 saw a decline in total output of major agricultural crops most spectacularly banana and coffee (Donovan, Mpyisi and Loveridge 2002). Technology in agriculture was too stagnant to absorb the decline in relative productivities (Clay et al 1996). It was noted that food security had become firmly a Rwandan agenda by 1980s (Von Huyweghen 1999). For example if annual food production was 100 units between 1979-81, it was only 70 units in 1993 (HDR 1994).

Food imports, have for a long time, been a large share of total imports of Rwanda (Bigagaza et al 2003). Kilocalories production per farmer fell from 2,055 per day in 1984 to 1,509 in 1991, well below the recommended minimum of 2,015 per day for active adults). Food shortages were rampant in Rwanda, as mentioned above and there were more shortages and drought in early 1990s (Percival and Dixon-Homer 1995).

An unambiguous link between the food shortage, demographic pressure, conflict and ultimately genocide may not be easy to establish. However to classical Neo Malthusianism, crisis is an inevitable outcome of the conflict between population pressure and food shortages. This type of crisis had been foreseen as early as 1960s (Baker 1968)⁹. The Boserup thesis of adaptation had been stretched to limits (Clay

⁹ Baker cites an IMF report that was warning that Rwanda would have no more extra land for cultivation by 1980s and that would lead to a crisis

1996. Andre and Plateau 1995)¹⁰. Elements of the Malthusian trap were present and this needs to be appreciated. Population growth rates have been exceptionally high in Rwanda; there was persistent food crisis attached to political and natural events in Rwanda before genocide. Accounts show increased conflict in some areas of Rwanda in the late 1980s and early 1990's. Andre and Plateau (1995) in a study of a region in North-western Rwanda noted that there was a land related dispute every three days. In the same study they have established that there may be a link between such disputes and genocide. In a population of slightly more than 500 some 32 people were killed during genocide. However among these, only one was Tutsi and the rest, it is argued, were killed in relation to the desire to repossess their land. Evidence of a linkage between the Malthusian trap and genocide may be difficult to prove beyond all reasonable doubt, but the concerns are too significant to ignore in the context of Rwanda. This view is expressed better by Ohlsson (1998:86);

*In the search of narratives expressing Malthusian concerns in relation to the events tragically leading their climax during ten weeks of 1994 in Rwanda, the reversed problem soon proved impossible to ignore:
... Rwanda before genocide had the highest population density of all African countries. The intensification of agricultural production seemed to have run into a wall. Per capita food production had been decreasing for a decade. Rwanda thus seemed to constitute a paradigmatic example of the Malthusian problem. Any explanatory attempt not broaching this issue would seem to be deficient...*

This argument should not oversimplify the Rwandan conflict and diminish the magnitude of genocide. It simply states that, even if it was not the proximate cause, the Malthusian trap is too significant to overlook in Rwanda. It is our argument below that, to undo a poverty-conflict trap inherent in Rwanda, a policy framework should factor in the implications of the Malthusian logic, however limited its explanatory capacity is. We shall return to this argument in the concluding section.

¹⁰ A Boserup thesis is a suggestion that farmers tend to adapt to new conditions dictated by land scarcity and demographic pressure see Clay (1996)

4.2.2 Entitlements Approach¹¹

Entitlement is a concept first used by Sen (1983) to explain poverty. Entitlement systems are beliefs in political practice on who ought to get what under what circumstances and embodiment of those circumstances in legal and economic process e.g. land tenure rules. In essence poverty is, according to this approach, caused by a loss of entitlements to resources in dominantly agricultural societies. This approach relates poverty in Rwanda to problems of entitlement to land and related resources. The argument posed by this approach is that poverty is caused by conflict, which in many poor countries is linked to land. Three roots of conflict arising from land are access, distribution and security (Daudelin 2003). In the rest of this section we assemble evidence to show that poverty in Rwanda has been related to land (see also Musahara 2002). Further evidence is given to show the evolution of land scarcity, land distribution problems and tenure insecurity in Rwanda (see e.g. Van Huyweghen 1999, Pottier 2000, Kairaba 2000, Musahara and Huggins 2004). We consider each of the three elements of land and identify their link to conflict and poverty.

The first is land access. It is defined as the ability of willing farmers and breeders to obtain land on which to plant and harvest, or pasture on which to graze their herds (Daudelin 2003). In addition to land for food production, land is also important for competing uses such as settlement, investment in industry, for leisure, for transport networks, and for other social needs. Because so much of the available land surface is already being used, and there is a lack of additional land for cultivation and pasture or other uses, it can be said that Rwanda is experiencing land scarcity in ‘absolute terms’ (ACTS 2004). The area available per capita is extremely limited.

Land scarcity can also be seen as being a relative phenomenon whereby supply of land for arable and other uses is extremely limited relative to its demand. Two major causes of

¹¹ Other scholars prefer to consider the problem of land under Malthusianism. There is nothing wrong with that. We prefer considering it alone to expose clearly the expanse of conflict. Indeed under Malthusianism land is an indirect problem. The real problem under Malthusianism is food production and population.

relative land scarcity have been rapid growth and changes in demographics of Rwanda as well as environmental changes, which are partly a result of topography and climate. These have been referred to in the discussion of the Malthusian approach above and will be revisited under the environmental explanation below.

Finally, land access is part of a broader context that is usually bypassed by analysts. It has to do with access to inputs, seeds, technology, and credit and to infrastructure such as transport. Let us consider each of these empirically with reference to Rwanda.

The most important restriction to access, and a primary associate of poverty and conflict is land scarcity in absolute terms. As noted several times the surface area of Rwanda is only 26,388 square kilometres or 2.634 million ha (RDI 2002). This is the size of a small island like Sicily or the state of Maryland (NUR 2000). It is several times smaller than any province of South Africa¹². It is one of the smallest countries in Sub Saharan Africa.

Out of the land surface 52% or 1.38 million ha is arable and 10.1 % holds permanent cropland. Forests cover 3,000 square kilometres or 14.6% of total land area. Fresh water resources are estimated at 6 billion cubic meters, of which 94 % is used for agriculture; 1 % for industry and 5 % for domestic use (RDI 2002, Waller 1996).

The argument here is that in absolute terms the amount of land available for cultivation has become short in supply and is scarce. While in the 1960s more than 50% of the people worked on more than 2 ha, today almost 60% have less than 0.5 ha. It is pointed out that, scientifically a plot of less than 0.75 ha may not be capable of fulfilling the nutritional needs of an average family. FAO statistics also state that for a plot to be economically viable for a family, it has to be at least 0.9 ha (cited in Land Policy 2004).

Some 40 years ago density on agricultural land was 121 persons per square kilometre; the figure rose to 166 per square kilometre 30 years ago; is thought to have been

¹² For instance it is one fifth the size of the Western Cape Province

approximately 262 people per square kilometre in 1990; and is today well above 350 (Baechler, 1999). If Prunier's (1995: 2) calculations are correct the density may be higher than we estimate today. He estimates that in 1934 the gross density was 61 and practical (or physiological) 85. It rose to 73 and 102 respectively in 1950, was 143 and 200 in 1970, 200 and 281 in 1980 and was 270 and 380 as far back as 1989. These features mean a more acute situation of land scarcity and severely constrained access to land by large numbers of the Rwandan population. Meanwhile it has been established that growing miniaturisation of farming plots (Clay 1998 and Blarel 2001), resulting from land scarcity is associated with poverty (HCLS 2002). Current levels of landlessness are in excess of 11% (Poverty Profile of Rwanda 2002). Landlessness is also closely associated with poverty (HCLS 2002).

Clay (1998)¹³ has summarised the attributes of the land scarcity process. Farm holdings have become smaller due to constraints on land availability and holdings are more fragmented. Moreover cultivation is now taking place on bottomlands and fragile margins on steep slopes previously held in pasture and wood lot. Many households now rent land, particularly households owning little land or those with large families. Finally fallow periods have become shorter and cultivation periods have grown longer. All these are attributes of a crisis.

The last aspect of access, mentioned at the beginning, is limited access to inputs, modern techniques and technology in agriculture. Rwandan agriculture is still overwhelmingly traditional. The hilly relief does not permit use of modern technology although poverty is perhaps the primary reason for low application.¹⁴ Only 1 tractor is available for 100 hectares of arable land compared to 175 in Botswana or 20 in Tanzania. Irrigation can be applied to less than 0.4% of the cultivated area (RDI 2001) although in terms of households it is used by 9.8% of all households (Poverty Profile 2002). In many parts of

¹³ The most authoritative work on this is that by Clay, Byiringiro, Kangansiemi, Reardon, Sibomana and Uwamariya (1995) *Promoting Food Security in Rwanda through Sustainable Agriculture: Meeting the Challenges of Population Pressure, Land degradation and Poverty*. MSU Working Papers

¹⁴ Note that this limitation is applicable even to the simplest technologies such as ox drawn carts and ploughs.

the country there is lack of access to chemical fertilisers. Firstly the fertilisers are expensive. Chemical fertilisers are used by 5.2% of Rwandan households. Between 1996 and 1998, on average only 400 grams of fertilisers were used per hectare of arable land compared to say 35,700 in Kenya or 53,700 in Zimbabwe (RDI 2002).

Fertiliser application has been observed to have crop and regional biases such that its demand is expected to be in specific enclaves for specific types (Kelly and Murekezi 2000). Soils that have been degraded of humus are susceptible to being washed away by rain because of lack of binding organic material (Waller 1996). Even in areas like Ruhengeri, where plots are often located on steep hills, soil erosion is one of the causes of low productivity but is further compounded by lack of access to fertilisers, which also accounts for the low level of yield per unit area.

Knowledge on application of fertilisers and modern techniques of production and conservation of the soils by the farmers themselves is considered to be limited (RDI 2002). Extension services are limited and inappropriate. ISAR, a research institution has not managed to diffuse much of its research findings to the farmers and at times its findings are not necessarily what the farmers can easily adopt with minimum risk (Waller 1996).

Sources of agricultural credit (e.g. Banques Populaires) have not had any significant impact on the agricultural sector mainly because a lot of credit is used for non-agricultural purposes (Blarel 2001; Annual Reports 2002). Low levels of productivity arising from lack of access to modern methods of production make it even more difficult for peasants with small plots to have sustainable livelihoods. As argued earlier, access in a broader sense, is limited by lack of access to inputs, technology and credit.

All these narratives of problems to land access are not new events. They characterize the problems that the Rwandan rural sector has been facing. What facts are showing is that the crisis is still binding on the Rwandan poor (NUR 2004). Little or no land to cultivate

with little technology and use of modern techniques adds up to crises. Indeed one of the principal policy prescriptions we recommend in Chapter 7 is a type of land reform that can address the conflict element of land that has been compounded by land scarcity. Let us extend the analysis under the second cause of poverty and conflict, which is land distribution.

Unequal distribution of land is not a phenomenon, which is restricted to countries known for having large colonial settler populations, large farms and plantations like South Africa, Kenya or Zimbabwe. In Rwanda there is ample evidence that, besides diminishing sizes of plots for cultivation and grazing, land distribution has become more and more skewed over the years (Bigagaza et al 2003). In addition to data given in the paragraphs earlier it is observed that in 1984 Rwandan households with less than a hectare were 56.7%(Baechler, 1999). By 2000 households having landholdings of less than 1 hectare were estimated to be 77.6%(HCLS 2002).

Table 4.4 Land Distribution by % households 1984

Classification	Percent of households	Percent of cultivated land not 100%
Less than 0.5 ha	26.4	6.9
0.5 – 1.0 ha	30.3	18.4
1.0 – 1.5 ha	15.6	15.7
1.5 – 2.0 ha	11.1	16.1
> 2.0 ha	16.4	42.9
Total	99.8	100

SOURCE: ENBC 1983-85; cited in Baechler 1999

Table 4.5 Distribution of land holdings in Rwanda in 2000

Classification holdings	Percentage of agricultural holdings
< 0.5 ha	58.6
0.5 – 1ha	19
1.0 – 1.5ha	10.6
1.5 – 2.0ha	5.8
2.0 – 3.0ha	3.5
3.0 – 4.0ha	1.2
4.0 – 5.0ha	0.5
> 5ha	0.8
Total	100

SOURCE: HCLS 2002:162

It is noted that by mid 1980s that large swathes of land were in the hands of a minority urban elite. In 1984 it is estimated that 50% of agriculturally productive land was on 182,000 farms out of 1,112,000 (Baechler 1999).

Unequal land distribution in Rwanda may not be as acute as in other areas. It could be because after all the conditions of scarcity are such that the base from which holdings are appropriated is rather small¹⁵. Hardly any individuals own more than 40 ha.¹⁶ However it would be naïve to regard it as being unrelated to crisis. The current land policy, drawn by the government, admits the existence of the problem today (Land Policy 2004). It notes as one of several land problems, an elite mainly urban based who have large pieces of land. More data on distribution are given in the discussion of features of Rwandan poverty and under land reform in Chapter 7. However, we shall maintain that it was also a source of crisis and possibly conflict since there is evidence of landlessness in the 1980s and the period leading to genocide. Uvin (1999) has advanced a thesis that one major reason why people could participate in large numbers in the genocide of 1994 was lack of non-farm activities. By early 1990s there were large numbers of landless in rural areas and jobless youth in urban areas. The argument here is that; although the distribution of land is not as negatively skewed as say in Zimbabwe, yet it cannot be dismissed as being irrelevant in Rwanda. Some have larger plots of land while others have tiny plots or are landless. Unequal land distribution has also a share in explaining conflict and poverty in Rwanda (ACTS 2004, NUR 2004).

A third source of poverty and conflict is insecure land tenure. For many years Rwanda has had no land law or policy (Land Policy 2004). Written law governed urban plots and land owned by religious organisations especially the Roman Catholic Church. Customary law governed the rest of the land used by farmers for agriculture (see Chapter 7 below). Land has been state property. The rights peasant had on land were *usufruct*. Insecurity of land coupled with land scarcity had led to individualisation of land and illegal land

¹⁵ Prunier (1995) cites writers who called Rwanda one giant garden. What is important however is not the size but the capacity to feed its people

¹⁶ One source, ACTS (2004) states that some people own more than 50 ha but there has been no study to verify this

markets (Andre 1999). The land transactions were increasing as distress sales by households that had fallen into poverty. Increasing land conflicts based on the insecurity of land tenure, inheritance and the land markets were found to have been increasing just before the genocide (Andre and Platteau 1995).

Two cases can demonstrate how land insecurity can link up to poverty and especially conflict. One is the relationship between land and politics in the past and secondly the threat to entitlements posed by Rwandans who were in Diaspora since 1959. While those who were in along exile feel cheated (as the Land Policy 2004 calls) those who were in Rwanda may feel disgruntled by the new waves of claims on already diminishing plots (see NUR 2004). There are a lot of historical and political narratives on these. We shall here outline the two points together showing the most important linkages.¹⁷ A detailed analysis is given in Chapter 7.

Literature shows that land tenure has for many years been governed by a centralised state system. During the colonial period (and prior to this, in many areas) the monarchy had a centralised and absolute control of land. During the first and second republics, land was an article gracing the economic base of the ruling superstructure. During the Habyarimana regime (1973-1994), tight and absolute control of land and other resources was exercised by the government. Land and natural resources were a monopoly of the ruling political and military elite from his home area in the north, and more specifically the inner circle of his wife's family -*the akazu*¹⁸. Natural forests were exploited for economic gain or for illicit drug cultivation by the ruling elite (Gorus 2000).

Many peasants and possibly elites may have acquired entitlements to land and property as a result of political turmoil in Rwanda. Land and property belonging to Rwandans who

¹⁷ For good accounts on land tenure security see e.g. Reintsima 1982, Gasasira 1995, Kairaba 2000, Musahara and Huggins 2004

¹⁸ In vernacular *akazu* is the little house euphemistically used by Rwandan in the Habyarimana regime to refer to smaller clique or inner circle of his protégé and especially close family members of his wife. They are said to have wielded immense power and limitless access to Rwandan resources.

left the country in the 1950s, 1960s and 1970s were redistributed as ‘dividends of democracy’ (Semujanga 2003, Mugesera 2004)¹⁹.

The stickiest problem was the refusal of the Habyarimana regime to allow Rwandans in exile to return to their country, ostensibly due to land scarcity²⁰. Rwanda could no longer hold any more people. This was however an expression reflecting the threat posed to entitlements to the elite of the second republic, by Rwandans who had been physically and politically excluded from access to the entitlements (ACTS 2004). The threat can be detected from the contents of the Arusha Agreement in 1993²¹ on Rwanda’s problems.

An important element of the agreement was that of resettling Rwandans. Land and property must have been an important aspect because it was agreed that Rwandans who were out of the country for 10 years would not be allowed to lay claim on land they had left behind in 1959, 1960s or 1970s. Essentially this can be assigned two meanings. The entitlements of those who were in charge of Rwandans were threatened and the returnees had a claim on land. Before the agreements could be implemented a group of extremists that was opposed to the agreements emerged. In April 1994 the plane carrying the president from another round of negotiations was shot down. Genocide ensued.

It is however conceivable that the extremists feared losing the monopoly over land and other resources (Longman 1998, Gorus 2000, Pottier 2002). It is also possible that the elite felt that by allowing the Rwandans back, a period of attempted repossession of land and property they formerly owned would follow (Semujanga 2003). This is supported by the fact that the opposition to the agreements was characterised by massive recruitment of landless and unemployed youth (Prunier 1995). It was fuelled by vicious propaganda that the Tutsi were coming back to reclaim their property. The poor, unemployed youth joined the newly formed militia as a job and on promises of possessing property. It is probably

¹⁹ On vernacular they were referred to as ‘*amasambu ya demokrasi*’ or farm plots coming from democracy

²⁰ The anecdotal metaphor was that Rwanda was like a glass of water which was full to the brim

²¹ In October 1990 a group of Rwandans in Diaspora invaded Rwanda with the aim of returning to the country. As a result of war and international pressure the government of Rwanda was forced into signing an agreement in 1993 that would have seen the return of Rwandans in Diaspora.

the reason the regime could mobilise thousands of militias even in areas where it was notorious²². That the crisis was one of contestations to entitlements cannot be ruled out (Prunier 1995, Pottier 1997).

Indeed this is a position adopted by several scholars. Land shortage, population growth and political and natural events must be important variables in the explanation of crisis in Rwanda (see e.g. Uvin 1998). The account above is usually an association between land, poverty and non-violent conflict. Prunier (1995: 4) has attempted to define the link.

"the decision to kill was of course made by politicians, for political reasons. But at least part of the reason why it was carried out so thoroughly by the ordinary rank-and-file peasants was [a]... feeling that there were too many people on too little land, and that a reduction in their numbers there would be more for survivors"

A few years later Pottier (1997:1) also pointed to this link.

"in the build up to genocide, land scarcity and despair of landless, jobless youth were factors much larger than ethnicity itself".

The linkage between land, poverty and conflict in Rwanda may not be proven beyond all doubt. But it cannot be overlooked. While land and conflict may not be the most proximate cause of poverty in Rwanda, any analysis would be incomplete if these variables were excluded. Andre (1998: 3) underlined the most probable land issues that can lead to social tension and conflict. These are firstly exclusionary process befalling, women, young households, illegitimate children, widows, orphans and immigrants. We called them vulnerable. As land pressures increases these have become more and more excluded. Secondly, economic uncertainties and development of land markets that has led to loss of land by some social groups. Thirdly, there are people who are forced to sell their land because of poverty. These distress sales are a source of social tensions. Finally

²² It will be pointed out that Hutu from central Rwanda dominated the first regime. In the second republic the state, Hutu from Northern Rwanda monopolized military, and economic powers. The regime was not so popular in southern and central provinces even among the Hutu

a source of conflict has come out of illegal ownership that follow, the conflict between the written and customary law. Andre (1998:1) has stated what can we take as a conclusion to this approach. She states that the history of Rwanda has revealed that exclusion from land creates social tension and violent conflict.

4.2.3 Environmentalists

Environment like land is considered to be a source of conflict (and violence) at a generic level (Kaplan 1994,1997,2000, Galtung 1982,Homer-Dixon 1991,1993,1995, Percival and Homer – Dixon 1998, Baechler1999, Ellingsen and Wenche 1998, Wenche 1999) and in Rwanda in particular (Percival and Homer – Dixon 1995, Baechler 1999, Uvin 1998 in one Chapter and Gasana 2001)²³. In many studies it is regarded as part of the Malthusian trap. Percival and Homer-Dixon (1995) point out that environmental effects of human activity are a function of vulnerability of the ecosystem, product of the total population and population's physical activity per capita in the region. Environmental scarcity is thus defined as scarcity of renewable resources particularly agricultural land, forests, water and fish as the most proximate cause of violence.

They observe that environmental scarcity arises in three ways; demand –induced from population growth in the region, supply-induced from degradation of resources and structural, from seriously unequal distribution of resources. The major effects can be easily linked to poverty and conflict. These are decreased agricultural potential, regional economic decline, population displacement and disruption of legitimized and authoritative institutions and social relations.

Exhibits on the process of environmental scarcity are not different from what has already been given. Soil erosion is a case of ecosystem vulnerability although they observe that

²³ Note that Percival and Dixon 1995 and Baechler 1999 represent two major schools that are authorities on environment and conflict. The former represent what is called the Toronto Group while the second is the Swiss based ENCOF (Environment and Conflict Project).. It is interesting that both have used Rwanda as a case study of the linkage

the biggest problem to fertility is actually intense cultivation that leads to the erosion of the soil. They document also forest and water scarcity especially in the Southern region and the negative impact of eucalyptus tree planting, which was encouraged by the government in earlier years.

Baechler (1999) notes that Rwanda can be divided into favourable and unfavourable eco-geographical arenas²⁴ with steep slopes and deeply weathered acid soil of limited fertility. The fertile volcanic soil in the North West and previously the unusable swamps and savannah region in the South and East are being used to the limits of their capacity. On the western boundary up to the Rift Valley, even the most extreme slopes are cultivated. Today, the once fertile soil is degraded while geographical alternatives are rapidly diminishing.

Thus the first cause of environmental degradation has been soil erosion. Clay (1995) states that soil erosion is moderate to severe on 50% of the land surface of Rwanda. He further cites studies indicating that erosion severely reduces farm yields in Rwanda. It was estimated that up to 4/5th of households in hilly areas observe decline in productivity related to soil erosion. Soil erosion is reducing capacity to feed 40,000 persons per year (Land Policy 2004).

Soil erosion is of immense proportions in Rwanda. Loss of humus is to the tune of 10.1 MT per ha and can go up to 36 MT per ha on 5% of the soils and more than 68 MT/ha on 1% of the soil per year. Between 1970-1986, 56% of cultivated plots could be classified

²⁴Rwanda's relief is hilly, with average altitude of 1700 meters. The highest point on Mt Karisimbi is 4507 meters above sea level. Bordered by volcanoes to the North and rolling hills in a large part of the central plateau, it has earned the name of a 'country of a thousand hills'. To the East, it is however relatively flat with altitudes well below 1500 m above sea level. The relief of Rwanda is usually divided into six regions from West to East: Narrow Great Rift Valley slopes sharply to lake Kivu; Volcanic Virunga Mountains which have the highest point in Rwanda towers over the North Western lava plains; The North-South steep rise of the Zaire-Nile Divide has a width of 40 km; A Zaire-Nile Divide has an average elevations of 2, 750 meters; The Central Plateau is characterized by rolling hills; Savannah and swamps of the Eastern and Southern border areas cover one tenth of Rwanda.

as marginal lands, with poor soils (Baechler 1999). Other studies suggest that Rwanda may be losing up to 12,251 tons of soil per year due to land erosion (RDI 2002). Other estimates are 11 tonnes of soil per hectare per year on the steepest land, while rivers wash 12 million tonnes of soil every year (Dixon-Homer 1995, Waller 1996)²⁵.

Environmental degradation is not explained by soil erosion (fluvial and dry) alone. Another exhibit of environmental degradation is the rate at which forests have been depleted on mountains and natural reserves. In most cases it was through converting them into arable land. Of primary forests, which covered 80 % of the country, only 5 – 8 % is left. In 1980s the deforestation rate was 2.3 % or 2000 ha per year. Between 1970 and 1986, 56 % of exploited acreage pushed cultivators into poor soils in marginal land (Baechler 1999). Previous higher limit of cultivated land was 1800 m but today the land limit is 3000 m. The Virunga chains was reduced from 34, 000 ha to 15, 000 ha between 1958 and 1979. Between 1958 and 1996 natural reserves were depleted by 34.8 %, Nyungwe by 17.2 %, Gishwati 86.4 %, Mukura 46.7 %, Virunga 62.5 % and Akagera 17.6 % (RDI 2002:334).

What is sad is that some of this environmental destruction was related to government-sponsored programmes. The Gishwati forest destruction is connected to the development of a World Bank sponsored tea and dairy cattle projects. The destruction of forests in northern Rwanda was for growing pyrethrum. There is evidence of extensive destruction of forest resources by the political and business elites in the past regimes (ACTS 2004). Like land environmental degradation reduces resources available for livelihood, which results into poverty. It is also common knowledge that poverty leads to further environmental degradation.

²⁵ Figures on erosion are so diverse such that they may seem to contradict each other. One reason is that they depend on who was compiling data and how. There are different types of erosions and different gradients where soil is tested. A need for standard figures is important to the social scientist as well the soil scientist himself/herself. But the absolute figures remain high in any case.

It is these statistics that would convince Baechler (1999) to consider Rwanda as a case of environmental discrimination and a model of how environment is related to conflict. He based his conclusions on a number of generalised facts from empirical evidence.

Firstly, the cultural – ecological background of dry land and mountain systems transformation has shown that a correlation does exist between environmental degradation and violent conflicts. Conflicts need not necessarily become always violent. Secondly there is a correlation between rural poverty, environmental stress in rural arenas and discriminated access to resources. These factors coincide with political instability; particularly non-democratic change in regimes and/or violent conflicts and wars.

A third conclusion that may relate to land is internal conflicts within countries. He states that countries with high per cent of labour force in agriculture, little crop land consumption per capita belong to the group of countries with both high environmental stress as well as violent conflicts or wars going on. There are only a few countries with a low resource index and no violent conflicts occurring. In the few cases, low political freedom indicates that regressive regimes suppress organized violence.

A fourth conclusion is also directly related to Rwanda. The transformation of landscape leads to violent conflicts and wars if and when it accentuates structural heterogeneity; which tends to discriminate chiefly against those rural producers who are the victims of bad resource allocation, unequal resource distribution, high dependence on natural capital and bad state performance outside the federal distribution or national capital areas. A fault line is the condensing gap between the modern sector and marginal sector, which encluster poverty in sensitive environments.

He argues however that, problems with environment cannot simply result into violent conflict. There has to be catalysts, channels and a trigger. So while environmental poverty may not seem to be a direct lead to open conflict a single event such the death of president (his own example) can trigger on a long standing environment based crisis-such

as keg of gunpowder that needed a spark of fire to explode. That conflict and genocide has caused poverty is well documented (see e.g. World Bank 2004). The World Bank estimates that without conflict and genocide the level of poverty in Rwanda would be between 45 and 47% below the poverty line instead of the current estimate of 60%.

4.2.4 Economic governance

All indicators showed that Rwanda was one of the poorest economies of the world in the period leading to genocide. The first Republic was proclaimed on 1st July 1962. The population was hardly 3 million, life expectancy about 42 years and infant mortality of children under 5 about 248. Per capita GNP was hardly US \$ 32 (Baker 1968 citing IMF figures).

Over the decades Rwanda continued to be characterised by massive poverty. GNP per capita was still US \$ 60 in 1969, 70 in 1974, 90 in 1975, 120 in 1976, 160 in 1977, 180 in 1978, 240 in 1980, and 260 in 1982 and above 270 in 1985. There was some slight improvement in nominal and real terms, yet still the economic base was still weak (Europa Yearbooks 1969 –1985).

Crisis and poverty started to emerge in late 1970s through 1980s. The oil crisis and economic shocks that hit the Third World in mid 1970s did not spare Rwanda. However, their effects do not seem to have been as devastating as the effects of a coffee crisis in 1989 to 1991. Rwanda had always depended on coffee and tea as principal exports and the plunging down of prices had very adverse effect on the economy. Coffee alone accounted for 65% of export earnings. When the world price fell by 72% the whole economy was affected (Waller 1996).

While average percentage growth rate of GDP between 1975 and 1984 was 6.8 %, it was 2.9 % between 1985 and 1989. The situation was worsened by the war that started in 1990. The average annual growth rate in percent early 1990s onwards was – 3.6. The

percent of the population under US \$ 1 per day was 46 % while the national head count index of poverty was 51 % in the period between 1984 and 1993(Storey 1999,Waller 1996).

Due to economic crisis, Rwanda was forced into undertaking structural adjustment. The latter policy did not succeed either because of the war or because of its weaknesses (Uvin 1998). However structural adjustment has been indicted as responsible for the emergence of the 'new poor' and by other genocide (Storey 1999, Marysse, Herdt, and Ndayambaje 1993).

The effects of structural adjustment in Rwanda were a 40 % devaluation of the Rwandan franc in November the same year (1990). Adjustment led to reduction of government expenditure through strict controls on recruitment and salaries in the state sector and the elimination of price stabilization transfers to coffee producers-terminated in 1992(Storey 1999, Uvin 1998,Chossudovsky 1998).

Its major impact was felt in the social sectors, which are usually associated with poverty reduction. User fees on health, education and other states services were introduced. The move was geared to ensuring full cost recovery in the case of commercial services and greater cost recovery for non-commercial services. Price control was removed. Privatisation was given a green light. Restructuring and/or privatisation of some state companies were planned in state run parastatals.

As a result of adjustment, inflation rose sharply during the first seven months, prices for a range of basic necessities in Kigali rose by about 50 %. Inflation rate rose from 1 % to 19.5 from 1989 to 1991 for the whole country. A second devaluation that took place in June 1992 saw another rise of 10 % for each of the years 1992 and 1993(Chossudovsky 1998, Storey 1999).

One of the effects of the adjustment was increased inequality. A study on areas in southern Rwanda shows that in 1992 a rich household had income that was 485 times that of the poorest. This is in comparison with 180 times for 1980 (Marysse, Herdt, and Ndayambaje 1993). Some scholars indicate that structural adjustment led directly to impoverishment in Rwanda. Chossudovsky (1996:113) is very explicit;

The state administrative apparatus was in disarray, state enterprises were pushed into bankruptcy and public services collapsed...severe child malnutrition increased dramatically.... The number of recorded cases of malaria increased by 21 % (in one year)...largely as a result of the absence of anti-malarial drugs in the public health centers. The imposition of school fees at the primary level was conducive to a massive decline in school enrollment.

Of course, there is nothing strange in such an observation, since even the World Bank and IMF have always conceded that adjustment may not succeed without a cost. In the same regard these international financial institutions have supported funding of 'safety nets' for effects of structural adjustment commonly referred to as the Social Dimensions of Adjustments (Cornia, Jolly and Stewart 1988).

Storey (1999) preferred, however, to check the extent to which adjustment can account for the majority of the problems. Firstly, apparently Rwanda had already undertaken liberalization. If it had adverse effects, then these would have been felt much earlier than when SAP was introduced.

What seems acceptable is that the effect of adjustment in its early phases and even after the war is difficult to isolate from other economic factors. It may have contributed to the crisis, but there are certainly several other factors that account for the crises.

Some may argue that Rwanda would have seen a crisis anyway. This would have been due to conditions in the global commodity markets between 1985 and 1992 that were affecting the whole developing world. For example the coffee price fell in real terms by 72 %, of tin by 35 % and of tea by 66 %. The result was a decline in real purchasing

power of export earnings by 59 % (Storey 1999). Agriculture was also in crisis and 1 in six people were threatened by famine in 1989.

A war in 1990 made matters worse. It is estimated that the war was costing the government up to \$ 100 millions a year, a budget as large as that of a large country like Uganda. It bypassed the budget of education and military personnel increased by 5 times between 1990 and 1993 (Chossudovsky and Galand 1996; Baechler 1999). Chossudovsky and Galand estimate from records that US \$ 4,671,533 or RWF 640,338,414 were used on machetes and other implements in 1992 alone. By 1994 1 million machetes had been imported and were bought in preparation of the genocide. The army which was a force of some 5,000 men expanded to 30,000 in 1991 and to 50,000 in 1992 (Jones 2001: 39). Whichever is the explanation economic governance left a lot to be desired in the 1970s and 1980s.

The most extreme exhibit of crisis and poverty is of course the genocide of 1994. Its most direct result was destruction of human resources. About 1 million Rwandans were killed. Internal and external displacement affected one in every 3 Rwandans. After the genocide several million people who had fled Rwanda in 1994 and others called old caseload of 1959 returned, posing problems of food, and shelter. GNP plunged down by 50 %, infrastructure was destroyed and families torn apart. Poverty using the head-count index shot up to 77 % (World Bank 1995).

It is clear genocide has led to poverty. But as seen the crisis in the 1980s and early 1990s may have also partly accounted for the genocide. In fact Chossudovsky (1996) cited above prefers to call it 'economic genocide.' Under the economic governance approach, the poverty conflict nexus is clear and direct.

4.2.5 Political exclusion

To explain our argument of political exclusion, it is important to discuss briefly the issue of 'ethnic' groups in Rwanda. In this section we outline the major issues, since this part

of Rwandan history is treated by any one writing on Rwandan recent conflict (Prunier 1995, Des Forges 1999, Pottier 2002, Newbury 1998, Uvin 1998, Mamdani 1998, Semujanga 2003, Melvern 2000, 2004, Nigel 2004) It is generally believed that the Tutsi arrived in Rwanda in the fifteenth and sixteenth century and were dominantly cattle-keepers. They found the Hutu who had arrived earlier from Central Africa. These were dominantly agriculturalists. The longest-living indigenous group was the Twa, a small pygmoid group engaged primarily in pottery making and hunting. For many centuries these quasi-ethnic groups lived together until the colonial rule was established in late 19th century. We call these quasi-ethnic groups, since they are known to speak the same language, believe in the same god, share the same culture, belong to joint clans and lived side by side on the same hillside, an observation that is frequently cited in most works on Rwanda.

The question, which would be interesting to historians of poverty, is whether the structure of Rwandan Kingdom, during colonial rule was conducive to impoverishment of some groups relative to others. It will be argued that civil wars and political instabilities can account for considerable amount of poverty in Rwanda, but the issue would be to see whether this was embedded in inequalities across the groups. On these questions too, there seems to be some tentative consensus.

Colonialism is usually regarded as responsible for the system of indirect rule sometimes referred to as 'divide and rule' in most of colonial Africa. It is in that context that the King and Tutsi rulers of Rwanda retained political power in return for their co-operation with colonial administrator firstly Germans up to 1916 and after that Belgians (Mamdani 1996). Gradually, the control by the Tutsi aristocracy was increased, with annexation of Hutu Kingdoms in the North West of Rwanda including the incorporation of their land tenure systems into the monarchical system (see Chapter 7).

Did this system have any bearing on inequality or a potential divide between the poor and the non-poor? The answer is in the affirmative with some qualification. Uvin (1998:16) summarizes the economic consequences of the colonial state.

Simultaneously, the nature of the state changed to become a conduit for the rule of the colonizer, imposing onerous legislation, taxes, and obligatory cash crops to pay these taxes. Compulsory work programmes were started obliging farmers to cultivate a certain number of acres of crops; dig ditches and so forth.

It is documented that the forced labour was generally resented²⁶. Of importance to us, is that the system created new sources of power and privilege. These were in terms of who was related to the new administration, mastered the French language of the colonizer, adhered to Catholicism (their religion) and was absorbed into the money based market.

In this regard, the ruling positions were reserved almost exclusively for Tutsi. Records are abundant to show that Europeans regarded Tutsi as superior, reliable, intelligent and hardworking. One of the famous theories supporting this is the so-called Hamitic Hypothesis (see e.g. Sanders 1969). The hypothesis has it that Tutsi may have originated from the North perhaps from Abyssinia-Ethiopia- and were not of Bantu origin. Prunier (1995:8) gives a summary of scholars who went to the extent of speculating that they may have originated from Tibet, Asia Minor, Egypt, India, Melanesia, and Garden of Eden and to one, survivors of the lost continent of Atlantis. By 1931 the state had officially issued identity cards distinguishing people by their ethnic groups (Uvin 1998:17)²⁷. These served to identify who was to be excluded in the political arena in Rwanda before and after independence.

Now can we argue that the Tutsi became a group of powerful non-poor compared to powerless Hutu? Prunier (1995) Newbury (1988) and Uvin (1998) provide some sketchy

²⁶ In fact some of the migration figure given earlier may be accounted for by colonial taxation as well as forced labour (see Baker 1970)

²⁷ Note that the identity card system was still in force in 1994 and were extensively used to identify who was to be killed. They were abolished for the first time by the government that took power after the genocide

evidence in this regard²⁸. Education and jobs in the administration were dominantly given to Tutsi. For example, they cite statistics showing that in the 1950s 31 out of 33 members of the supreme council were Tutsi and so were all the 45 chiefs and 544 out of sub chiefs.

Prunier (1995), however, notes that not all the Tutsi were beneficiaries to the policy. Two clans monopolized the privileges²⁹. For instance in a study of average incomes of 287 Tutsi families in mid 1950s found that their incomes were only 4 % higher than that of 914 Hutu families (of course excluding holders of political office). It is worthy remembering that in actual fact, the definition of Tutsi among the non-ruling class was only in terms of the number of cattle, a status that could be acquired even by Hutu. Accounting for poverty from an ethnic point of view appears to be fuzzy and inconclusive.

It is thus clear that a deeper analysis of poverty across ethnic groups would require a wide-ranging research. One conclusion can however be arrived at; the colonial state fuelled ethnic divisions. Tutsi had a monopoly of power and prestige. The colonial state used the argument of Hutu exclusion in the political sphere to fuel a violent conflict in 1959 just before the independence of Rwanda.

After independence in 1962, a republic replaced a monarchy, and a regime supported by the Belgians grabbed power from the former powerful Tutsi aristocracy. Political exclusion started being focused on Tutsi. The motto of the new republic led by Kayibanda was Hutu power. State power was made exclusive to Hutu only. Rural to urban migration was restricted and the three ethnic classifications continued (Obidegwu 2003:6).

²⁸ It is important that by using some of the data and information from authors on Rwanda we do not necessarily share fully or concur with the main thrust of their discourses on Rwanda

²⁹ Note that some clans have members from both Hutu and Tutsi. But the *Nyiginya* which formed the core of the ruling aristocracy is believed to be composed of Tutsi only

In the first republic, exclusion was extreme. It involved destruction and displacement of people. Several Tutsi were massacred in 1959 and 1963. Several hundreds fled to neighbouring countries where they would stay for more than 30 years. Every time there were guerrilla attacks against Rwanda from exiles in neighbouring countries, more Tutsi were killed³⁰. It was a phase where exclusion was rationalized by the motives of Hutu 'emancipation'³¹. But as noted also the Hutu from the North felt excluded from a government dominated by Hutu from Central Rwanda³². So when there was political strife and especially when Tutsi in Burundi killed several hundreds Hutu, the regime in Rwanda persecuted and killed in turn Tutsi of Rwanda. On the pretext of bringing peace and unity, a coup was plotted and organised successfully by the military mainly from Northern Rwanda in 1973. It is noteworthy however that political exclusion continued to characterise Rwanda's political governance even during the second republic³³.

Soon Rwanda was put under a single party that was closely controlled by the president and his ideologues. Political and military positions were dominated by Hutu from the North especially Gisenyi. Political and economic policy was sustained by ethnic divisionism. The government of the second republic designed quotas directed to restricting access to education of Tutsi.

Uvin (1998:127) shows graphically that exclusion was entrenched in the political system of the second republic. He argues for example that exclusion contributes to inequality and destruction of the moral fabric of society.

Further there existed in Rwanda as in many countries a second type of impunity that was a matter of daily life and worked hand in hand with the exclusion process. When judicial procedures often see the highest bidder prevail when entry

³⁰ The guerrilla attempts earned the Tutsi a derogatory nickname of *-inyenzi-* the cockroaches that was to be used again to describe the invasion of RPF in 1990

³¹ The 1959 conflict that later led to the overthrow of the monarchy was referred to as a 'social revolution' to emancipate Hutu

³² The first president of Rwanda was Gregoire Kayibanda a Hutu from Gitarama a province in Central Rwanda

³³ The coup was headed by the military chief Juvenal Habyarimana a Hutu from the North who became the president of the so-called Second Republic.

into secondary schools and tertiary education is a result of money and influence rather than knowledge and perseverance when the best jobs are allocated on the basis of not competency but connections and when manifest incompetence or abuse of power often ends in promotion people loose their faith in the system become cynical and are easily tempted to break the law themselves.

He points out that exclusion was not for Tutsi only but also for Hutu who were not from the North of Rwanda. For example he shows that a ninth of all aid was channelled to four provinces; one the capital Kigali and three Gisenyi, Ruhengeri and Cyangugu in the north. Gitarama the most populous rural province received a meagre 0.16 per cent and Kibuye 0.84 per cent. Semujanga (2003:194) has pointed out that exclusion could be traced even among the Hutu of the northern districts as well. Gisenyi was opposed to Ruhengeri. In Gisenyi Bushiru the home area of president Habyarimana was opposed to Bugoyi the home area of other big northerners like the intelligence chief Theonest Lizinde.

Identity cards established in the 1930s were extensively used to control movement and to consolidate ethnic differentiation. During the regime the ethnic tramp card was deceptively used. While the small political elite monopolised power and access to resources, Rwandans were made to believe that sections of Rwandans were economically better off. Many Tutsi in Rwanda had found jobs in international organisations and in business. The political and military elites may have thought the Tutsi who were in Rwanda and excluded from the realm of politics, were not worse off after all. Above all the ranks and file of Rwandans were made to feel that the Rwandans outside the country were an economic and political threat to their entitlements. Even if the economic differentiation was not real, the perception of economic differentiation along ethnic lines was manipulated to justify hostilities that later led to violence.

Most open was denial of political and civil rights of sectors of Rwandan citizenry. In the period before genocide many civil rights activists were harassed, jailed and killed³⁴.

³⁴ 'Ibyitso' was a concept designed to call those who were politically excluded accomplices to those who were fighting to go in

Tutsi businessmen and others who were influential were jailed for months without trial accused of being accomplices to fighters of the RPF. Political opponents were persecuted or manipulated by the decaying regime of the second republic. Killings and massacres were a landmark of the period before genocide. These reached a climax with genocide in 1994.

The discourse of politics and conflict in Rwanda is quite extensive. It is not possible to document and analyse the process of political exclusion in the confines of this study. It was not even possible to analyse the impact of exclusion and conflict on production, investment and savings. However, what is clear is that exclusion was an internal expression of elite competition. It was at times portrayed as ethnic rivalry but we noted evidence of exclusion of Hutu from certain areas of the country under different regimes. Conflict arose from an internal process of excluding some people in order for a small elite to have access to resources, politics and power. The whole post independence period was characterised by conflict based on some groups excluding others. And Rwanda has remained poor in the same period. The level of causation needs to be estimated and closely analysed, but to deny the linkage would be unrealistic.

4.2.6 Identifying a ‘poverty-conflict trap’ in Rwanda

In the previous section we demonstrated several problems that accounted for poverty in Rwanda in the last four decades and how they are linked to conflict. In this concluding section we are suggesting that what is usually called a poverty trap in Rwanda should, by the arguments provided, be extended and correctly called a ‘poverty-conflict trap’. Let us elaborate on these concepts first before generalising this as form and content of poverty in Rwanda.

A poverty trap is a concept that originates from analysis of poverty in the western developed countries where there were welfare schemes (Jordan, James, Kay and Redley 1992). It was illustrated in Chapter 2. Nonetheless the poverty trap has a more general

meaning. Charles Booth used a poverty trap to explain a geographical area where poverty has become concentrated. To Piachaud (1973) poverty trap was like a well. Getting out of poverty is like getting out of a well: if you cannot jump high enough you simply slide back to the bottom again. You get trapped.

An anonymous person (cited in Gillin 1926) compared poverty, to a situation at the bottom of a cliff. Poverty reduction policy was either putting a fence on the edge of the cliff so that no more people would slide to the bottom or devising a mechanism for those at the bottom of the cliff to climb up and overcome the cliff. A poverty trap is that situation, where a segment of the population on the bottom of the cliff cannot make it up.

More recently Bloomberg, Hess and Tacker (2000) have introduced in economics the concept of a poverty-conflict trap based on modelling data of 152 countries. They found that conflict affected growth with a feedback effect. Low growth can lead to conflict. In some countries there is a tendency to stay in poverty arising from this cycle. They confirm existing models on poverty and conflict (e.g. Goodhand 2002).

While many scholars have tended to emphasise the impact of genocide on poverty few if any have actually pointed out that for several decades poverty and conflict have been linked as shown in the suggested approaches (see e.g. World Bank 1995,1998,2004,Uvin 1998,Chossudovsky 2003,Musoni 2003). To clarify this observation it is important to make a number of remarks.

Firstly it would seem that conflict is always regarded as violent and one single exhibit of violent conflict in Rwanda was the genocide of 1994. It is documented that violent conflict has characterised the post independence period in Rwanda. It has been mentioned that there were violent conflicts in 1959, 1961-1963, 1966, 1973, 1990-1993 and 1994, 1997, 1998, and 2003 in Rwanda³⁵. In fact it is even stated that famine and deprivation

³⁵ Note that some scholars e.g. Semujanga 2003 in fact argues that there was more than one genocide i.e 1959-60,1963-64,1973,1990-1993 and 1994

followed each violent conflict. Moreover it has also been shown that non-violent conflict such as land disputes have characterised also the recent history of Rwanda (Andre and Platteau 1995,Pottier 1997,Percival and Dixon-Homer 1998,ACTS 2004,NUR 2004).

Secondly, the failure to appreciate the long term trap and conflict could be attributed to recurrent assertion that Rwanda was a successful economy before the late 1980s. Some statistics have been given and the issue is discussed later in this chapter. However, this also depends on how one views economic aggregates. In aggregates like GDP the unit of measurement is the geographical 'boundary' of Rwanda. However in aggregates like GNP the unit of measurements is 'nationals' of a country wherever they are. Our thesis on a poverty-conflict trap would then be sustained, because as Rwanda was registering good economic indicators, hundreds of thousands of Rwandans were languishing in poverty beyond her borders because of previous conflicts. Stated other wise, the presence of Rwandans outside their country as political refugees and under precarious economic conditions in the period from 1959 to 1994 is in itself an indicator of conflict.

Thirdly it would seem with the genocide in 1994(and the world reaction after that) conflict discourses came to a stop. Indeed many works refer to Rwanda as a post conflict economy. It thus would also suggest that a 'poverty-conflict' tend to become truncated up to the year of the genocide. This is a distortion. It is our argument that poverty-conflict linkage continues as a phenomenon that goes beyond 1994. There are a number of arguments that can be advanced in this regard.

First, conflict is a wider concept than genocide alone. Conflict as noted is not always violent or armed. Land conflict has been shown to be on the increase even in the period after genocide. Moreover, just like the example of economic aggregation conflict that results in poverty need not take place or originate in Rwanda alone. The years of conflict after 1994 that are cited above are in relation to insurgents that were invading Rwanda from Congo³⁶. When there is a conflict between Rwanda and a neighbouring country as

³⁶ see African Rights(1998)Rwanda: Insurgency in the North West. London. African Rights

has been the case in the immediate past, the economy of Rwanda is affected negatively (ACTS 2004).

Secondly is a concept of the ‘protracted social conflict’ (Utterwulghe 2004). Rwanda’s protracted social conflict is defined by Utterwulghe, as a conflict that has multiple and underlying causes, some of which are ill defined. He argues that the causes of violence and genocide were not only structural or material but also psychosocial. And all forms of conflicts need to be addressed before one can claim that conflict is over. But we concur with him most on his conclusion that the social conflict process did not come to an end in 1994. Besides the conflict in the region, that has involved Rwanda, there are also a lot of passive and latent forms of conflict in Rwanda in the period after genocide especially as shown those related to land (NURC 2000, NUR 2004, ACTS 2004).

It is therefore gross oversight to detach conflict from accounts of poverty in Rwanda after 1994. It is equally incomplete to consider any poverty reduction policy that does not include conflict mitigation as if conflict has been ‘abolished’ in Rwanda after 1994 genocide. From the approaches defined earlier and the arguments just posed we then summarise a ‘poverty-conflict trap’ with regard to Rwanda as follows;

Population pressure + land scarcity + lack of entitlements + environmental stress + bad economic governance + political exclusion = poverty ► conflict = conflict ► poverty

The summary above translates into a causal or associative relationship between poverty and conflict and a feedback mechanism. From our account we noted that poverty might have led to crises originating from various factors discussed. These may have provided catalysts to conflict. It is then possible to move back and state that conflict in turn led to poverty. It is in this framework that the accounts on causes of poverty that were presented above should be viewed.

It is this element of poverty analysis in Rwanda that has perhaps eluded some scholars. We assert that the conflict element needs to be factored in all policy considerations. And by this analysis we are not predicting doom or genocide. But conflict under its different forms has not ended with the genocide of 1994(see also FAST webpage)³⁷. In its various forms conflict interfaces with poverty. The cycle of conflict that feeds the poverty trap has to be broken for poverty reduction policy to succeed in Rwanda. In the Chapters ahead we shall extend this argument to show that unless conflict is addressed in policy then poverty cannot fully be challenged. Meanwhile, if this analysis on the cause of poverty in Rwanda, the next section analyses the features of poverty.

4.3 SALIENT FEATURES OF RWANDAN POVERTY

There is a lot of statistics and information on the magnitude and nature of poverty. At a later stage in this section we shall provide some of these. However for convenience the following analysis is carried out basing on five hypotheses (corollaries to the main hypothesis), evaluation of which may give an insight into the character of poverty in Rwanda. They do not necessary exhaust what can be said on poverty but we believe they can portray the character of poverty in Rwanda more specifically.

Corollary 1: Poverty is embedded in relatively weak households.

The concept of weak households is rather elusive (Cross and Preston-Whyte 1984). One problem is that the concept of weak households is not an economic concept only. A weak household may be that, which has low-income earnings. It can also be a question of the structure of the household that matters in explaining household's poverty. At aggregate level it may be an issue of the breakdown of social cohesion among and within poor households. In such a case the traditional coping mechanisms through social capital is

³⁷ Although some material evidence seem politically opposed to the current regime (see the Quarterly reports for 2003) the gist of the argument by FAST is that land and environment continue to be a threat and a source of conflict in the Great Lakes see www.swisspeace.org

debilitated. Weakness of households can assume three forms (Cross and Preston-Whyte 1984). Firstly is what is called economic dislocation. It is the case where a household lacks or has inadequate labor to fulfill its vital economic roles. There may be no man or woman in a household who can move around and work while an other member manages the household.

The second form is social dislocation. This is a non-economic aspect of the relationship between the members of the households as expected in terms of social norms. In Rwanda a normal household has a husband, wife, and children who are boys and girls. There are cases where a woman or man is divorced or there is an unmarried child still staying with the family. With the advent of HIV/AIDS there are increasingly cases of old couples looking after orphans of younger children who died because of AIDS.

Finally is the household distortion. This is a type of weakness related to some anomaly in the structure of the household. The most common cases are related to the type of household head. A woman, child or elderly head can be expected to be relatively weak.

Before using data to show the relationship between the weakness of the household and poverty it is important to underline the importance of this hypothesis in a Rwandan context. The case of genocide in Rwanda in 1994 cannot be overemphasized. What is important is that unlike in other parts of the poor world, the tragedy brought new features of poverty that very pronounced in Rwanda. Genocide as mentioned, not only dislocated households economically but also distorted a large number of them socially. A significant exhibit is that women-headed households shot up to 34% and was estimated to constitute 22% of the national population in the last major survey³⁸. Widows of genocide may not only infirm and socially deprived but are usually helpless because genocide always took the most able bodied of the household.

³⁸ see A Poverty profile for Rwanda(2003)

Another case is that of households whose heads are in prisons. After the war more than 130,000 prisoners were incarcerated on account of genocide atrocities. Besides being loss of labour to the household, it resulted in distortion of its supply. Members of the family spent several hours a week, visiting the prisoners, time that would have been better used for productive purposes³⁹. Put in one statement is that genocide dislocated and distorted the structure of the household. That such weakened households are the most prone to poverty should not be difficult to understand even in other parts of the world. For that ample data is abundant.

In a recent survey (CWIQ 2002) it was realized that in the first quintile (where a majority of the poor are), women headed households constituted 20.5% while male-headed households constituted only 19.9%. In the second quintile female-headed households again are a larger proportion of 20.4% compared to 20% for male-headed households. The same consistency can be seen from available data on poverty indices.

The female-headed households have a significantly higher incidence of poverty of 62.2% compared to that of male-headed households, whereas it was found to be 54.3%. In rural areas the incidence of poverty in female-headed households is estimated at 66.0% (HCLS 2002). The condition was found to be consistent with depth and severity of poverty as well (the square and cube of the head count index respectively). Women headed households were estimated to have a depth of poverty of 27.1% compared to male headed households that were estimated to be only 21.3%. Poverty was seen to be more severe in the female households by 15.2% compared to 11.0% for male-headed households. Poverty is also relatively high in single female-headed household, with an estimate of 63.0% and even higher for that headed by a girl. The incidence of a girl headed household is even higher and was estimated to be 68.0%⁴⁰.

³⁹ In many prisons in Rwanda families are given one day a week to visit prisoners.

⁴⁰ Of course this is consistent with studies of poverty elsewhere. See Dreze and Srinivasan (1997).
Widowhood and poverty in rural India: Inferences from Household survey data. *Journal of Development Economics* Vol. 54

There are other forms of weaknesses in Rwandan households as indicated at the beginning. Weakness is not only structural or family based but also pervasive and social. There is a case for social capital, which was destroyed in genocide. Lack of trust and mutual hatred can breed or accelerate poverty. It is common sense. Poor families usually use safety nets to cope with poverty, a practice that is impossible when there is lack of trust. Mutual suspicion and among groups is a deterrent to savings and investment. The general perception that violent conflict may recur, exaggerates the risk a household may attach to an investment. It is important that in Rwanda perhaps uniquely, policy embodies elements of mitigating conflict to pave way for social capitalization.

One fair argument is that genocide in one way or another has affected nearly all-social groups. A child may be stigmatized that his father is in prison because he participated in genocide while another is haunted by lack of parents that perished in the genocide. A woman may have lost children to genocide while another lost hers in the war that liberated her from a long Diaspora (lasting more than 30 years or a generation).

A last remark related to poverty and the structure of the household is that of size. Would it be correct to regard a household with relatively many members weak? There is ample evidence to show that relatively larger households tend to be poor. In the recent household survey, it was estimated that the incidence of poverty to a household with one member is only 30% while for a family of 5,6 and 7 or more it is 60,65 and 66% respectively (HCLS 2002). The survey noted also that the incidence goes down if more among the members of the family are above 15. In other words, the relatively more are dependents in the family, the more likely is the household to be poor⁴¹.

But the observation above should not be taken simplistically. One question should be why poor families have tended to have more children, who they can hardly support. In

⁴¹Note that current estimates put that Rwandans under the age 15 at more than about 48%. Including other people who are not active in the labour market and have dependent on others in the economy such as soldiers, old and disabled means physical production is done by a population of less than 50%

Rwanda children are a blessing. A vernacular saying has it that child bearing is governed by providence or God's will (PRT 2002). This message is expressed even in names of Rwandans. Yet it can also be safely argued that like in other underdeveloped societies children are a social investment. When one gets old in Rwanda, his children and grand children look after him or her (Harelimana 1997). The more grand children one has the more respect he/she commands. In this regard the time preference of a poor household may differ from that of a poverty reduction policy such as family planning⁴². Policy makers should consider, if it is possible to tradeoff national goals policies and household preferences.

At a practical and policy level, however there is another explanation. In 1980s there were vigorous family planning campaigns. It can be assumed that the effort is responsible for the decline in the Total Fertile Rate from 8.3 mentioned earlier, to slightly less than 6 today. There are other reasons usually advanced on the decline. The most common is that landlessness has led to late marriages, which have reduced the probability of getting many children as used to be (André and Plateau 1998).

However resistance to family planning in Rwanda has also been noted. Two major reasons are the ethnic quota that made each ethnic group want to become numerous. Then, there is also a probable effort to replace those who passed away during the genocide, a cultural belief by Rwandans that a lineage should not be wiped out and that the larger the extended family the more powerful is the clan.

It is also possible that relatively large families and poor households have something to do with the quality of life in general and household decisions. Rwanda has a high mortality rate among infants, which is about 198 per 1000 for children under five. Life expectancy is around 40 years (HDR 1999). It would not be surprising that the larger the number of

⁴² On issues of family planning see May, Mukamanzi and Vekemans (1990) Family planning in Rwanda. *Studies in Family planning* Vol 21 No 1 pp 20-32

children the higher is the probability that some will live to be adults. The large families could be a natural way of spreading the risks.

Poverty and household dynamics can constitute a study of its own. The aim of the last remarks was to moderate the concept of what might be regarded as weak households hypothesis, in relation to poverty reduction policies. Likewise it would be naïve to consider that a policy such as family planning might be poverty reducing without taking into consideration household dynamics and related policies. The latter point means improving quality of life is a prerequisite to a sustainable poverty reduction policy. Having pointed out the role of population pressure in explaining poverty and having shown the sensitivities around size and structure of households, it can be said that this hypothesis is of vital importance to understanding what policy to draw for Rwanda in the short and long run.

Corollary 2: Poverty in Rwanda is associated with poor access to basic services particularly education and health⁴³.

The argument of investing in human resources is derived from the fact that a well-educated and healthy population is a key to development. The 1950 and 1960s saw massive investments in education in the entire developing world (Shultz 1963 and Blaug 1987). The relationship between health and poverty is also taken as conventional wisdom (Behrman 1988). Although these have lagged effects on the economy, their outcomes reflect the effects of investments in the social sectors in the immediate past. There are a number of arguments that make this hypothesis important to Rwanda.

First, is the contention that lack of education is associated with higher incidences of poverty. While the current estimates of incidence of poverty put it at 56.8%, that for the non-educated is 62.25%. Disaggregated, the incidence among the non-educated male is

⁴³ More data on this corollary are found in Chapter 6 below on policy preconditions

71.7% while that for educated ones is only 47.0%. The incidence among non-educated females is 66.5% while that among the educated females is only 56% (HCLS 2002).

The second strand of the argument is that the probability of being poor is relatively higher the lower the level of education. The argument can also be substantiated from available statistics. The majority of the extremely poor in Rwanda (42.2%) had primary education only. Likewise 17.7% of the extremely poor have post-primary education, 10.3% have secondary education and only 2.1% have tertiary education. On the other hand about 97% of those having tertiary education are non-poor compared to about 39% who have primary education (Poverty Profile for Rwanda 2004).

At this stage there are few areas of contention. In fact, figures become more corroborative of the hypothesis when those without education are considered. What may need further analysis is what this association implies in terms of policy. The bottom line is to spend more on education because it is simply pro-poverty reduction. The real issue, which we shall revisit often, is how, on whom and where.

The current day paradigm is to spend more on primary education. A better access to primary education challenges poverty significantly. The apparent convention wisdom, need to be received with some caution, with regard to policy in Rwanda for a number of reasons. One exhibit is the rate of Gross Enrolment in primary education. In Rwanda the rate is almost 100%⁴⁴, but the Net Rate is only slightly above 72%. The significant difference reflects a high rate of dropouts, which is accounted for by poverty. Access should be more comprehensive to look at how much, in increased expenditure on primary education, reaches a pupil per capita. Later we demonstrate that more than 95% of such expenditure goes to the teacher, who in a Rwandan context is not a poor person.

⁴⁴ A more recent source World Bank (2004) Rwanda. Education puts GER at more than 100% meaning that there is a substantial degree of repetition

Secondly, while it is recommendable that more expenditure should be directed towards primary education, the rates of enrolment in secondary education are still very low. Net enrolment is a mere 7.6% with a higher rate of more than 22% in urban areas and 5.8% only in rural areas. Primary education is not adequate for sustainable human resource development. In a country that lost a substantial amount of human resources and where education should create capacity to create own jobs, due to land scarcity, overemphasising primary education alone is a partial answer to the poverty problem. The relationship between education and poverty can also be in terms of functional education or indirectly family planning education.

The latter argument applies to tertiary education. Tertiary education is a privilege of a few. It is received by as little as 1% of the student population. It is argued that a substantial number of the students are from non-poor families (World Bank 2004)⁴⁵. But in comparison to financial access, the government spends more than 150 times on a university student than a primary school pupil⁴⁶. This is a dilemma. Rwanda needs experts at this moment in time. So switching resources to primary education is just a part of the solution. In fact it may not be the wisest for the time being. But the inequity in resource allocation is also scandalous. In this regard policy should be flexible enough to broaden tertiary education, without compromising expansion of expenditures for other levels.

A final remark qualifying this hypothesis is that more education as a way of challenging poverty is not a panacea. Spending more on education is not a guarantee to eradicating poverty. The content and quality of education are important. It is for instance important to invest in functional education apart from financing formal education alone. Even at tertiary levels, it is possible to institute reforms that can directly address poverty reduction. While education is highly associated with poverty reduction the link is not

⁴⁵ This fact, which we had often disputed, is gradually becoming true. See World Bank (2004) on the growth of private Universities. Entrance to these is less restrictive and depends more on the financial ability of the candidates or their families.

⁴⁶ It is estimated in Rwanda Development Indicators 2002 that per capita expenditure on primary pupil is US\$ 16.3, per year, 110.8 per secondary student and 2310 per university student.

directly causal. A central argument, in this regard is that for expenditure to be effectively pro-poor, it should be well targeted really to poor groups. We shall revisit this argument quite often under policy analysis.

The second part of the hypothesis is related to health. The relation between health and poverty is also very obvious. A sick person cannot provide labour. Proliferation of diseases means a relatively lower quality of human resources. Low levels of health in the population are variables in production functions and labour productivity. The theoretical and empirical links between poverty and bad health and vice versa have been well studied (Behrman 1988; Kosa 1975 and Zola(ed) 1975). The phenomenon is also not difficult to establish at the level of the most important correlates. The observation applies to both preventive and curative health systems.

In the macroeconomic data provided, it was noticed that life expectancy has declined sharply over the last few years. As mentioned, this may be an indication of deteriorating poverty conditions. Since early 1980s Rwanda has witnessed an increase in the prevalence of HIV/AIDS from hardly 1.3 in 1996 to 10.8% in 1999. Today the rate is above 13%(RDI 2002).

The measures of accessibility to health services are relatively good in Rwanda. At least every commune has 2 health centres. Like education the link with poverty may have to do with the quality of services. As indicated above there are pandemics like HIV/AIDS but there are also diseases such as malaria that challenge the standard of health whatever indicators we can think of. Noteworthy also is that the accessibility mentioned above is only geographical. In Table 4.6 the number of people per doctor and per nurse is given

Table 4.6 Number of people per doctor and per nurse 1980-2000

Year	Population per doctor	Population per nurse
1980	29,150	10,960
1990	35,05	7,450
1998	66,666	9,500
1999	52,000	9,850
2000	55,705	6,365

SOURCE: PRS-APR 2004:41.

Noteworthy, is that these may be broad statistics that may not reflect true accessibility to health services. Firstly all, data show that poverty declined between 1998 and 2000 despite the figures on health above. This may explain why health like education is not all that matters in poverty reduction. But above all, social indicators after genocide need not be fully poverty reducing as such. What the latter phrase means is that the decline in poverty conditions in Rwanda after 1994 is a gradual recovery of the economy towards the rates that were obtaining before 1994. That would need decomposing the changes in the post genocide period into; what rate really reduced poverty and which was restoring services to a workable level. In a period of rehabilitation a preoccupation has been to bring infrastructure to a reasonable standard or at least to where it were before the war. But above all, the health function is represented by a complex set of indicators that may reflect on poverty differentially.

One such other indicator is the rate of consulting doctors where they are physically available. Data from recent surveys show a difference between medical consultations made between the poor and non-poor. The data show that relatively few poor people (13.7%) consult a qualified medical officer compared to the non- poor (30.9%). More extremely poor (55.3%) consult medical assistants. The access to pharmacists and health assistants does not seem to have any significant difference. But the poor tend to go for traditional healers (25%) than the rich. A very interesting observation is that the non-poor, even if at a low rate, also makes use of traditional midwives (HCLS 2002).

Information from a different survey (CWIQ 2002) indicates that the poor and the non-poor report the same rate of sickness of about 38%. If the propensity to fall ill is the same, but the quality of medical attention differs, then it is easy to understand why the poor are more likely to die of afflictions than the non-poor. Poverty and access to health facilities are indisputably linked. The policy lesson that is obvious from above is that physical access to health facilities and services is not enough.

Finally it is important to remember that education and health together, can be related with poverty simultaneously. It has been established that a mother with primary education is more capable of raising healthy children (Tilak 1989). She can attend health education and is more responsive to family planning. This should also apply to an educated father. He is more bound to consult physicians, strive for better nutrition and adhere to basic hygiene and primary health care.

In one of the surveys (MICS 2000) there is some evidence to support the argument. Among mothers, those without education reported a high rate of sickness of their children aged between 0 and 59 months. The rate for mothers without education was 57.1%, with primary education it was 56.0% and for those with secondary education it was only 51.4%.

Categorising the same groups of women according to poverty showed that the rate of reported child sickness was higher among the extremely poor with 61.6% compared to the relatively rich who reported 51.2%. There is need for more detailed data to confirm more definitely the relationship. However it is enough to say that the links between education, health or both and poverty is indisputable. In concluding this section two remarks to moderate this hypothesis are in order.

Firstly, while education and health are given prominence, the social sector is known to be broader. There is nutrition, sanitation, informal education, and human resource development in general and a lot more data that are directly or indirectly related to health. In policy terms these other aspects need to be remembered. It may be necessary to consider whether it is appropriate to combine a lot of these elements in one basket called social sector expenditure. An alternative would be to consider each sector alone. A dramatic case is that wherein more primary schools are made available (as is the case now) but where more and more children are undernourished. Such ideas are certainly interesting but may have to be analysed in more detail at policy implementation level.

Secondly, health and education are not ‘directly’ productive sectors. The impact of spending on health and education on poverty may take some years. In the course of the gestation period unexpected events may happen. In Rwanda there is an increase in HIV/AIDS that challenges major health efforts. Conflict mentioned at the beginning has been the nemesis of poverty reduction in Rwanda. There are cases where after some years a primary school leaver degenerates into semi illiteracy⁴⁷. Primary education has been known to give false expectations of employment to primary school leavers. Either the education system is not relevant or the rural sector cannot absorb effectively primary school leavers. Again the bottom line is that more expenditure in the social sectors; but for whom and on what? Policy should be comprehensive and long term enough to correct short-term errors.

Corollary 3: Poverty has a significant regional or spatial variation

It was argued in the first section of this chapter, that policy makers favoured some regions or provinces and ignored others. It was noted that the pre genocide regime favoured the Northern provinces. Other things being equal the neglected provinces are supposed to be relatively poorer. Table 4.6 is a summary of the most common indices of poverty by provinces. It is however curious whether the variance in poverty indices can be wholly explained from this perspective.

Apparently there are provinces that are clearly poorer than others. These are Gikongoro, Butare, Kibuye, Kigali Rural and Ruhengeri. Some reasons may account for these variations. Butare and Ruhengeri have the highest density of the population in Rwanda. Gikongoro with acidic soils and low productivity is frequented, drought and hunger. Kigali rural is also frequented by cyclical dry seasons and drought. It is most likely that

⁴⁷ A well-cited example is that of Tanzania in the 1960s and 1970s. Nyerere in the spirit of Ujamaa or African Socialism had emphasized primary education and adult education. It was noted some decades later that the economy became more underdeveloped under Ujamaa and the overemphasis on free and universal primary education did not reduce poverty. For the effort see Nyerere, J. (1973) *Freedom and Development*. London. Oxford University Press or for a summary INFED encyclopedia www.infed.org/thinkers/et-nye.html and for the ultimate evaluation see Hyden, G. (1980) *Beyond Ujamaa*. Underdevelopment and an uncaptured peasant. London. Heinmann

biased policies may be only one of several factors that caused the differentiation. Butare, Gitarama and Gikongoro are towards the south of the country

Gisenyi may be a better off province in relation to previous policies that generally favoured its progress. But it is also a relatively fertile region. Kibungo has the lowest population density and ample arable land and pastures while Umutara is a new province with a lot of space and livestock. But admittedly these observations would need more information and inquiry.

Another spatial or regional consideration is the difference between rural and urban. This can be reflected by any data that are disaggregated between the rural and urban. From the table on indices by provinces, it was noted that Kigali urban has the lowest level of poverty of 0.123. It means only 12.3% of the population fall below the national poverty line compared to 60% at the national level. Classification of regions by some other criteria other than administration may shed more light on this assumption. That would require another data set from another survey or study.

Table 4.7 Overall Poverty and other indices by provinces

Province	Share of population	Incidence of food poverty	Incidence of extreme poverty	Incidence of poverty	Gini coefficient	Without land	< 0.2 hectares of land
Butare	8.2	75.50%	52.00%	73.60%	0.43	5.90%	61.70%
Byumba	9.5	65.70%	44.60%	65.80%	0.427	2.40%	25.30%
Cyangugu	7.6	72.00%	46.00%	64.30%	0.43	13.00%	37.30%
Gikongoro	6.3	80.20%	56.80%	77.20%	0.37	3.20%	59.00%
Gisenyi	9.5	68.50%	34.50%	53.50%	0.36	7.20%	26.00%
Gitarama	10.5	61.80%	34.50%	53.70%	0.34	3.40%	25.20%
Kibungo	8.2	62.30%	31.90%	50.80%	0.36	1.70%	11.50%
Kibuye	5.7	79.40%	48.30%	72.50%	0.32	2.70%	31.20%
Kigali rural	11.4	74.00%	52.80%	70.80%	0.41	7.80%	17.10%
Kigali urban	7.4	20.60%	4.50%	12.30%	0.42	88.80%	6.60%
Ruhengeri	11.7	83.70%	52.30%	70.30%	0.4	5.30%	35.90%
Umutara	3.9	62.20%	32.80%	50.50%	0.39	4.80%	8.50%
National	100	67.80%	41.60%	60.30%	0.45	11.50%	28.90%

SOURCE: Poverty Profile 2002:41

This hypothesis may seem too obvious to debate. But it has ramifications to policy on poverty reduction that is too significant to dismiss. Firstly there is a lot of statistical, geographical and agro climatic differences in Rwanda that posed challenge to policy. If current poverty expenditure policies favour sector wide approaches, how can regional imbalances be seriously addressed? There are hundreds of micro and medium projects that target segments of the population and enclaves of poverty in Rwanda. How can this approach provide a sustainable approach spatially? Of course these issues are addressed by such policy considerations as land reform and universal grant, we propose later, but the limited amount of evidence presented in this section serves to underline the dynamic character of poverty in Rwanda

Secondly, is the argument we opened the section with that past policies tended to favour some regions at the expense of others. During the Second Republic, northern provinces were favoured at the expense of those in the south. Current policies need to search for approaches that overcome biased resource allocation by regions. Indeed where the regional differentiation coincides with ethnic divisions this concern can become a cause of social tension and conflict.⁴⁸.

It is important to look at these indicators carefully. As remarked earlier a region having higher indices of poverty may in reality have been neglected or overlooked by policy but this does not amount to saying all the people in the region are by definition poor. We discussed this in Chapter 2 under targeting errors and we shall return to it under targeting efficiency in Chapter 5. It may also be as simple as differences in natural endowments⁴⁹.

Data on each province calls for a deeper understanding of poverty dynamics in the provinces. For instance Gikongoro registers the highest incidence of poverty, but it does not have the highest number of the landless, a correlate which is important in explaining

⁴⁸ While the north was favoured by past regime on account of being the home of the one who was President it is also perceived as an area that is dominantly settled relatively more by one ethnic group than others. The North for many decades has been settled dominantly by Hutu

⁴⁹ See for example Clay and Dejneger (1987) on differences between agro climatic zones of Rwanda

rural poverty in Rwanda. In the same vein Cyangugu and Gisenyi with high levels of landlessness do not register as the poorest of the provinces.

There should be more analysis related to regional distribution. It may be because the former region of Cyangugu is the centre for the coffee cash crop while Gisenyi supplies the bulk of Irish potatoes demanded all over the country. Yet it is more plausible and desirable to have a deeper insight into the determinant of regional differentiation in poverty apart from previous biased policies.

To cup up this comparison of poverty by regions, ranking the various indices of poverty provides a dramatic example⁵⁰. For Gikongoro the incidence, depth and severity of poverty are all severe. In most other provinces there is a consistency in the direction of relations of poverty indices. Perhaps a clear exception is Kibuye, which shows a higher incidence of poverty but relatively lower depth and severity compared to other provinces. If targeting were to depend on the head count index as is usually suggested one would have to be careful in approach. .

At this stage it is also appropriate to caution on some fallacies associated with the importance of urban areas that are raised with regard to Rwanda. It is true that Rwanda has had a slow rate of urbanisation. There is also evidence that the government in the past tried to restrict people, especially the young from moving to urban areas especially Kigali the capital. But urbanisation in general is not in principle the answer. We shall pursue this argument under land reform. Suffice to mention that slums and unemployment are indicators of how urban areas in poor countries have often failed to absorb more people from the rural sector.

From the supply side, rural areas do not release labour because it is a surplus but because it is underemployed. In Rwanda as noted under land scarcity, agricultural productivity has been low. On the demand side Kigali and other urban areas have no absorptive

⁵⁰ Detailed ranking is reported in HCLS (2002)

capacities and employment opportunities to justify rural to urban migration. It is perhaps plausible to say that Rwanda with its population and land pressure could be saved by a policy akin to urbanisation. But this should be in an integrated manner, where relative productivity in the rural areas allows release of labour and where economic activity in the urban areas demands the surplus labour.

For the moment Kigali is one of the cities that have a high primacy index⁵¹. Using such measures is important because the recent survey paints a relatively less alarming picture. It is estimated that Rwanda has one of the lowest rates of urbanisation in Africa of about 0.04% and that urban population is hardly 5% of the total population. Most primate cities are usually parasitic to the rest of the economy. In this regard Kigali's population doubled between 1991 and 1996⁵². Such a rapid rise, if unaccompanied by a high rate of employment creation, causes problems of unemployment, slums, poor services and higher incidence of diseases⁵³. These long forgotten principles of regional planning may be still relevant with regard to Rwanda.

This debate comes back again under policy considerations. For the moment the concern was to discuss whether regional or spatial inequalities constitute a characteristic of poverty. May be it would amount to a pipe dream to imagine, an economy without spatial inequality. That's why there is what is called geographic targeting. Addressing regional differences does not mean, however increased allocation of resources to regions that are proved to be relatively poorer. Not all the people in a poor province are poor.

⁵¹ One such measure Mehta index of primacy, establishes how many times the largest city by population, is compared to the next largest. The higher the factor the higher the index. If it is 2 times larger than the next town e then the primacy index is 2. Kigali has a population exceeding 700,000 now compared to Butare that has hardly 120,000 The primacy index is 6, which is very high.

⁵² It is not as a result of internal growth rates that Kigali's population rose rapidly. Many refugees returning to Rwanda from Diaspora preferred to stay in Kigali. Some survivors of genocide prefer to stay in cities for reasons related to bad memories of the people who are supposed to be neighbours.

⁵³ In 2002 the City of Kigali had started feeling the pinch of the problem. One indicator was confrontation with kiosk owners and open air traders who the City Council believes are an eyesore to the capital. The hawkers on the other hand believe that is the only means of livelihood where there are no jobs for them and members of their families

Indeed there can be poorer people in other provinces who would be denied support just as there can be non-poor in a poor region who would benefit such envelope support.

The usefulness of this analysis is to emphasize that a good policy needs to be detailed. The goodness of a policy does not lie in the blue print alone. A well-stated and intentioned policy can be less effective against poverty if in implementation it does not reach poor groups. A second importance is that is that the frictional problems of Rwandan urbanisation can be linked to genocide. Extremist politicians easily recruited masses of unemployed youth in Kigali into the murderous into militia. Failure to generate adequate non-farm activities in situations of land scarcity and pressure, detailed at the beginning, is used to account why it was possible to convert large numbers of people into genocidal killers (Uvin 1998).

Corollary 4: The levels of general inequality have widened over the past years.

All indicators of access to resources are organically linked to distribution of income. While the Rwandan economy was regarded as relatively egalitarian in the 1970s there is data to suggest that the gap between income groups has been widening. The distribution of income in mid 1980s is as presented in Table 4.8.

Table 4.8 Income distribution in Rwanda 1985

Population group	Per cent of income
Low 20%	9.7
2rd Quintile	13.1
3 rd Quintile	16.7
4 th Quintile	21.6
Highest 20%	38.9
Highest 10%	24.6

SOURCE: ENBC (1985;34)

Distribution viewed through consumption expenditure was negatively skewed in favour of higher income strata. While the highest 10% controlled 24.6% of income the lowest 20% of the population controlled only 9.7%. There is evidence that income distribution was progressively becoming acute (Uvin 1998; Marysse, Herdt and Ndayambaje 1995).

The income share of the richest decile increased from 22% in 1982 to 52% in 1994. Marysse et al (1995) in a rural sample of Butare estimated that the richest 10% earned 66.4% of the region's income in 1992. The lowest 8 deciles saw a decline in incomes between 1990 and 1992 whereas the highest 2 deciles realized an increase in their incomes during the same period. The average income of the highest decile was up to 487 times of the lowest decile in 1992 compared to 185 times two years earlier⁵⁴. As indicated elsewhere their study was attempting to show the effects of the government adjustment policy in Rwanda, and inequality was one of the consequences of that policy.

Paid jobs showed also dramatic inequalities. According to 1986 data the lowest paid 49 percent of all salaried people earned a mere 7.6 per cent of all salaries while the top 1 percent earned 27.8 per cent. By 1988 the lowest paid 65 per cent earned less than 4 per cent of all salaries while the top 1 per cent had increased their share to 45.8 per cent.

The Human Development Report (2000) also shows a skewed income distribution in Rwanda in late 1990s. For 1987 to 1998 the poorest 20% still controlled 9.7% while the richest 20% controlled 39.15 meaning a ratio of 4 to 1 between the rich and poor. This may have been a crude estimate since no other household survey had been undertaken. But most certainly the gap between the poor and non-poor was widening.

Data from the most recent survey (HCLS 2002) also show that the gap may have been widening. While the gini-coefficient was 0.29 in 1985 it is estimated at 0.45 today an increase in level of inequality of about 55 per cent. The present distributions show that 60 per cent of the population account for 20% of consumption expenditure and 10 % mobilise 50 per cent of all consumption expenditure. Some scholars have remarked termed the rate of increase of inequality in Rwanda as worrisome (Ansoms and Marysse 2003).

⁵⁴ These figures look shocking levels of inequality. But they should not be surprising. The differences in real terms are not as visible as say in South Africa because the base is lowly and the country generally poor. In such a setting a person owning a car has consumption levels that are several hundred times higher than that of a rural peasant is almost landless.

The most recent data on distribution is that by the World Bank (2004). These are presented in Table 4.9 and 4.10. From the data it is clear that while the share of GDP of the lowest quintile or the poorest declined from 9.7 in 1985 to 5.4 in 2000, that of the richest or the fifth quintile rose from 39.1 in 1985 to 51.4 in 2000. Likewise using per capita GDP at constant 1995 prices shows that the per capita GDP of the poorest or lowest quintile fell from US\$ 151 in 1985 to US\$ 65 in 2000 while that of the richest rose from US\$ 607 in 1985 to US\$ 625 in 2000 after having declined in 1995.

Table 4.9 Share of national GDP

	Q1	Q2	Q3	Q4	Q5
1985	9.7	13.2	16.5	21.6	39.1
1990	7.6	11.3	15.1	20.9	45.3
1995	6.5	10.4	14.3	20.6	48.3
2000	5.4	9.4	13.6	20.2	51.4

SOURCE: World Bank Country Assistance evaluation 2004;4

Table 4.10 per capita GDP constant 1995 prices in US\$

	Q1	Q2	Q3	Q4	Q5
1985	151	206	257	337	607
1990	110	165	220	305	660
1995	65	104	144	206	485
2000	65	114	164	244	625

SOURCE: World Bank Country Assistance evaluation 2004;4

There are two remarks to make. Firstly inequality is not synonymous to poverty. However high levels of inequalities are symptomatic of defective social policies. Inequality coupled with political exclusion and ethnic differentiation is surely a source of social tension and conflict. Secondly, data on income distribution and other forms of inequities in accessing resources are still scanty in Rwanda. More studies need to be undertaken before a definitive picture is drawn. However tendencies and symptoms, as we shall argue in the policy section, should be enough to guide policy formulation in

mitigating conflict. It has been established that horizontal inequality⁵⁵ is an important determinant of conflict (Stewart 1998).

Corollary 5. There is a substantial degree of marginalisation and vulnerability to poverty by of some groups of Rwandans.

The most common cited marginalized group in Rwanda is the woman. But in this section we suggest that it should be broader. It should include the Twa, the landless, the youth and children. We should also include the chronically poor and those always in danger of slipping into poverty.

In identifying women as a marginalized group, it is important to point out that we are referring to poor women especially in rural area. The main reason is simple. Not all women, especially those in towns are poor and marginalized. The argument is equally simple; women are the most numerous in Rwanda, work hardest and yet are most affected by poverty. The most direct form of marginalisation is cultural whereby women are denied right to ownership of resources, especially land. In the recent census (Republic of Rwanda 2003) women constituted about 53% of the population. However any data disaggregated by gender show that the women are always the poorer gender. The discrepancy is shown in Table 4.10

The indices for incidence, depth and severity of poverty are higher for females in all categories. Moreover women in households that are poor tend to bear the brunt of family poverty and are susceptible to ill health related to the household poverty, stress and fatigue.

The latter observation is accentuated in rural areas, by multiple pregnancies and malnutrition (UNICEF 1998). In the Socio-Demographic Survey (ESD⁵⁶) 1996 only

⁵⁵ Stewart (1998) defines horizontal inequality as inequality between social groups as opposed to vertical inequality which is between individuals

⁵⁶ The acronym is in French or Enquete Socio-Demographique

12.4% of women surveyed had attended antenatal clinics 4 times as recommended by WHO. Non-attendance was related to being busy at home or lack of a health centre nearby.

In Rwanda the category of poor women is more pronounced in women headed households especially widows of genocide. As mentioned in the previous section and according to Rwanda Poverty Profile (2002) they make 22% of the national population and more than 26% in Kigali Rural and Umutara. In 1996 the figure was estimated to be 34%. It is pointed out that 67% of such households are consumption poor compared to 58% in other households.

Table 4.11 Different poverty indices by gender and residence

	Overall poverty*		Extreme poverty**			poverty***	
	P0	P1	P2	P0	P1	P2	
National	56.80%	23.20%	12.30%	37.80%	12.90%	6.30%	
Male	54.30%	21.30%	11.00%	35.10%	11.40%	5.20%	
Female	62.25%	27.10%	15.10%	43.50%	16.10%	8.10%	
Kigali Urban	10.40%	2.70%	1.00%	3.70%	0.80%	0.30%	
Male	7.90%	2.18%	0.8	2.70%	0.60%	0.29%	
Female	17.40%	4.30%	1.70%	6.40%	1.30%	0.60%	
Other towns	17.80%	5.40%	2.30%	8.80%	2.20%	0.82%	
Male	13.70%	4.30%	1.70%	7.20%	1.60%	0.50%	
Female	27.20%	8.10%	3.60%	12.30%	3.40%	1.50%	
Rural Area	61.70%	25.30%	13.50%	41.40%	14.20%	6.80%	
Male	59.60%	23.59%	12.20%	38.70%	12.60%	5.80%	
Female	66.10%	29.10%	16.30%	46.80%	17.40%	8.80%	

SOURCE: Poverty Profile 2002 Appendices pp XVII, XIX and XX

*defined as an average of annual consumption of RWF 64,000 per year in 2000 prices (equivalent to US \$)

**defined as an average consumption of RWF 45,000 per year (equivalent to US \$)

It is argued that one element of ‘feminisation of poverty’⁵⁷ is the fact that women work for relatively longer hours than men. Table 4.11 and 4.12 demonstrate this fact with regard to Rwandan women especially those in rural areas (UNICEF 1998).

⁵⁷ Feminization of poverty is a concept referring to the fact that poverty is shouldered by women in most societies in the world.

The incidence and depth of poverty befalling women as a social group, while they do most of the work, reflects the unequal division of labour that discriminates them. The majority of this discrimination is based on the culture that marginalizes the woman in society and regards her as a homemaker and inferior to man. Two more cases of gender discrimination often cited are the denial to ownership of assets such as land and to basic services such as education. However it can be noted that a lot of changes are taking place in Rwanda such that this hypothesis may seem rather too generalised⁵⁸.

Table 4.12: Daily Time Use Women/Men

Activity	Women in %	Men in%
Agriculture	33.8	20.1
Livestock rearing	2.4	17.1
Other economic activities	9.4	17.2
Household work	20	3.9
Other activities	34.4	41.7
	100	100

SOURCE: UNICEF 1998

Table 4.12. Breakdown of agricultural tasks by women/men

Task	%of work	By women
Plough	48.4	56.2
Sowing-planting	8.2	79
Ploughing and sowing or planting	8.9	65.9
Weeding/hoeing	18.9	87.7
Various maintenance	1.6	58.1
Fertilisers	0.3	74.3
/treatment		
Harvest and post harvest	13.7	76.1
Total	100	65.8

SOURCE: UNICEF 1998

⁵⁸ The rate of primary school enrolments in Rwanda are better for girls than boys and the number of positions of women in parliament and government has risen to 40%. The number of women parliamentarians has to be 30% by constitution

On land, custom has not been on the side of women. Rwanda is a largely patrilineal society where inheritance to land goes to sons and not to daughters. In fact if a married woman loses her husband through death, she cannot take over the right to land. She can make use of the land as long as she stays with the husband's family. Her sons will take over the land when they reach the age of majority or if she has no son, brothers of the husband could take over the right to the land (Kairaba 2000, LandNet Rwanda 2003).

However there is evidence that there were a variety of other ways women could have access to land such as presents from the father on different occasions (Burnet and RISD 2000). These forms are also cited by names in Chapter 7.

New legislation (GoR, Inheritance law 1999) has attempted to address the anomaly. Girls can also inherit property including land. However given the cultural position of women, it is still a long way before gender injustice is abolished. In a recent study it was found that attempts to address the injustice is a source of new conflict (NUR 2004). Women even married ones, do go back to their fathers or families to claim land. Before the law was enacted, an uncle or a distant male relative could appropriate land, if the family was not lucky to have given birth to boys. This means after the enactment of the law some women feel empowered to challenges such inheritors of their fathers land. Daughters and sons may also start competing for the same plot of land.

Access to credit by women is also restricted. Access of women to credit extended by Banque Populaires was estimated to be 4.6% only (HCLS 2002). In many parts of Africa women's marginalisation is also in education. Data on Rwanda suggests this may not be the case at all. Girl students have a better gross and net enrolment rates than boys (HCLS 2002).

In all cases the enrolment of women has been much better than that of men. Gender sensitisation campaigns have been very common in the post genocide period. Currently

the number of senior and parliamentary positions held by women is above 40% one of the highest in the world.

Table 4.13 Gross and Net enrolment rates 2001 in primary schools as % of school going children

Area	Gross Male	Gross Female	Net Male	Net Female	Total
National	92.5	92.9	72.4	72.9	72.6
Urban	91.9	92.6	71.8	71.9	71.9
Rural	98.3	95.8	78.8	82.8	80.9
Kigali City	94.4	89.7	77.2	82.3	79.78
Other towns	106.7	109.2	82.5	83.9	83.2

SOURCE: Poverty Profile 2002;XVI-XVII

Table 4.14. Rates of enrolment in Secondary and Tertiary institutions

Area	Gross Male	Gross Female	Net Male	Net Female	Total
National	10.5	10.2	7.1	8	7.6
Urban total	30.7	32.9	22.7	22.4	22.5
Kigali City	33.4	38.7	26.8	23.5	24.9
Other Towns	24.5	21.2	14.39	19.5	17.1
Rural	8.1	7.89	5.4	6.01	5.8

SOURCE: Poverty Profile 2002;XVI-XVII

Another marginalized group is the indigenous group –the Twa. (Jackson 2003). As a social group they constitute about 1% of the population of Rwanda. It is estimated that today they number between 20,000 and 27,000 and only 1.6% of them have sufficient land⁵⁹. The Twa have been generally regarded an ‘underclass’. Traditionally one group of Twa consisted of hunters and gathers (impunyu). Their had production relations were not generally linked to arable land. Historically, as other communities encroached upon forests, the Twa were forced to retreat into progressively smaller pockets of land.

Opening of large farms of pyrethrum in the North of Rwanda, exacerbated a similar process of marginalisation on even a larger scale. The project involved clearing large forests that used to be occupied by the group. Indeed most of these have turned to

⁵⁹ see Minority Rights Group International website

agriculture. Another group doing some pottery work are claiming rights to the use of parts of marshlands -the source of clay, which is used as a raw material (LANDNET 2003⁶⁰).

To groups of marginalized people we can add those that are very vulnerable to poverty. The most significant in Rwanda are the landless and unemployed youth, the children and those who are absolutely poor.

Landlessness is emerging as a serious problem in Rwanda. When it is broadened to include not only people without a piece of land but also unemployed youth, the landless constitute the most volatile and disparate group. Andre (1995) had noted a process whereby, between 1988 and 1993, 45% of young men left the village in search of employment.

In more recent studies on land, a problem that is recurrent is that of 'second generation' villagers. What this means is that, a child who was 10 when the first villages were being set up and land was being shared is now 18. If he is not at school he has already reached the age of majority without any prospective claims to land held by his father. The villagisation schemes dismantled the traditional mode of access to land. The HLCS (2002: 45) describes this process of marginalisation of the youth; " thus more and more young people who are essentially, illiterate and having nothing to do are moving into towns".

But the process of marginalisation of the youth all over the country had started even earlier than 1994 as noted above with regard to Ruhengeri. Several authors indicate that the majority of the militia that did most of the killing in the Rwanda genocide were landless and unemployed youth, particularly those trying to scrape a living in urban centres. Some may have committed atrocities with expectations of getting some land or property. According to Prunier (1995) some villagers had some hope that if things settled

⁶⁰ This by their letter to the president of the Republic

down after the massacres they could obtain pieces of land belonging to victims. This was not a weak incentive in a situation of land scarcity..

There are conflicting figures on the magnitude of landlessness but a most reliable estimate is that of 11.5% of the population (Poverty Profile 2002). In real sense however the large number of people who have less than 0.5 of ha are as good as landless since most likely the capacity of that piece of land to feed the household is limited, as we pointed out in the first section of this Chapter. It is estimated that by 2010 about 425,000 households or 26% of the population will be pushed out of land (Van Huyweghen 1999).

The land policy and land law recognises the problem of landlessness. Population growth in a context of land scarcity means that processes of inheritance and progressive partition of small plots is continuously pushing people, especially the youth, to seek other options. Unfortunately, options are limited and many fall into a state of unemployment or underemployment in conditions of casual labour.

The government intends to create a land reserve to provide land for the landless, but it is not clear where the land reserve will come from, or how the land reserve will be used to give land to such people (see Chapter 7 below).

As said earlier, landlessness is closely related to unemployment among the youth. The youth aged between 15 and 25 years, constitute the majority of Rwandans. A large number do not complete primary school. A quarter of all the youth never did. The majority of the uneducated youth (nearly 55%) are female (Rwanda Poverty Profile 2002). The majority are found in poorer households, 66% of these households are poor compared to the national average of 60%. Only 7% report not having work, but there is no basis to ascertain the precision of the figure. It could be an underestimate

Another group that is vulnerable is children. These could be the children under 15. The most vulnerable to poverty are those who are dependent and yet their mothers or families

cannot adequately tend to them. The most vulnerable are, of course, infants below the age of 5. One of the effects of genocide was deteriorating conditions for children. The infant mortality, which was 85 per 1000 live birth in 1992 rose to 125 in 1996. The under five mortality was 150 per 1000 and rose to 185 in 1996.

Major killer diseases that afflict children have been malaria, respiratory and diarrhoeal diseases in that order. Children also become affected by HIV/AIDS from infected parents.

Another problem common with children is malnutrition. The Multiple Indicator Cluster Survey(MICS 2000) observed that 19% of all children under 5% had retarded growth, 24% had moderate growth and 57% had normal growth. Among all the children 15% were severely emaciated, 5% moderately emaciated and 94% had a normal weight to height ratio. Under nutrition is a clear indicator of poverty.

As a group the most vulnerable are children that happen to head households. The definition extends the age limit to 20, but in periods after genocide some were very young in biological sense⁶¹. In the recent survey they constitute 1% of the population and go up to 2% in Gisenyi and Gitarama.

In this category can be included street children who have no parents and cannot attend school. In the period after genocide the estimate was about 100,000 children. Orphans were up to 300,000 but these were gradually adopted while others have grown up and been absorbed in school systems or their extended families.

Another category of vulnerability is that of absolute poor and destitute as well as people with severe disabilities. Absolute need is permanent in some categories of people. From

⁶¹ A child who is above 15 is intelligent enough to know what was happening. In one of the poverty surveys we interviewed a girl of about 14 who was heading a household of two younger ones. During genocide she was 7 but then her mother died (after some years) due to complications related to injury sustained during genocide PRT (2002). The official age of majority in Rwanda is 18.

some analyses these are especially those who are ‘food poor’ (Muller 1998,HCLS 2002). These are people or families prone to going hungry for many months of the year. Food is the most basic and biological need, Lack of which leads to the crudest form of poverty or destitution. From Muller’s estimate using the 1985 Household Survey data, about 20.7% could be so classified as chronically very poor.

Another aspect of vulnerability is uncertainty in relation to production and consumption. By this observation, vulnerability is not necessary poverty itself, but how an individual’s living conditions can change rapidly and unpredictably (Rwanda Poverty Profile 2002). A number of such cases have been identified.

Firstly, a household with less than 60 ares (0.2 ha) of land, a maximum two active adults, no supplementary source of income and with no large livestock, like cows or has two or less ruminants, like goats, can be regarded as vulnerable. Secondly is an unstable household without proper residence and having nowhere to do basic cultivation. A third category is that of farmers affected by natural disaster. Finally are peasants without land, as we have discussed above. Recent estimates of vulnerability are presented in Tables 4.15 and 4 .16..

Table 4. 15 Percentage of vulnerability by provinces

Province	Percent
Butare	31
Byumba	12
Cyangugu	15
Gikongoro	21
Gisenyi	7
Gitarama	18
Kibungo	16
Kibuye	15
Kigali	14
Ruhengeri	5

SOURCE: UNICEF 1998;12

UNICEF (1998) used almost similar criteria to identify vulnerability, which are characteristics that still apply to Rwanda today. A recent analysis of poverty in Rwanda

based on the recent survey (Rwanda Poverty Profile 2002;HCLS 2002) suggests almost the same criteria

Table 4.16: Vulnerability in Rwanda

Characteristic	All rural households	Vulnerable households
% Female households	27.1	32.2
Area/member (ares/capita)	26.3	11.1
Number of cows	0.7	0.2
Number of sheep	0.3	0.2
Number of goats	0.6	0.3
Bananas under cultivation (ares)	17.7	4.4
Stock of legumes (kg)	45	12.7
Stock of tubers (kg)	298	11.9
Number of meals per day	2.0.	1.8

SOURCE: UNICEF (1998):12

Firstly there are agricultural households that are landless or have small areas of land especially where it is poor quality.

Secondly, there are households where a high proportion of their members are dependent on the economic activities of one or two members or transfers. Thirdly, there are uneducated young people who either never attended school or were left alone at a young age and have limited work prospects.

To have a closer analysis the rest of this section considers each group separately. This does not mean that in targeting they need to be isolated as well. It may be necessary to have a pooled group with all attributes of poverty and vulnerability to minimise targeting errors.

UNICEF (1998) pointed out, quite correctly that it is chronic poverty and subsequent vulnerability that creates a poverty trap for the poor of Rwanda. A poverty trap is a spiral of conditions that make a person perpetually poor.

Poverty prevents a household from sending children to school undermining the chances of the children of getting out of poverty in the long run. Secondly, the fragile health of the poor diminishes their productivity and reinforces their poverty. Thirdly, poor households in clearing land and getting wood fuel, destroy the environment, which they greatly depend on. Finally the poor indulge in short term activities that undermine their long-term capability of getting out of poverty.

These, as said earlier, are our own propositions of how poverty in Rwanda looks like. There may be more features that may be advanced. However, it was important that we attempt to test some hypotheses of what we thought was the character of poverty in Rwanda. Indeed most of them were proved to be true using the stock of secondary data and surveys available. This justifies the earlier statement that poverty in Rwanda is multifaceted. In the next section we carry forward another part of the same argument stated at the beginning that Rwandan poverty is also deep. Using available data we examine the depth of poverty in Rwanda.

4.4 THE EXTENT OF POVERTY

In this section our aim is to show the depth and severity of poverty in Rwanda. In the analysis is a review of some of the most recent estimates of poverty. However in all the cases the argument that poverty in Rwanda is deep holds. With the discussion in the last section, it should be possible to support the argument advanced at the beginning that Rwandan poverty is multifaceted and deep. However let us first clarify some methodological issues.

A first remark is about the most popular definition of poverty as lack of income. For Rwanda and other economies that are dominantly agricultural, this is often a poor estimator of poverty. Since up to 90% of Rwandans live in the subsistence sector without wages or salaries, annual incomes of households cannot be easily calculated. Most of what is produced is often for own consumption and cannot be easily estimated. Moreover

statistical collection capacities in Rwanda are so weak that imputing incomes from auto-consumption is difficult (MINECOFIN 2002).

Secondly, current income estimates do not necessarily reflect the true living standards. The shares of income that is spent and the part that is saved depend on several household decisions and dynamics. One is usually, how large are the long term income streams expected, which would vary for households having the same levels of income. The argument here is consistent with what in macroeconomics is called Permanent Income Hypothesis. It would also depend on the consumption behaviour and tastes of the members of different households.

Thus consumption expenditure is used to estimate the standards of living and subsequently levels of poverty. It may reflect better the standard of living, because it estimates the value of goods and services consumed by a household in a year. It is used to draw a poverty line, which is a threshold dividing the poor from the non-poor, we discussed in Chapter 2. Many developing countries have managed to estimate their living standards using variants of this method⁶². Estimates of living conditions and poverty in Rwanda have been derived from two major surveys so far. We focus on these two in the rest of this section to discuss the extent of poverty.

The first survey was carried out between 1983 and 1985 (ENBC 1985) and the latest was between 2000 and 2001 (HCLS 2002). The Household Budget Survey of 1983-85 was conducted with the aid of French experts. It fixed the poverty line at the average expenditure of the 40th percentile of households ranked by expenditure or in other words the lowest 2 (two) quintiles. The annual total consumption per household was estimated at RWF 51,176 (1985)⁶³. It is worth noting also that the average consumption RWF 51,176 gives a per capita average consumption of RWF10,613.7 (Muller 1998). With these statistics poverty was estimated at 40 % in 1985 and was extrapolated to 53 % in 1993 just

⁶² Information on Living Standards Measurement Surveys (LSMS) can be obtained by visiting www.worldbank.org a website of the World Bank

⁶³ The rate of exchange in most of 1985 was 1US\$ for slightly higher than RWF 100

before the genocide. In monetary terms the poverty line was RWF 13,810 or \$173 in 1985 prices.

A common problem with such measures is that a single statistic cannot truly reflect such a nation wide phenomenon as poverty. But a more genuine skepticism is as Uvin (1998) correctly points out, the use of this poverty line. Comparing information on nutrition using Lipton's (1988) definition it was possible for Uvin (1998:111-114) to show that poverty in Rwanda was underestimated probably for political purposes or oversight at least for 1993⁶⁴.

The World Bank report tells us that expenditure on food were 88% of total for the poor and 74% for the non-poor. Another study in 1991 found that rural households spent on average 80% of their incomes on food in urban areas the figure was 54%. These data suggests that a very large proportion of the so-called non-poor were in fact extremely poor.

His suspicion can be supported from another perspective. The upper limit of the second quintile was RWF 10,250 or an average consumption of slightly above RWF 9,300 per person (ENBC 1985). Using 1985 exchange rate this was equivalent to about US\$ 100. Even without accounting for the depreciation of the value by time or appreciation of value by inflation for a period of about 5 years, the US \$ 100 for a family is far away from the dollar a day adopted as a poverty line by the World Bank by 1990.

The significance of this shortcoming is based on the observation that major studies on poverty before and up to 2002 used the estimates and the only survey results in particular. (see e.g. studies by Muller after 1994). A more general shortcoming is that of using a second quartile as the cut off rate for poverty. In a dominantly poor economy like Rwanda, it would not be surprising that even households in the third quartile can be found to be poor by using another poverty line.

⁶⁴ As in other places in Africa one cannot dismiss as Uvin (1998) that such underestimates may have been politically motivated such as producing data that politicians and donors would like to hear. Equally likely is a possibility of oversight. Uvin (2002) is one of the authors who underscore the role of numbers in countries like Rwanda and Burundi in *Census and Identity*.

The flaw with poverty estimates before 2002 can also be gleaned from estimates of calorie consumption. If households consuming less than 100% of required calories per day are considered to be poor, results from the 1985 survey reveal that between 48% and 58% of all households could be regarded as poor⁶⁵. Basing on an assumption that poorer households tend to have larger families, then even as far back as 1985 the population in poverty was 50% on average if not more as opposed to 40% usually cited.

A major effect of flawed estimates is felt in targeting policies. With poverty underestimated, more poor people will not be targeted and therefore the higher will be the likelihood of what is called the F error of targeting mentioned in Chapter 2. The error is associated with misallocation of resources to the non-poor.

Besides the apparent distortions, the Budget Survey results did not estimate other measures of poverty that capture better the dynamics of poverty in Rwanda. One sure reason could be that the works on decomposing poverty measures were not yet quite popular (i.e. Foster, Greer and Thorbecke 1984). Ten years later the first attempt of a dynamic analysis was made with reference to Rwanda again based on the only Household Budget Survey available (Mueller 1997).

Mueller identifies the effect of seasonality on poverty. He also analyses the magnitude of chronic and transient poverty in Rwanda as distinct from average poverty. What does not need a lot of effort to explain is that macroeconomic attempts of targeting and manipulating government expenditure cannot capture such dimensions of poverty. At most, the aggregates focus on average poverty and the high estimates of inefficiency in targeting imply restricted capacity to address chronic poverty.

⁶⁵ Of course with some adjustment may necessary for better estimates because it is usually agreed that the daily calorie supply is a gross estimate. A pregnant woman needs more calorie intake than the average. A manual labourer needs more calories than the demand of someone who will spend most of the day lying down. FAO/WHO are the authorities of the concept and further analysis can be extracted from their websites www.fao.org and www.who.org

Adjusting for price fluctuations and geographical effect, he found that a fifth of the per capita consumption of RWF 10,613.7(1985) is about RWF 2,126.8 per capita which is the absolute poverty line. He then shows that the Head Count index was about 20.7%. Which means 20.7 out of a hundred are experiencing hardcore poverty.

Likewise, at two-fifths of the per capita consumption of RWF 10,613.7 (1985) is about RWF, 4,253.6 per capita below which is the ‘poor’. Thus 39.4% can be classified as being simply poor (including those classified as hard core poor). Under both poverty lines, the dry season is periods of crisis where poverty indices show 39.8% and 60.3% for absolute poor and poor head count indices, respectively or what he calls season D⁶⁶.

It is possible to know how many people are below the poverty line using the head-count index, but it is not possible to know the degree of poverty, using the same index. That is for example, if there were transfers between poor people who are all below the poverty line as discussed in Chapter 2.

He thus also calculates the poverty gap of the “hard core poor” as 0.039374 and for “poor” 0.091759. This means the poor on average would need at least what is equivalent to 9.2 per cent of the estimated consumption expenditure. If all the poor had the level expenditure on average bordering the poverty line this measure would be almost zero.

There are also estimates for the severity of poverty. The estimate shows that the severity of the absolute poor was about 50% of the population taken as the square of the depth of poverty. . This means at least half the population of the poor are far down and from the poverty Such a rate would suggest, assuming the figures were correct, that policy did not go so deep as to reach the poor. Such an observation is not uncommon. Even in relatively rich countries reducing poverty of those nearer the poverty line is cheaper than those in the bottom deciles.

⁶⁶ Season D was represented by data collected in August.

But the issue is what lessons do we get from the findings of such analyses? On one hand there is little utility of the data if we adhere to the observation that all estimates before the 2002 Survey are dubious or do not reflect the true conditions of poverty. On the other they are quite useful in one or more ways.

Firstly, assuming the estimates reflect, albeit inaccurately, the extent of poverty before the war, then its depth and severity was appreciable. Secondly, policy may be able to reduce the head count number of poor by reducing the number of poor near the poverty line. However, with measures of depth and severity of poverty, we get a picture of how the nature of poverty is below the poverty line. The depth of poverty estimates how far a poor person is from the poverty line. The severity of poverty being the square of the depth of poverty gap gives an idea of the distribution of income below the poverty line. Thirdly, the idea that poverty in Rwanda is affected by seasonality is important for policy, because no matter what long-term policy we design, safety nets to keep the poor from slipping back into poverty are important. Muller's finding on geographical variability of poverty supports one of our hypotheses in the last section.

Finally we should recall that the period after 1990 was characterized by instability and turmoil. Thus other poverty indices in the 1990s were estimates or based on smaller surveys like one carried out by the World Bank after 1994. We also cautioned about the idea of prosperity in Rwanda in the 1980s when a large part of its population was languishing in exile. This would be the same error of viewing poverty in terms of figures without considering the affected poor groups. We also noted how land was such a big, problem in Rwanda that some Rwandans had started becoming economic refugees in the 1980s. Even if figures on consumption were right the levels of human poverty were by descriptive indicators high.

This leaves us with the most recent household survey (HCLS 2002). It is important because it is not only the most up to date estimate of poverty but it is the yardstick that is used in designing the current poverty reduction strategy. Unlike the previous one it is

based on an improved methodology and is used to compute the decomposed poverty measures used in most modern analyses of poverty and poverty profiles. However, it should be pointed out that it cannot be compared directly to the previous one. The methodologies of the two are so different that direct comparisons are not possible.

Extreme poverty was estimated at RWF45,000 per adult per year and poverty generally at RWF 64,000⁶⁷. The computed level of poverty was estimated at about 60.3 % of the population basing on 2001 population estimates. For depth of poverty the rate is 25.4% and severity of poverty 13.7% (Poverty Profile 2002).

The results of the survey are important for updated estimates of poverty. But it also has limited capacity technically to informing policy on poverty in a number of cases. .

Firstly it has been pointed out that the two survey results are not directly comparable⁶⁸. The data was collected from two differently designed tools. Lack of panel data still haunts poverty analysts in Rwanda. But above all the dynamic changes in the demographic, political and economic spheres, in the last ten or so years, disturbed the aggregate correlates of poverty. Most of these changes have been described already.

The second and crucial issue is whether current estimates closely reflect the true levels of poverty in Rwanda? To some extent they do and these estimates are extensively used in Rwanda in designing policy and making decisions. However the nature of poverty in Rwanda seems to be too complex to be captured by summary statistics. The evidence is to be found in data from other surveys that have been undertaken in Rwanda. Two remarks cast a doubt on the ability of the survey to capture the nature and dimension of poverty in Rwanda.

⁶⁷ In 2002 the exchange rate was on average between RWF 330-350 per 1 US \$

⁶⁸ A poverty profile for Rwanda is deficient of changes in poverty over time and largely relies on the 2002 survey report only

The first concerns recent dynamics of impoverishment in Rwanda. As noted earlier the survey put the rate of poverty at 60%. This is still a figure on the high side, but that reflects considerable improvements on earlier estimates of 77% (1995) in the period after genocide (World Bank 1996). An important observation to make is that after the war the main preoccupation of the government was rehabilitation. Efforts that were dominant were directed to revive the economy and put back infrastructure to a level equivalent to the period before the war. As such statistics may reflect improvements that may have little to do with the actual livelihoods of the people.

Secondly, and related to the first argument, there is reason to believe that most people became worse off in the period after 1994. The argument can be supported by qualitative information. After 1994 a majority of Rwandans were displaced. There were a lot of population outflows and inflows. These movements of course affected people's livelihoods. More than 3 million people were refugees and started returning to Rwanda in 1996 and 1997. A recent and smaller survey indicates that there are some who are still coming back (NUR 2004). There were also in excess of one million Rwandans who started returning after more than 30 years in exile. Many of them experienced economic shocks that made them worse off (ACTS 2004).

In a micro survey, cited in the previous paragraph, it was found that the movements affected a substantial number of people. In areas where there were influx of the old case returnees (those who had fled Rwanda in 1959) land and property had to be shared. A returnee would settle for a smaller plot of land and less property than what he had in exile. The one who was in Rwanda before 1994, had to accept a smaller plot of land and less property as a result of sharing. Meaning, both parties were worse off after 1994 and a good part of late 1990s. Where there were no sharing, things may have been worse but a substantial part of late 1990s was used regaining the levels of livelihoods to those they had reached before fleeing the country in 1994. The latter case should include the genocide survivors who had lost relatives and property during the genocide.

No doubt the statistics that have been generated by the surveys we are relying upon cannot capture all forms of deprivations experienced in Rwanda. We identified what could constitute features of poverty in Rwanda. There were cases of widespread vulnerability and marginalized groups in this section. The case of land will be discussed in the next chapter. At every point in the post independence Rwanda there has been numbers of its populations living as refugees and perhaps in deep poverty or insecurity. In sum poverty in Rwanda is not only multifaceted, but it is deep and complex as well. There are a lot of qualitative indicators of poverty that cannot be captured by these statistics. What is important is thus having a policy comprehensive enough to capture most of these. Working with numbers alone cannot for example handle issues of deprivation, inequality and the conflict component inherent in Rwandan poverty that introduced this chapter. We shall come back to this observation under policy definition.

4.5 CONCLUSION

Several conclusions are imminent from this chapter. Poverty analysis is an activity in the social sciences. Therefore any analysis can be disputed. However what we were attempting to do in this chapter was analysing the causes and nature of Rwandan poverty. This is in line with the overall argument that we need to understand poverty before we can endeavour to suggest any policy intervention to be taken by the government. It is at this stage clear then that Rwandan poverty has multiple causes.

A major finding is that poverty and conflict are intertwined in more intimate levels than one. Conflict is visibly linked to poverty in a dynamic manner. It is not a question of genocide or armed conflict only being related to poverty and vice versa. The conflict can be demonstrated with regard to land, environment, population, politics and economics. The specific linkage between poverty and conflict can be generalised into a 'poverty-conflict trap' as mentioned in the hypothesis. The thesis is not a prophesy of doom for Rwanda. It is an argument that conflict is and continues to be part and parcel of poverty discourses.

While some data on poverty could be questioned, it was possible to show that poverty in Rwanda is not only deep but also severe. However to understand its dynamics and especially what happens below the poverty line, a variety of measures and indicators need to be used in analysing poverty. Coupled with some descriptive information, it is evident that poverty is a problem of high magnitude in Rwanda. However we have learnt that looking at magnitudes of poverty through numbers needs to be done rather cautiously. It should not be difficult to understand why Rwanda is among the poorest countries on the globe. And for that, its poverty is more than what can be captured by statistics alone. It is therefore also understandable that studies to search for an effective policy package for Rwanda is important academically and technically.

CHAPTER 5

RWANDA: AN ASSESSMENT OF TARGETING EFFICIENCY AND CURRENT POLICY REVIEW

5.1 INTRODUCTION

This chapter presents two sets of findings on Rwandan poverty reduction policies. First we use data on Rwanda to estimate levels of targeting efficiencies. We find that these are relatively high. Secondly we devise an approach of evaluating the current policy framework. We find that the current policy, may not be capable of breaking the ‘poverty –conflict trap.’ Both sets evaluate the argument that the current policy framework is too weak to address the type and levels of poverty discussed in the previous chapter.

In the first part we use most of the methods and models discussed in Chapter 2. Firstly Kanbur’s equations are used to calculate what would be the size of a grant that would make the poor cross the poverty line.

For efficiencies in targeting poverty we use the Beckerman’s model. With it we estimate the levels of vertical (in) efficiency, poverty reduction (in) efficiency and spillover. Effectiveness is tested later using secondary data on education and health. In all cases the central issue is assessing the extent to which in reality (in quantities as opposed to general policy) government targets poverty.

In the second part, which is closely related to the first, the analysis is more descriptive. We advance a set of assumptions and test them using existing information and evidence. These assumptions are statements, which we view, as being taken for granted by the current policy statements. In one of the assumptions we use calculations to show how the

estimate of crossover times out of poverty using Kanbur's equation are almost a century away. In other words the assumptions selected, are critical challenges to the present policy framework, which are taken either as given or as having no significance to the tenability of the aspirations and targets of current policies. They are used as tools of policy analysis prospectively.

5.2 TARGETING INEFFICIENCIES OF POLICIES

Closely related to the extent and deep levels of poverty in Rwanda is our argument that targeting poverty through social sectors is grossly inefficient in Rwanda. In this section we provide evidence of calculations using the most recent data on Rwanda. Let us do the analyses using common targeting hypotheses discussed earlier in Chapter 2.

5.2.1 Zero Targeting Hypothesis

Depending on growth for poverty reduction alone is referred to here as zero targeting. Growth as a precondition to poverty reduction is not the same as mis-targeting as defined above. In other words, it is not possible to conceive a situation where no poor person is affected by growth of the economy. However with regard to Rwanda and perhaps other poor countries the debate is how reliable is growth as a tool for poverty reduction. The first question is whether Rwanda can generate economic activities within the framework of the poverty reduction programmes that can ensure the minimum growth rates targeted in existing policies (Vision 2020, PRSP 2002, Millenium Development Goals). This specific analysis of Rwanda is undertaken under current policy review below. The capacity of growth to reduce poverty is tested using poverty elasticity estimates on Rwanda.

At a broader level there are a number of constraints that have been observed in relation to performance of most African economies in the last two decades (Easterly, William and Levine 1997, Guillaumont, Guillaumont and. Brun 1999, Mkandawire and Soludo 1999)

These include major socio-political elements of governance such as corruption, bureaucracy, enforceability, civil war, lack of social capital, low social development and inequality (see Chapter 4 above). Governments, including those of Rwanda have, been marred by behaviour damaging long-term interests of their populations including serving narrow constituencies. These can be grouped together as shortcomings of the 'trickle down approach' and the failure of the 'development policy paradigm'. One major reason for such failure has been cited as lack of openness to trade. Restrictive trade policy, poor access to the sea and the Dutch disease are thought to account for up to 1.2 per annum growth shortfall (Sachs and Warner 1997)

Low effect of public services is another problem. Rwanda has for instance showed improved indicators in education (World Bank 2004) but why this has not generated rapid growth may be accounted for by factors specific to the country. The most proximate cause is most likely conflict. In any case it is increasingly becoming clear that poverty reduction cannot be left to the whims of economic growth without targeting or policy.

Other constraints that need to be reviewed in greater depth include geography of Rwanda, bottlenecks in the financial sector, high aid dependency and indebtedness¹. Some of the answers to this issue are discussed in the last section of this chapter, under current policy framework

5.2.2 Perfect Targeting Hypothesis

To have a better appreciation of the hypothesis this section focuses on estimates that shed light on what it would take to reduce or eradicate poverty.

¹ See World Bank (2004)

i) Expenditure to reduce poverty to zero.

In this section we estimate what we called the poverty gap but this time in financial terms. The importance of this figure is three fold. Firstly it would give the amount that would be required if a transfer was to be administered. Since this is most unlikely in Rwanda under current levels of growth and revenue collection, the figure can be used for poverty reduction programming. As we noted earlier, the head count index cannot reflect the changes among the poor groups below the poverty line. This figure can therefore be used to monitor to what extent the distance to the poverty line has been reduced after administering a poverty programme. In this regard the estimates presented in Appendix 4 can act as present levels of poverty from which progress can be monitored after specific interventions. Thirdly compared to total revenue or budget the figure describes the burden of poverty in Rwanda. It informs on how much the rich may need to sacrifice part of their incomes to assist in poverty reduction initiatives. Below we present the general estimates that we shall use to estimate levels of targeting efficiencies today.

The amount required to reduce poverty to zero was given in the methodology as **npz** (see Chapter 2). The poverty lines are as explained in Chapter 4. The ratios of the poor to non-poor are those from the most recent household survey and the total population is the 8.6 million estimates that were used before the recent census. Estimating these for Rwanda therefore gives the results presented in Table 5.1.

5.1 National level expenditure to cover the poverty gap

	Share of the popn	N	Z	P1	Minimum financial cost mi RWF
Extreme poverty	41.60%	3.5776	45,000	0.144	23,182.85
Total poverty	60.30%	5.1858	64,000	0.254	84,300.36

SOURCE: HCLS 2002;139-141 and own calculations.

These figures give both the amount that would be required to eradicate the two forms of poverty. They also reflect how large the gap is. Nominally the figures mean it would

require about 23 billion francs in government expenditure to uplift the extremely poor to the level of the extreme-food-poverty line. It would require 84.3 billion to eradicate poverty including non-food poverty.

The figures can be compared with existing budgetary disbursements. For example to eradicate poverty requires an amount which is 73 % of the 2001 government budget of Rwanda. For food poverty the amount is about 32% of the budget. These are minimum costs. They do not include administrative costs of an initiative to eradicate poverty. In this regard it can be stated that the burden of a poverty reduction policy, was it independent of development policy as such, is still very immense in Rwanda. Indeed operationally, a likely action would be to estimate the size of the gap that can be covered in a programme. If Vision 2020 was to be more operationalised to estimate resources that would be required to eradicate poverty over 20 years, then these are the gross figures one would need to start with. Appendix 4 decomposes these estimates into different categories corresponding to different categories of poverty attributes.

As demonstrated in Chapter 2 it is possible to use the figure, to estimate targeting efficiencies in Rwanda by simulating a hypothetical condition. From the model we look at how the amount to raise the poor to the poverty line would be spread in the economy. We argue that this can give us the levels of inefficiencies because current policies have no targeting checks to prevent finances spilling over to the non- poor. We also assume that there is always, as Martinussen (1999) suggests some 10% of the poor who will be missed out by government interventions.

Let us then use the estimate in Figure 5.1 to estimate levels of efficiency of targeting. This means even if the amounts spent on poverty are less than the total poverty gap estimate targeting (in) efficiencies will roughly be the same unless measures of financing, like those proposed in Chapter 7, were instituted. The figures for ordinary poverty (not food poverty) would be as in Tables 5.2.

$$\begin{aligned} \text{Per capita expenditure required by government} &= 23,182.848 \text{mi} / 8.6 \text{ mi} \\ &= 2,695.68 \text{ RWF} \end{aligned}$$

Table 5. 2: Simulated expenditure in the population

Category	Total number	Unit expenditure	Total expenditure
To poor	3,577,600	2,695.68	9,644,064,768 RWF
To Non poor	5,022,500	2,695.68	13,539,052,800 RWF
Poor excluded from expenditure	357,750	2,695.68	964,379,520 RWF
Spill over	3,219,750	124.6	401,180,850 RWF

SOURCE: Own calculations

From these simulations the target efficiencies from the model (see Chapter 2) are as follows

Table 5.3 Levels of (in) efficiency

Measure	Formula	Entries	% Efficiency
Vertical	$A+B/A+B+C$	$(9,644,064,768+401,180,850)/(9,644,064,768 + 401,180,850 + 13,539,052,800)$	42.6
Poverty reduction	$A/A+B+C$	$9,644,064,768/((9,644,064,768 + 401,180,850 + 13,539,052,800))$	40.90%
Spill over	$B/(A+B)$	$=(401,180,850)/(9,644,064,768 + 401,180,850)$	4%

SOURCE: Own calculations

However general the figures are, some inferences can be made. Targeting in a poor economy like that of Rwanda is difficult if not inconvenient (World Bank 1998). In any case the levels of efficiency assuming envelope expenditures (without controls as in Chapter 7) are all less than 50% of expenditure. What do these figure mean?

The vertical efficiency estimates amount of transfers that go to pre transfer poor. We noted that there are no cash transfers in Rwanda. However, we noted that the estimates give us a picture of what is spent in the economy ‘allegedly’ for poverty reduction. In this

regard it means at least in every RWF 100 spent on poverty reduction, without proper targeting only RWF 43 reach poor groups.

The poverty reduction level of efficiency estimates the ratio of expenditure on poverty that goes to the poor and actually raises them to the poverty line and above. In this regard only 41% of the expenditure actually helps the poor out of their condition. This figure even at this abstract level is still quite low.

The spill over rate is quite low. In any way it was a non-arbitrary estimate. Our estimate finds that it may be about 4%. It means actually the amount that was spent on the non-poor was 4 out of 100 that was generally spent. It is however possible the rate is low because the rates of poverty in Rwanda are already very high. Those who are not poor are basically few and the chances of including them become diminished as a result. For spill over, the lower the rate the better and 4% is not unreasonable². In practice, zero poverty is not the best assumption. Some fraction of poverty reduction may be targeted, subject to availability of resources or revenue collections.

The estimates above are national aggregates. It is possible for poverty reduction initiatives to estimate poverty gaps for different categories of poverty, different areas or for composite features of poverty. The figures could be used for planning or monitoring purposes. In the next section is further simulation by devising weights that can account for the different features of poverty discussed earlier.

ii) Weighted Targeting estimates.

Given the calculations above and assuming an autonomous poverty reduction budgetary decision mechanism (we call it institutionalised social policy in Chapter 7), it is possible to carry forward these estimates into further simulations. One example would be an attempt for a composite targeting approach that would address several forms of poverty at the same time. In the following paragraph is a typical calculation from Rwandan data.

² In arguing for A universal Grant we concur with Creedy that spillover is not a bad thing in terms of social welfare. This is a case where using Negative Income Tax it can be shown that the Head Count index is a better indicator and behaves better with Universal Grant.

Given that the majority of the poor are rural based, a majority are women, some provinces are poorer than the rest (e.g. Gikongoro, Butare and Kibuye) and weights are fairly represented by the population share of the poor. Then it is possible, to determine allocations that are meaningful in targeting poverty. These would be for instance the amounts to be allotted for grants if these were applicable in Rwanda. On the other hand these are estimates of the size of the poverty gap to be used by social policy operatives. Results of the estimates are presented in the table 5.4 below.

Table 5.4. Weighted Target expenditure on rural women

	Gender weight	Regional weight	Rural/urban weight	aggregate weight*	Minimum expenditure RWF
Butare	0.532	0.0824	0.895	0.34	7,882.15
Gikongoro	0.532	0.0634	0.895	0.26	6,027.32
Kibuye	0.532	0.0573	0.895	0.23	5,332.00

SOURCE: HCLS 2002:130-138 and own calculations

*Weights multiplied by total population

It is thus possible to say that under present poverty conditions eradicating absolute poverty for rural women in Butare would require expenditure in excess of RWF 7 billion in current prices. Availability of a fraction of this amount can give a working figure, on the amount of the poverty gap can be covered assuming efficient targeting. Figures for other Provinces are as shown. So although Kibuye is suspected to be the poorest of the provinces estimates of expenditure are not necessarily higher than the rest of the provinces because of the weights. It is possible to have closer estimates by using regional weights for rural to urban and for male /female ratios. Similar procedures can be used to simulate expenditures for other attributes such as occupation and vulnerable groups (see Appendix 4). Planners within the social policy framework discussed in Chapter 7 can have therefore simple benchmarks indicating poverty gaps under different poverty conditions.

Noteworthy is the possibility of the targeting mistakes discussed earlier. In targeting rural women of Butare a control would have to be improvised to ensure expenditures do not fall to women in the rural area of Butare who are not poor (E- mistake). It is possible if

rural poverty profiles and maps are available, as is being attempted in Rwanda now (Butare Pilot Project 2001 and PPA 2001). The F mistake is possible if such expenditures do not reach the target population, as is the case when most of program money leaks into pockets of program officers and overhead costs. These estimates are important in another way. They justify why there is a reason to have a clear targeting strategy. We shall emphasise that so far expenditures are assumed to be on poverty, just because they are directed to certain sectors, without looking at the extent they go to non-poor groups. In an ideal situation of cash transfer the estimate also sends a message of the need to influence targeting. In Chapter 7 for example the method of financing is important. The richer have to pay more of the taxes from which the poverty reduction finance has to come from. But these figures on their own cannot be relied upon. They are based on ideal calculations. To get a picture of the targeting problem in Rwanda we need to get closer to real expenditures. In the next section we therefore analyse closely what takes place in some key sectors.

5.2.3 Target inefficiency using budget estimates on key sectors

In these estimates we use the budget estimates for Rwanda 2001. The coefficients of budget expenditures across sectors are the ones estimated by the World Bank (World Bank 1998). These are given in the Table 5.5.

Using head count index to determine poor and non-poor numbers, expenditures in the budgets can be decomposed according to whether they go to the poor or non-poor. In the next table estimates for general expenditure and social services are demonstrated.

From the estimates of select sectors above it is clear that per capita expenditure of the poor to the rich is above 2 to 1. Given that the ratio of their number currently is 1.7 to 1 suggests that the variance of targeting is not so high assuming that the non poor also require services. On the other hand there are a lot more elements of expenditure in the previous table like transport and communication and industry, which are biased towards

the non –poor. Evidently the gross per capita expenditure would change substantially. It is also fair to say that, such incidence estimates provide insights into the degree of targeting implicit in expenditures.

Table 5.5:Allocation ratios ³

Category	Poor %	Non poor %
General public services	96	4
Defence	90	10
Education	75	25
Health	60	40
Other social services	50	50
Agriculture	90	10
Mining, manufacturing and Industry	99	1
Energy and public works	90	10
Transport and communication	99	1
Other economic services	90	10
Interest on domestic Debt	100	0
Interest on external debt	60	40
Other expenditure	100	0

SOURCE: World Bank 1998:Appendices

Table 5.6:Example of allocation between the poor and non-poor

Category		Poor %	Non poor %
General public services*	14.6	14.06	0.876
Defence	25.006	22.505	2.501
Education	25.562	19.172	6.391
Health	4.147	2.605	1.766
Other social services*	8.7	4.35	4.345
Per capita exp		11,366	5,148

SOURCE: Own calculations. *Based on estimates for 1998

³ These ratios have been criticized since there seems to be no detailed explanations on how they were arrived at. UNDP (2004). Empirically they originate from actual disbursements and execution of the Rwandan Budget. However, To minimize over reliance on their accuracy, we use them here as an indication of possible spillovers to non –poor in most sectoral allocations for estimates only.

5.2.4 Effectiveness of targeting: A case of expenditure on social services

The justification for increased social services expenditure has been reviewed adequately by scholars (see e.g. van de Walle and Nead 1995). In this section the target efficiency measures are tested with regard to actual government expenditures. But before doing that it is in order to recapitulate some conventional wisdom regarding social sector expenditure and poverty reduction.

Social services expenditures are without any doubt pro poor. Yet spending on social services in terms of health and education is indirect to poverty. In other words there is no discernible improvement in the head count index at least in the short run. The effect of such expenditure is lagged over several years. This was discussed considerably in the last chapter. A long-standing debate is the opportunity cost of undertaking such expenditures. Spending relatively more on economic services may be more augmenting to long-term growth than on social services. However the rationale remains that improved access to social services is not only redistributive but also enhances the value of human resources, which reduces human poverty besides promoting economic growth. It would be the task of a social policy body discussed in Chapter 7 to determine the optimal levels of social sector expenditure that can stimulate growth without crowding out physical investment.

There is data to show that expenditure on health and education in relation to total government expenditure has been rising over the years (see Table 5.7).

Table 5.7 Expenditure on education and health as % of public expenditure

Year	1993	1994	1995	1996	1997	1998	1999	2000
Education	8.2	8.9	16.3	16.3	20.5	18.6	20.2	30.2
Health	2.2	2.2	3	2.1	2.5	3	3.4	3.1

SOURCE: World Bank 2004;64 and MINECOFIN 2004

Yet recent studies, as demonstrated below, show critical problems of the expenditures reaching the target population (PETS 2002, QUIBB 2004).

In the most recent surveys in Rwanda the following shortcomings were noted; there are important discrepancies between allocations and actual public spending, users fund the shortages of revenues needed to run facilities, households support relatively more of recurrent expenditure than the government, delays in transferring public funds to users is a common phenomenon and is blamed on the current cash budget system being used by the government and allocations do not reach the bottom (PETS 2002, CWIQ 2002).

In the health sector allocations are made to regional health offices and to education provincial education centres. In allocations for education nationally there is no expenditure on student welfare. Service delivery and overheads take up more than 99% in primary education. Salaries take up more than 70% of allocations.

Table 5.8 Functional distribution of current public spending on education 1999 in %

	Primary education	Tronc commun	Upper high secondary	Tertiary
Management overheads	20.4	9.6	10.7	7.8
Service Delivery	79.6	73	75	43.2
-salaries	71.4	30.1	35.5	
Student welfare	0	17.5	14.3	48.9

SOURCE: World Bank (2004:65) Rwanda Education

The picture depicted in Table 5.8 is that more money is spent on people who are not poor in the education sector. Combining the salaries of teachers and administrative personnel Table 5.9 shows that over the years, despite a small decline, money resources go to the non-poor, if we agree that teachers and their supporting staff are not poor groups.

Table 5.9 Distribution of current spending on education 1999-2001

%	1999	2000	2001
Salaries	59	55	53.4
-primary	41	37	34.5
-secondary	10.1	8.8	9
-higher	8	9.2	9.9

SOURCE: World Bank (2004;66) Rwanda Education

However, it is sensible to assume that, if teachers are well remunerated, the quality of their output may have impact on what the children get in terms of quality education. Quality education is an important element of an effective education system that will reduce poverty. More empirical data is still required to track the impact of expenditure on social sectors.

The facts in Table 5.10 explain the allocation of funds region wise. In quantitative terms very little funds seem to be allocated to provinces and districts. Given increases in budget allocations for the sectors it is evident that leakages are very large.

The budget allocation for education for 1999 was RWF20.5 billion. Out of these the allocation for primary schools was about 7 million. The amount allocated to regions was a mere RWF51 million only. This is about 0.7 per cent of the allocation. To understand better how the resources are apportioned the allocation within the primary school sector for 1999 is shown in Table 5.8 below. The discrepancy between the figures of primary schools allocation is because the 51 million above is the actual disbursement.

The expenditure per facility on schools is of course a statistical construct because no money goes to a primary school. It is little by any standard. On average it is 25,524.55 RWF slightly higher than US \$ 50 or R 550 per school.

The figures are scandalously low. Except for one province the allocation per child is hardly 0.1% of a dollar or about R5. Of course these amounts do not go to the primary schools directly. The money is used for buying materials like writing chalk.

Table 5.10 Resources allocated to education by provinces 1999

	Number of primary schools	School Age population	Amount received RWF	Per school expenditure RWF	Per child expenditure RWF
Butare	189	110,680	5,000,000	26,455.00	45.2
Byumba	170	127,213	5,000,000	29,411.80	39.3
Cyangugu	171	107,467	5,000,000	29,239.80	46.5
Gikongoro	161	95,423	5,000,000	31,055.90	52.4
Gisenyi	228	188,753	5,000,000	21,929.80	26.5
Gitarama	279	161,239	5,000,000	17,921.15	31
Kibungo	156	117,568	5,000,000	32,051.30	50.6
Kibuye	192	98,843	5,000,000	26,041.70	50.6
Kigali Ngali+City	259	219,273	10,000,000	19,305.00	22.8
Ruhengeri	229	185,528	5,000,000	21,834.10	27
Umutara	108	63,585	5,000,000	46,296.30	78.6

SOURCE: PETS 2002; 7 (World Bank version) and own calculations

Table 5.11: Resource allocation to the health sector by region

Province	Number of health centres	Population by health centre	Amount received	Per facility allocation	Per capita allocation
Butare	37	192,379	17,420,000	470,810.80	90.6
Byumba	25	352,134	16,400,000	656,000.00	46.6
Cyangugu	23	198,891	10,020,000	435,652.20	50.4
Gikongoro	22	220,141	14,600,000	663,636.40	66.3
Gisenyi	25	271,034	20,420,000	816,800.00	75.3
Gitarama	35	277,461	16,720,000	477,714.30	60.3
Kibungo	32	181,255	15,760,000	492,500.00	86.95
Kibuye	27	149,460	16,730,000	619,629.60	111.9
Kigali Ngali+City	52	216,104	17,720,000	340,769.20	82
Ruhengeri	33	253,343	20,180,000	611,515.15	79.65
Umutara	24	101,954	13,910,000	579,583.30	136.4

SOURCE: PETS 2002;10(World Bank version) and own calculations

In targeting language; however little is the amount disbursed, it is for both poor and non-poor children. Note that more than 90 per cent of the expenditure is salaries and related payment expenditures. PETS (2002) puts it at more than 95%. Teachers being generally non-poor means the E mistake of targeting are more than 95 %.

Analysis of benefit incidence is also closely related to targeting. The allocation of resources between different levels of education is one example. Taking an assumption that primary education is relatively more poverty reducing we shall demonstrate in the

next chapter that government expenditure on education has severe limitations in terms of poverty reduction.

Table 5.12: Breakdown of primary schools allocation expenditure

Item	Amount
Admin staff salaries	7,538,148
Teachers salaries	5,727,860,410
Social security contribution for ordinary workers	376,907
Salary increments	510,319,118
Social security contribution teachers	286,393,021
Contract workers	1,207,224
Contract teachers	8,000,000
Social security contribution	60,362
Social security contribution for contract teachers	400,000
Casual labour	54,081,602
Travel allowance in the country	7,597,750
Sports	7,000,000
Support of local imitative	41,300,000
Primary Schools Allocation	60,000,000
Total	7,083,834,542

SOURCE: Government Gazette No.1 1999

The health sector reflects is consistent with our findings on targeting poverty in Rwanda. The highest allocation per health centre is about US\$ 1,800 and the lowest is about US \$ 760. Per capita health expenditure is on national average hardly US\$ 20.

Note that the study is for the two years 1998 and 1999. Soon or later another tracking project is under way but it is not expected to challenge the trends substantially (see PRS-PR 2004)⁴. A cursory survey of more recent budgets does not tell any different story. A major finding is also that the amount of expenditure borne by individual households and other sources is relatively more than that by the government. An example is the estimates of the breakdown by provinces shown in Table 5.13

The sample schools show non-government sources are more than government allocation because the sample was 1/5th of the total number of primary schools. The total number

⁴ It remains to be seen how the figures will have changed since another survey will be taken 2004

was 2,093 in 1999. The sources vary very widely by provinces. Government allocations are uniform regardless of poverty conditions and populations of districts.

Table 5. 13Sources of funds for sample 415 primary schools

	No of schools surveyed	Government	Other sources including parents
Butare	38	5,000,000	6,590
Byumba	32	5,000,000	10,007,890
Cyangugu	34	5,000,000	8,957,626
Gikongoro	31	5,000,000	4,580,133
Gisenyi	44	5,000,000	256,800
Gitarama	54	5,000,000	26,780,442
Kibungo	29	5,000,000	1,000,600
Kibuye	39	5,000,000	652,521
Kigali Ngali+City	57	10,000,000	9,179,900
Ruhengeri	45	5,000,000	2,057,088
Umutara	12	5,000,000	-
Total	415	60,000,000	54,379,590

SOURCE: PETS 2002;15

In sum this section has presented estimates of targeting social sectors in Rwanda. The findings are simply that targeting is poor and levels of inefficiency (except spill over) extremely high. Coupled with analyses in the next chapter, it is safe to state again that targeting sectors is easy to monitor but completely unrelated to targeting the poor as such. To carry out our assessment further in the next section we evaluate current poverty reduction framework using a more descriptive approach. The crucial issue at stake is to answer the question whether current policies to reduce poverty in Rwanda can really challenge the poverty we analysed in the last chapter.

But before moving on to another section it is prudent to review a strong position we had taken in Chapter 4 which will be repeated in Chapter 6 ahead. Is spending more on primary sectors at the expense of other levels wise in Rwanda? Our argument still holds but we need to moderate it. The bases of the expenditures are still very narrow. However, if more expenditure is to continue being advocated, then the levels of targeting error analysed above need to be noted and rectified. This is suitable as another task of an independent social policy organ proposed later in this Thesis.

5.3 REVIEW OF CURRENT POLICY FRAMEWORK

The finding that poverty has many salient features and is deep as well as high levels of targeting inefficiencies, speak a lot on the past and current policy. However, before analysing a policy approach, we propose for Rwanda, it is important to review the current policy situation.

In this section we examine the argument advanced at the beginning that the current policy framework cannot adequately address the nature of poverty that was analysed in Chapter 4. The thrust of the hypothesis was that the current policy framework is biased, reflected government expenditure and interventions in poverty that have been hitherto selectivist, biased to growth and inequality and targeting sectors and indicators. Let us start first with growth before discussing the rest of the elements.

Firstly, it is indisputable that economic growth is necessary for poverty reduction. When there is economic prosperity the logic is that there will be more to distribute among the different groups of the population. Secondly, economic growth has historically moved with and characterised success and power of nations. Thirdly, even if the focus was to eradicate extreme poverty and destitution only, the issue of overall poverty is a long-term question of development. Economic growth is important in sustaining and retaining any poverty reduction achievements. The crucial question is, however, what type of growth.

Growth is of course generically one concept. But economists differ on the path to be followed to attain specific levels of economic growth. The crucial issue is that growth should not crowd out distributive justice, which in Rwanda is crucial to breaking the poverty-conflict trap described earlier. We evaluate the current policy framework under a number of assumptions.

Assumption 1: Growth can be traded-off with income distribution-the debate

Under this assumption we simply review the growth and inequality debate. We believe, it applies to Rwanda as it does to other poor countries. Understanding the current status of the debate will make it easy to link the rest of our assumptions to our main hypothesis. We believe this is an important basis for the rest of the policy analysis.

Since the 1960s `growth` has been the golden word of development economists⁵. However since the limits to growth and economic hardships of the 1970s and 1980s(described also in relation to Rwanda) and the so-called lost decade or crises in development policy, the concept has been pitted against severe criticisms. Subsequently the general understanding of growth in economic policy has been shifting considerably. Specifically the greatest debate has been that of the role of income distribution in economic growth.

The earliest model, the Harrod – Domar, emphasised a linear relationship between investment and economic growth worldwide. For a long time the model was used by the World Bank to calculate the foreign aid requirement for project growth. Investment was central to early works on growth (see e.g. Meier 1977: 249 ff)

A second line of theories was based not on investment but technological change through what is commonly known as the Solow –Swan Model⁶. It is usually referred to as the neoclassical model. Soon this was also abandoned on the argument that it assumed that technological change was uniform all over the world. Hence there emerged the `endogenous growth theory` in which technological change varied across countries depending on other factors. Paul Romer's seminal analysis of the model argued that output was related to physical capital, labour, knowledge where the quantity of

⁵ Of course there were others like `modernisation`, `industrialisation` etc that were regarded as important to rapid economic development but growth was always the benchmark

⁶ see Wan (1971) *Economic Growth* . Harcourt Brace Janovinch Inc. New York for a basic treatise on growth theories. See also Barro, Robert, and Sala-I-Martin (1995) *Mc Grawhill. Advanced Economics Series*

knowledge was connected with investment rate⁷. Others like Lucas⁸ and Rebelo⁹ emphasised the role of human capital in economic growth. There are also models that go beyond physical and human capital to include the long-term impact of trade such as those of Grossman and Helpman (1991).

In the 1980s there emerged what is called the Washington Consensus¹⁰. The consensus has seen an increased attention to policy particularly devaluation, reduction of budget deficits, liberalisation and privatisation. The belief was that government over interfered in matters that could be done by the private sector and often became the barrier to growth. The era thus has seen significant withdrawal of the state in many aspects of the economy. Pushing for such reforms uniformly all over the world was not easy and in some cases unsuccessful.

Subsequently New Institutional Economics¹¹ have recently appeared championed by people like Douglas North (1992). It focuses on the role of property rights networks, market structures and decentralised and democratic decision making processes as characterising the relatively successful economies. More offshoots have suggested the role of economic and social networks that promote trust and the importance of equitable distribution of income and efforts to avoid ethnic divisions. Kenny and Williams (2000) summarise the chronology of the debate in the 1990s as physical capital, human capital, policy reform, institutional reform and social development.

⁷ See e.g. Roemer (1990) Endogenous Technological change *Journal of Political Economy* 98(5) and Roemer (1986) Increasing returns and long run growth. *Journal of political economy* 94(5)

⁸ Lucas (1988) On the mechanics of economic development. *Journal of Monetary Economics* 22(11) pp13-42

⁹ Rebelo (1991) Long Run policy analysis and long run growth. *Journal Political Economy* 99 pp500-21

¹⁰ see e.g. definition on GTN Home at Harvard www.cid.harvard.edu/cidtrade/issues/washington.html or from the inventor of the phrase Williamson(1990) What the World Bank should think of the Washington Consensus [www.worldbank.org/research/journals/wbro/obsaug00/pdf/\(6\)Williamson.pdf](http://www.worldbank.org/research/journals/wbro/obsaug00/pdf/(6)Williamson.pdf)

¹¹ visit the international society for Institutional Economics site at www.isnie.org/ or the site of the discipline www.institutional-economics.com/

The present status of the debate with regard to poverty can be put into two approaches (Jean –Philippe Therien 1999) the `Bretton Woods paradigm` and the `U.N. paradigm`. The Bretton Woods Institutions particularly the IMF, World Bank, WTO or former GATT have preferred promotion of growth, which would automatically reduce poverty. On the other hand UNPD, ILO, UNICEF and other UN organisations believe the gap is widening between the haves and have-nots. Their concern has been socio-political development. It is not difficult to see the difference.

The Bretton Woods paradigm has reflected the ideas of Neo liberal economists who believe in economic growth first. According to this line of thinking, a country promotes growth no matter the degree of inequality between poor groups. It is after adequate accumulation, in accordance with the Kuznets curve that there will be enough income to redistribute. The UN paradigm in line with the basic needs approach, and basing on the human development concept of the 1990s regards non economic forms of poverty particularly the concept of human poverty as crucial. Inequality is harmful to growth. This statement amounts to saying growth should consider issues of income distribution. Are the two compatible?

The answer can be derived from a distinction between a conventional definition of growth and the new concept referred to as **pro-poor growth** (White and Anderson 2001). The latter was first used in the U.K White Paper for International Development in 1997 and in the World Development Report for 2000/1. On one hand there is the conventional view that inequality is an unpleasant precondition for growth. Before then the most common concept was **broad based growth**. The later was never clearly defined but was understood to mean variously labour intensive growth, geographical and distributional impact of the growth or the sectoral pattern of growth. Pro-poor growth is an invention of the 1990s.

Pro poor is likely to mean three things; the poor`s share of incremental income exceeds their current share, their share of the population and some agreed international norm.

Note that this statement is equivalent to progressive taxation in public economics. For example; let us say the poorest 20% has an initial income share of 6% out of growth and the richest 35%. If out of growth the poor get 7 cents worth of 1 dollar's growth and the rich get out of 1 dollar's growth 34 cents the growth pattern is still ideally pro-poor growth (PPG).

Adelman and Robinson (1989) state that inequality is necessary for accumulation and that therefore it contains the eventual increases in everyone's income. By the 'trickle down' theories society accepts inequality allowing the rich to earn a greater return on their assets and thus encouraging them to accumulate wealth faster. Then as stated above the wealth can later be redistributed. Another explanation is that if the rich save a larger proportion of their income transferring some of it to the poor reduces capital accumulation and thus slows growth.

Another view is that inequality is considered to slow down growth (Persson and Tabellini 1990). Inequality is characterised by conflict over resources that induces government to levy higher taxes to reduce them. The taxes have impact on returns to private assets, which in turn restricts capital accumulation and slows growth. A typical manifestation of the debate is exemplified by OXFAM response to Dollar and Kraay's World Bank's research report named '**Growth is good for the poor**' published towards the end of 1990s.

The Dollar-Kraay argument can be summarised as follows (OXFAM 2000); firstly that **growth is good for the poor**'. The central contention is that the "income of the poor rises one-to-one with overall growth" and that there is "no apparent tendency for growth to be biased against poor income households."

Secondly, standard pro-growth macroeconomic policies are good for the poor. It is argued that that "private property rights, stability and openness directly create a good environment for poor households to increase their production and income." Macro-

economic stability and low inflation are not just pro-poor, they are "super-pro-poor". By contrast, the regression exercise purports to show that 'voice' and democratic institutions are statistically insignificant for growth and distribution. Primary education has small benefits for growth and no benefits for income distribution.

Finally, globalisation is good for the poor. This sub-divides into two propositions. First, "trade openness is good for the poor" because it raises average incomes and the incomes of the poor in roughly equal proportion. Second, and more controversially, the report concludes: "we do not find any evidence that capital account liberalisation is anti-poor."

The OXFAM (2000:2) policy paper summarises the criticism that can be levelled on the argument.

But it is not the only requirement. The rate at which growth is converted into poverty reduction also matters. Growth associated with positive distributional changes in favour of the poor will have a greater impact on poverty than narrowly based growth, in which the benefits are captured by the wealth

The OXFAM (2000:2) policy paper makes a cautious remark on macroeconomic policies and globalisation as follows;

The degree to which trade liberalisation benefits the poor will depend in part on the extent to which government addresses these problems. But experience clearly demonstrates that the benefits are not automatic.

Arguments and counterarguments apart the debate shapes policy on poverty reduction that is predicated on growth. Income inequality reduction upfront or in the long run has to be taken into account. One principle that we salvage from the debate is that since growth is important for poverty reduction, then at least it must be pro-poor to be effective.

Finally, it has been established that current levels of inequality in Africa have an impact on prospective growth rates (Christiansen, Emery and Paternostro 2002). If appreciated,

growth at any date in future will depend on how levels of inequality have been challenged today.

Assumption no 2: Vision 2020 and PRSP constitute a poverty reduction policy in Rwanda

To examine this assumption requires knowledge of what Vision 2020 and Rwanda PRSP are. Both are documents designed after the genocide in 1994. Vision 2020 is a document elaborating a long-term growth and development path for the next two decades. It was designed after a broad consultation process through meetings that took place at Village Urugwiro –the Presidents Office –immediately after the war. Although the consultations were wide, as a paper it is not detailed. It is a long-term perspective, as the name suggests, defining the long-term horizon. In a word, it sets a goal for Rwanda, to remove itself from the list of poor countries by year 2020. The elements of the growth path are presented in Table 5.14.

The Vision is predicated on an average GDP growth rate of 8 per cent per annum for most of the next 20 years (now 15). Achievement of International Development Targets is also assumed¹². The targets are for instance Universal Primary Education by 2010, reducing infant and mortality rates by two thirds by 2015, and achieving gender equality by 2020. Most important, it assumes a population growth rate of about 2.9 percent slowing down to about 2 per cent by 2010.

Vision 2020 has as priorities; good governance, rural transformation, manufacturing and service development, regional and international cooperation, promotion of the private sector and poverty reduction

¹² Millennium Development Goals accessible at www.un.org/millenniumgoals/

PRSP is an acronym for a Poverty Reduction Strategy Paper. This is like any PRSP in any other developing country, with the exception that, the effects of genocide have substantially influenced it.

As noted earlier in Chapter 4, Rwandan problems started with a coffee crisis in 1987 and the economic shocks that hit poor economies in late 1980s. It is in this framework that Rwanda like several other countries was forced to undertake adjustment of her economy in 1990. After that year Rwanda became entangled in a war and genocide and structural adjustment could be resumed after the war.

By late 1990s during the second phase of adjustment one major prerequisite for support, just like under any SAP programme, was drawing up of a Policy Framework Paper (PFP). Rwanda's last PFP spanned from 1996 to 1999¹³. Meanwhile towards the end of the 1990s the IMF and the World Bank started shifting towards a new paradigm involving poverty reduction. In 1999 they agreed to increase debt relief to eligible low-income countries through the Highly Indebted Poor Countries (HIPC) initiative¹⁴. The condition was that a country develops a Poverty Reduction Strategy Paper (PRSP) and in the short run writes an Interim PRSP. However it was also required of all other poor countries not on HIPC to improve the quality of poverty reduction strategies before getting support from IMF and the World Bank. By 1999 there were 77 such countries that had per capita GNP below \$885. PRSPs then replaced the PFPs. In this new framework, PFPs were no longer the condition. Rwanda became one of the countries required to prepare a PRSP.

The PRSP process was accorded the highest priority by the government arguably because of the poverty conditions discussed and the legacy of genocide. In June 2000 the President of the Republic inaugurated a National Poverty Reduction Program. However the overall steering of the program spanned across major Ministries under the patronage

¹³ see Sara Grusky (2004) The World Bank and IMF initiate a new reform package. Pg 1 she calls a new alphabet soup: PRSP replaces PFP and PRGF replaces ESAF

¹⁴ see more details on the World Bank website on HIPC www.worldbank.org/hipc/about/hipcbr/hipcbr.htm

of the Prime Minister's Office and the President's Office. Within a few months the program initiated and completed an Interim Poverty Reduction Strategy Paper, which was accepted without any major difficulty by the donor community in November the same year.

A major feature of the PRSP process was developing a national wide involvement of the people or what the government called a Participatory Poverty Assessment (PPA). PRSP (2002) describes the aims of the Assessment as generating an accurate profile and diagnosis of what poverty is in Rwanda, evaluating the policies proposed in the I-PRSP and starting a longer-term process in which poor people would generate and implement their own solutions.

5.14. Major projections of Vision 2020

Indicator	Current situation 2000	Projection 2010	Projection 2020
1 Population	8,300,000	11,000,000	14,000,000
2 Life expectancy	49	50	55
3 Total fertility rate per woman	6.5	5.5	4.5
4 Infant mortality per 1000	107	80	50
5 Maternal mortality per 10,000 women	1070	600	200
6 Rate of demographic growth	2.9	2.3	2.2
7 Primary school enrolment rate-Net	72	100	100
8 Poverty as a % below 1\$ per day	64	40	30
9 Average growth of GDP	6.2	8	8
10 Agriculture Sector Growth	9	8	6
11 Industry sector growth	7	9	12
12 Service sector growth	7	9	11
13 GDP per capita in U.S \$	220	400	900
14 Population Urban %	10	20	30
15 Population in agriculture %	90	75	50
16 Domestic investment as %GDP	18	23	30
17 Gross national savings %GDP	1	4	6
18 Area under modernised agriculture	3	20	50
19 Use of fertiliser kg/ha/an	0.5	8	15
20 Access to electricity% of the population	4	25	35

SOURCE: Vision 2020:9 Draft 3

The Assessment involved three major studies; the National Poverty Assessment used the Participatory Rural Appraisal techniques and was conducted in all districts of Rwanda. It

generated information on different categories and characteristics of poverty, ranking of problems faced by the community, gender roles and issues of land ownership and tenure.

A pilot study in one province of Butare in the south of the country analysed how community action planning can be used to solve people's problems. It is called *ubudehe* and has been institutionalised at the national level to represent a participatory approach to poverty in Rwanda. It is considered below.

Another survey was a Policy Relevance Test that looked at existing policies and those proposed in I-PRSP with the view of looking at how they are relevant to individuals and to their communities. They focussed on the effectiveness of the policies, inclusiveness and level of participation. The survey also looked at providing solutions to the problems.

The PRSP also used extensively other surveys that had been conducted at national level most especially the Household Living Conditions Survey, Core Welfare Indicators Questionnaire and a Rwanda Poverty Profile. As a result, on the basis of the information gathered the PRSP has managed to devise an expenditure criterion, draw out a list of priorities and a detailed expenditure programme.

The final PRSP was produced in November 2001 and was acclaimed as being comprehensive by the international community. It is said its summarised version is as long as the entire PRSP of Uganda (Mutebi et al 2002). The EU representative meeting in Rwanda in 2003 regarded that Rwanda PRSP was perhaps the best so far written in Sub Saharan Africa.

PRSP had six pillars. These were economic growth, macroeconomic stability, and prioritisation of public actions, forging a sound partnership between government and other stakeholders as well as human resource development. Priority sectors were identified as agriculture for transformation of the rural areas, human resource development, economic infrastructure, good governance, private sector, and a number of

cross cutting sectors particularly technology, gender, environment, HIV/AIDS, capacity building, villagisation (imidugudu), and inequality.

PRSP has been locked in the Vision 2020 as mentioned in its introduction. It also has on board the Millennium Development Goals. The MDGs mentioned above aim at halving the number of poor in poor countries by 2015. Rwanda PRSP has undergone the first and second annual reviews. The second was concluded in 2004 as a way of monitoring its progress. The question is; with Vision 2020, is PRSP a poverty reduction policy for Rwanda?

From an operational point of view, it is. PRSP and Vision 2020 are two documents that are used for poverty reduction activities officially. However on close examination they are not. Vision 2020 as suggested by the name is a long-term plan that has definite goals. Poverty reduction is one of them. However it does not have detailed and worked out sub plans that indicating how the different targets will be reached in the medium term and the resources to ensure they are reached. However as a long-term perspective, working out these may be too arduous under conditions of limited resources.

PRSP as the name suggests is supposed to be a strategy. It is a strategy that is required as a condition by IFIs, that it be incorporated in the economic policy framework to restructure and develop the economy. In this regard, it can be imagined that IFIs by prescribing this condition to all poor countries, expects it to be the national policy of each country. It cannot therefore be a plan at the same time. From its setting, one would imagine that it is supposed to be a part, of a national economic plan. Given the data, targets and resources ascribed to it, indeed it is used as a plan for, not for poverty reduction, but for economic development embracing the six pillars mentioned above.

Methodologically therefore PRSP is used as a plan. Others regard it as a policy but it is definitely not a poverty reduction policy. Others have pointed out that it has replaced development policy in many countries (Ohiorhenuan 2002). In this regard if it were to

retain its name as a strategy, then it would be a component of the national economic plan as required by the IFIs and an element of a nationwide poverty reduction policy. Methodologically then, there would be a National Poverty Reduction Policy, with a number of strategies one of which would be a PRSP, in accordance with the conditionality of the IFIs. It being important in terms of securing resources should surely constitute an important element of the national economic policy and plan. The sequence would then be a policy on what do and not to do in Rwanda, a strategy of how to do it and plan for the tangible targets. One question would be, does it matter if it works?

The answer would be it does not matter because it is the most economic way of dealing with poverty and meeting the conditionalities and getting assistance. However, it may matter if we pose the questions raised at the beginning. Can this framework, the PRSP and Vision 2020, face the challenge of ensuring growth and equity at the same time, with a capacity of breaking through the ‘poverty conflict trap’? Examination of the rest of the assumptions will attempt to answer that. But from our analysis, we have established that three instruments are currently being confused in Rwanda. These are a plan, a policy and a strategy. If these continue to be mixed up, the location of poverty reduction functions cannot be ascertained institutionally.

Assumption 3. Government expenditure and national budgeting framework are effective tools for reducing poverty in Rwanda

This assumption is broad and linked directly to the central theme of this thesis. In this section we assert once again, that the impact of government expenditure on poverty reduction is so complex and contentious, that more detailed analysis would shed light on the linkage. The major reason for revisiting this as a special assumption is that our focus has been so much on the side of policy analysis than the capability of expenditure to reduce poverty as such. But even still we cannot exhaust the economics of public

expenditure. It would constitute a study of its own under public economics. These are points of critical importance to this thesis¹⁵.

Specific to Rwanda are issues on the meaning of expenditure, the paradigm shaping macroeconomic framework that shapes expenditure, the budgeting and planning framework, question of allocations as opposed to real disbursements, the sources of government revenue and debt financing. Another important aspect, which is also discussed elsewhere, is fiscal decentralisation and its role in reducing disparities.

In simple macroeconomics government expenditure is G , which part of the national income identity. The remaining parts are I , for gross domestic investment, C for personal consumption and $X-M$ for net exports. In theory government expenditure depends on long-term growth of the economy. However, government expenditure influences growth, if we take into consideration public sector investments (Musgrave 1956). In this sense government expenditure is related to poverty, as shown in Chapter 1, through provision of public goods and merit goods such as education (Black et al 1997). We pointed out somewhere, that if expenditure on defence employs some poor people then there are also indirect benefits of such expenditure on the poor¹⁶. In general, different expenditures have different returns and different redistribution effects. Note that however, that Rwanda can have some contextual uniqueness with regard to conventional wisdom in government expenditure.

In Rwanda, peace and security have become a public good, which is prerequisite to economic stability and long run poverty reduction (Musahara 2001). In this regard exceptional expenditures, for reconciliation and regional peace and stability can be regarded as indirectly pro-poor (MINECOFIN 2003). However, there is a second sense in which government expenditure is related to poverty reduction. It is discussed as a second point below. It is based on the role of fiscal policy in poverty reduction.

¹⁵ points that were raised by the examiners.

¹⁶ Thanks to my supervisor who pointed this out

Government expenditure, when combined with local government expenditure is called broadly, public expenditure or E. It depends on the amount of tax and non-tax revenue in the economy, R. When E is greater than R we have a deficit that we can call B (Cornia and Stewart 1993). It is this B that is a focus of different approaches to poverty reduction. A deficit can be minimised through budgeting, either by increasing revenues or by cutting expenditures. In most cases cutting expenditures have been the only options in conditions where there is a narrow taxation base. The quarrel has been that, this cutting of expenditure has been at the expense of social service delivery (see eg. Tanzi 1991). The differences in positions are further explained in the paragraph below. What is important to note, is that government expenditure, is shrouded in serious philosophical and fiscal issues that need to be well analysed.

A second issue is also important to poverty reduction. Budgets and budgeting are important instruments that shape government expenditure. They perform various functions (Rubin 1993).

Budgets do perform the following functions. Budgets reflect choices about what government will and will not do, implying a public consensus. Secondly, they reflect the relative proportions of decisions made for local and constituency purposes and for efficiency, effectiveness and broad public goals and thirdly, they reflect priorities. Priorities can be between police and flood control, day care and defence, North and South and mediates between groups and individuals who want different things from government. Other functions of budgets are to provide tools of accountability to citizens who want to know how the government is spending their money. Budgets reflect citizens preferences for different forms of taxation and different levels of taxation that bear on redistribution and budgets influence the economy. Finally budgets reflect relative power of different individuals and organisations to influence budget outcomes (Walker and Mengistu 1999).

Despite a lot of efforts, especially with regard to legislation, accountability and transparency, a number of improvements in budgeting can make them shape better pro-poor policies (PRS-APR 2003, PRS-APR 2004). A few need to be mentioned. First is the cash budgeting and dependency, budget execution, the Medium Term Expenditure Framework and lastly is fiscal decentralisation, which is mentioned on several occasions.

The aim of cash budgeting was efficiency. In other words, money would be disbursed when it was available. If there is little revenue collected then, less money is disbursed in that quarter of the financial year. However, this can be a sort of constraints to planning for poverty reduction. There is a case when poverty reduction activities stood still in 2002, because donors had refused to disburse aid. On one hand it reflects over dependency of the budget on external support (PRS-APR 2003). On the other it has also been noted that donors are not so co-ordinated and may often finance programs that they prefer themselves (PRS-APR 2003). Different programmes can have different targets.

Another question that is often cast in this regard is the sustainability of donor-funded programs. A current debate has been whether it is good to support Rwanda through the budget or through independent programs. So far the government officials and policy makers, for reasons of sustainability, tend to prefer budget support. However, allegedly for accountability, prefer channelling them through financing projects (PRS-APR 2004).

Another budget problem that is often mentioned is that of execution. In Chapter 6 we register observations of the World Bank study on expenditure. There is a problem of accountability in executing expenditure for poverty reduction. It was noted that funds too long to reach the beneficiaries. In many projects and ministries, only a small fraction of the budget is spent. This aspect is discussed in more detail in Chapter 6 (PETS 2002).

MTEF is an innovation that helps to make budgets look ahead and roll on over a number of financial periods. It links budgets and policy. MTEF is supposed to have four elements. These are setting fiscal targets, either top down or bottom up, forward estimates

of costs of existing policies, an institutional mechanism of evaluating the trade – offs to be made and enhancing predictability. MTEF is not a multi year budget. The latter is a budget cycle that spans over a number of years that determine annual legally binding budgets for a financial year. Indeed MTEF is supposed to be a compromise between annual budgeting and multiyear budgeting. The principles that govern MTEF are prioritisation, efficiency, effectiveness and quality services (Walker and Mengistu 1999).

However, MTEF is subject to problems that annual budgets will also face. It is subject to availability of resources especially from the donors. There is lack of capacity in poverty analysis, planning modelling in Rwanda. Prioritisation features prominently in Rwanda PRSP. It has however been noted that policy makers change it annually at their own will and perhaps due to donor preferences. It is in the latter regard that MTEF may not be able to get a trade off between bottom–up and top down approaches. What is affordable is always a contentious issue especially in that it can be used as a pretext of non – deliverance of good services. The delivery of services has been noted to be inefficient. Few funds reach frontline providers.

A second important remark with regard to government expenditure is the macroeconomic framework. We state in one of the Assumptions that PRSP is neoliberal. PRSP was adopted by the Bretton Woods Institution as a new conditionality for countries to have access to PRGF in 1999. Rwanda published its PRSP had a draft strategy by November 2001. As is well known the framework prescribes tight monetary policy with inflation targeting at levels between 0 and 5. It recommends strict fiscal discipline, with budget deficits as near to zero as possible (PRSP 2002).

Rwanda has managed to keep inflation at an annual average of 3.5%. It has also managed to avoid large deficits, although exceptional expenditures have continued to surge due to the need for reconciliation and peace building. Liberalisation has been continued and privatisation has reached 40 of the 72 companies earlier earmarked. Recently in 2003 inflation went up, to more than 7.4% and growth decelerated to 0.4%. But the causes

have been identified as unrelated to money supplies. They originate from the agricultural sector and cost of imports especially oil (MINECOFIN 2004).

However, it is noted that neither the framework nor privatisation shows any clear link to poverty reduction (UNDP 2004). More evidence is instead emerging that a moderate inflation, not exceeding 30% may not dampen growth (McKinley 2002). A more expansionary fiscal policy is not bad if it is accompanied with investment in the rural areas and in pro-poor activities (UNDP 2003). Indeed the present framework may be restrictive to poverty reduction in Rwanda because of the contextual nature of the country. In a post genocide situation, there area a lot of expenditure that has to be done to resuscitate the economy. These necessitate an expansionary fiscal policy (UNDP 2004). As Rwanda prepares for the second round of PRSP s and the challenges of the Millennium Goals will need more expenditure, a dialogue on the macroeconomic framework needs to be re established to address poverty reduction more effectively.

A second observation has been the discrepancy between allocations from budgets and what is actually released. There are three cases for which evidence may be give. The social sectors have been ring fenced. Both allocations and disbursements for education have been relatively high. However the rate of growth of expenditure on health has stagnated. These two cases are extensively discussed in Chapter 7. The big problem is that, fewer funds actually reach the beneficiaries. A third case is that of less funds being allocated to a sector that is strategic to poverty reduction and even worse, less from the little amounts being disbursed. A typical case in Rwanda is agriculture. Table 5.15 shows this for one of the PRSP years. The World Bank has confessed that it is not supporting the sector because it has a low absorption capacity (MINECOFIN 2004).

This again is visible with the disbursement of aid. Governance is visibly taking the largest share with more than 30% of the funds, while agriculture has a meagre 7.3%. It is rates with land and housing and trails behind education and social services.

A third concern for Rwanda has been a narrow tax base. Taxes have shown an increasing contribution to the budget, but has continued to be a small share of GDP. The revenue as a share of GDP is hardly 10%. In some countries, it goes up to 17% and more. In this regard more space for pro-poor revenues will be created by policies that will make tax collection broader and efficient. This greatly depends on the operations and capacity of Rwanda Revenue Authority. Recent increases in tax revenues have been a result of raising VAT from 15% to 18%.

Table 5.15. Budgets and releases (major Ministries) in millions RWF

	Finance law 2002	Released	Finance law 2003
Defence	30068	35979	23089
Agriculture	2067	1493	2369
Finance	7486	9691	1159
Commerce	1078	931	22229
Education	15760	17147	16749
Health	3691	4728	7616
Infrastructure	3080	4200	4681
Gender	402	328	419
Lands	789	488	941
Minaloc	788	8338	9736
Provinces	22040	20123	25641
Total	118654	123319	143015

SOURCE: MINECOFIN 2004

We mentioned the case of indebtedness with regard to the economic governance. There is evidence that the Rwandan government debt started becoming a problem as a result of the war in early 1990s. Up till the drawing of the PRSP, debt servicing has continued to claim resources that would have been for poverty reduction. The evolution of debt in billions of US \$ after 1990 to 2002 is given by Table 5.19. For the year 2002 the comparative position of Rwanda is given in Table 5.20.

The Net Present Value of debt as per cent of export was a high 453 in 2002. The pre cent of debt to national income was 40.2 per cent the same year (WDI 2003). Rwanda has qualified as Highly Indebted Poor Countries (HIPC). This is a list of poor countries that are eligible to debt relief subject to meeting certain conditions. Rwanda has to reach what is called completion point. One of the conditions, of making the NPV of debt decline

from above 400 of exports as indicated to only 150% is a formidable task. Debt and especially that inherited from conflict and genocide is a challenge to poverty reduction.

Table 5.16 Sectoral distribution of External Aid to Rwanda in million US dollars

Programme and sector	Alloc. amount	Alloc. As per cent	Disbursed cum end 2002	As %	Amount 2003	Amount of 2003 as %
National	2061.47	100	705.38	100	31964	100
GOVERNANCE	643.13	31	282.7	40.09	118	37.18
General Public Service	643.13	31.23	282.7	40.09	118	37.18
Public order and safety	106.28	5.16	35.56	5.07	17.42	5.54
PRODUCTION AND ENVIRONMENT	250.63	12.16	70.95	10.08	30.49	9.54
Environnent	5.91	0.29	2.29	0.32	0.35	0.11
Agriculture	172.67	8.38	51.65	7.32	23.47	7.3
Industry and commerce	72.05	3.5	17.01	2.41	6.67	2.08
INFRASTRUCTURE	481.85	23.7	121.24	17.19	39.7	12.44
Fuel and energy	37.44	1.82	0.47	0.07	0.15	0.23
Transp and communica.	155.18	7.55	1.24	0.18	11.85	3.71
Land, Housing, etc	204	9.9	9645	13.67	22.43	7.043
Water and sanitation	85.21	9.73	23.08	3.27	4.67	1.46
HUMAN AND SOCIAL DEVELOPMENT	578.53	28.002	194.66	27.6	113.13	35.31
Youth, culture and sports	22.42	1	16.75	2.38	3.8	1.19
Health	204.73	9.993	54.73	7.76	31.7	9.92
Education	177.31	8.6	56.3	7.98	33.47	10.47
Social activities	174.41	84	66.86	8.48	44.16	13.82

Source: CEPEX.MINECOFIN Registry of AID. www.minecofin.gov.rw

The final issue is that of fiscal decentralisation. This is discussed under *ubudehe* below. What is mentioned is the problem of absorption again. The local governments have been allotted 10% of the domestic revenue under fiscal decentralisation. However as of 2003 hardly 5% has been disbursed.

Table 5.17. Tax revenues and their contribution to the budget.

Year	Tax Revenue	Contribution to Budget	Percentage
1995	61.5	10.3	17
1996	78.2	39.2	50
1997	103.6	54.3	50
1998	108.3	62.7	58
1999	106.3	64.3	61
2000	112.1	65.3	58
2001	172.9	79.5	46
2002	241.3	94.6	31

SOURCE: RRA

Table 5.18. Quarter 1 and 2 revenue sources in mill RWF

Type	1996	1997	1998	1999	2000
Total	39,225.50	54,266.90	62,634.00	62,299.90	65,324.70
GDP	426,206	563,428	628,410	634,252	684,055

SOURCE: PRSP 2002; 117

Table 5.19. Evolution of Rwandan external debt

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Bill US \$	7.12	8.1	8.6	9.1	9.5	1	1	1.1	1.2	1.3	1.3	1.3	1.4

SOURCE: WDI 2003

Table 5.20. The comparative position of debt of Rwanda 2002

	Debt as %GDP	Debt as % of export 2002	Debt as % GDP 2002
Rwanda	1.3	14.9	20.6
Tanzania	1.5	8.9	13.1
Ivory Coast	7.1	14.1	9.1
Zambia	8.3	27.1	17.3
Congo	16.2	n/a	14.1
Burundi	3.2	59	23.9
Kenya	3.7	13.6	3.2

SOURCE: HDR 2004

A central reason has been, it is, lack of absorption capacity. In *ubudehe*, we note a clear absence of women beneficiaries. The current patterns of expenditure are not therefore very wary of rural-urban and gender disparities.

Data on expenditure flows by ethnic groups are not easy to assemble. What can be assembled is general deductions. It is noted below that Vision 2020 dependent on the commercialisation and intensification of agriculture will derive from select crops, grown by well to farmers, concentrated in about three regions. The crops are coffee, potatoes and wheat that are responsive to chemical fertiliser, which can be accessed by rich farmers. Two most likely regions that may enjoy the drive by Vision 2020 are most likely to be Ruhengeri, Gisenyi and Byumba. This will be a source from hardly 15% of the population. There is need for empirical data, but a tentative hypothesis on this is that any

expenditure to promote the Vision I this perspective may favour one ethnic group relative to others. While Tutsi were killed in 1994, it is known that the three regions are the traditional home areas of Hutu who are ardent cultivators of coffee and potatoes. Very few of the returning Tutsi have taken coffee and potato farming very seriously. Indeed as mentioned in Chapter 7, majority of these still face land problems. However, since Rwanda has abolished ethnic classification officially, this at official policy level need not be a major concern.

What we can therefore conclude from this assumption is that government expenditure is vaguely defined and elusive to capture in relation to poverty reduction. It is also sensitive to budgeting, macroeconomic framework, indebtedness and equity concerns. To exhaust the concerns would need a separate study, preferably in the domain of public finance

Assumption 4. Growth targets of Vision 2020 are tenable and poverty will be eliminated

The most ambitious target of Vision 2020 is that of removing Rwanda from the list of poor countries by 2020. In this section we examine this by using a number of tools. The first is the growth and poverty elasticity test (Kakwani and Pernia 2000)¹⁷. The thrust of the argument is that growth is supposed to absorb poverty. Epaulard (2003) estimates that a 50% rise in growth would be required to divide poverty into a half whatever the initial poverty rate. Thus it would require 40 years to meet the Millennium Goal. Ansoms and Marysse (2003) justifiably use this argument to challenge the over expectations from growth by the Rwanda PRSP (PRSP 2002: 31).

Firstly, supporting Dollar and Kraay (2000), they doubt whether pro poor growth is of any significance since it is argued (by the former) that the poor benefit as well as the

¹⁷ A poverty elasticity η is the rate of response of poverty reduction or rise as a result of the rise or fall in the growth rate of GDP or per capita GDP. In case of economic growth if $\eta = -1$ then it is a pro poor growth, $\eta < -1$ it is strong pro poor growth $0 > \eta > -1$ weakly pro poor and $\eta > 0$ the growth is anti poor. In the case of economic recession if $\eta = -1$ then it is an anti-poor recession $\eta < -1$ the recession is strongly anti-poor, $0 > \eta > -1$ then it is weakly anti poor and $\eta > 0$ it is a pro poor recession

richer in an event of growth. Secondly they argue quite correctly, as we shall show shortly, that growth and poverty reduction would not be a uniform experience. Rwanda will certainly have its own experience based on her specific economic conditions. In this regard they use available data to show the relationship between poverty and growth so far.

Their estimates are very instructive (Ansoms and Marysse 2003: 6). Between 1985 and 1990 the per cent change in poverty incidence was 0.8, the GDP per head changed annually by -1.3 and the poverty elasticity was -0.6 . This means generally recession was generally anti-poor. Between 1990 and 1994 the poverty incidence grew rapidly by 13.3% annually, the GDP per head declined significantly by -14.8 annually and poverty elasticity was -0.9 . This means the recession was strongly anti-poor. Between 1995 and 2000 the poverty incidence went down by -3.2% , GDP per head realised a positive annual change of 7.97% and the poverty elasticity was -0.4 . The latter period thus was a period of recovery with a weak pro-poor growth. In this regard we can say in support of their scepticism that there are no guarantees that the growth rates if tenable will have the desirable impact on poverty. It will depend greatly on how the economy and politics of the country fairs in the next 15 years.

A second tool is the 'cross over time' technique (Kanbur 1987). The 'cross over time' is an estimate that examines how long it would take for all the poor to cross the poverty line in a country, other things being equal.

Cross over time, as indicated in Chapter 2, is given by $T = [\ln(z/y)]/[\ln(1+g)]$ where T is the cross over time, z the poverty line, y the average income of the poor and g the average per capita growth rate. Assuming a poverty rate of 65% below the poverty line and a growth rate of growth of 0.10%, the average annual growth per capita GNP 1965-1996 per capita (World Bank 1996), then the crossover time would be as in Table 5.15.

Table 5.21 Estimate crossover time for $g=0.10\%$ **

(1) Poverty line	(2) Current estimate -2001	(3) Mean income of the poor*	-4 Col.2/Col.3	Ln (z/y)	G %	Ln (1+g)	T yrs
Food poverty line	45,000 FRW per AE	15,570	2.8902	1.06	0.001	0.006	173
1 st Quintile	29,716	15,570	1.90854	0.65	0.001	0.006	105

SOURCE: Own calculations from data sets *depth of poverty times the poverty line

At current very low levels of per capita results are on the high side. They mean it would take more than 150 years for an extremely poor Rwandan to cross the present poverty line and 100 or so years to move from the lowest quintile to the second bottom stratum of consumption. However these calculations could be challenged for a number of reasons.

Firstly, the crossover time calculations are based on a number of assumptions. One is that income distribution will remain unchanged in that we have considered only absolute poverty. Of course this is most unlikely.

Secondly, the average growth rate of per capita income is assumed to be the same. In this regard the average is for the entire 30 years. As mentioned earlier economic conditions were not bad before late 1980s. The period after 1990 in Rwanda is known to have experienced recession and breakdown of the economy. Therefore a long-term average in the past is dampened by bad performance in the immediate past resulting in a precarious picture for the future. In 1994 alone GDP per capita growth in percent was -43.6 .

The figure of 0.10 is GNP growth. Although GNP in poor countries is usually smaller than GDP this cannot alter the scenario substantially. However since GDP is about domestic production, while GNP is about residents, or nationals then the latter would be a better measure of change in living conditions.

A lesson that can be salvaged from these rather extreme estimates is that per capita growth is crucial in determining the cross over time. As intimated by the Vision 2020 projections then for absolute poverty to be eradicated a sustained growth of the economy

over a long period is necessary. But just as real growth of the economy is sensitive to the population growth rates, growth in per capita income will also, in the same terms, depend on the growth of population in Rwanda.

Sources of growth in per capita income form a study of their own. There are estimates of what would be required to get 1% growth in GNP. These were cited as increasing the average years of schooling of the labour force by 1.2 years, increasing the ratio to GDP of public investment, in transport and communication by 1.7, a fall in inflation of 26%, a reduction in the ratio of the government budget deficit to GDP of 4.3 (Kenny and Williams 2000). It is not as easy to raise the living conditions of majority of the poor as the statistics estimated from a 'domestic'¹⁸ perspective.

Finally it is reasonable to think that if inequality is ignored, it is possible for the 'domestic' aggregate averages in the economy to improve without substantially reducing the number of the very poor. This should be true for Vision 2020 as well. Rwanda can attain a per capita income on average of US \$ 960 at the same time still having a large proportion of the absolute poor if growth is not accompanied by substantial redistribution among the different groups of the Rwandan society. This would need fine simulations, but in simple language it amounts to saying growth of the economy as a whole can be attained without considerations of income distributions.

On the other hand the figures may not be as noisy as it is suggested. The fact may be a situation where in welfare terms no absolute poverty completely exists¹⁹. In this regard for instance if a hundred years ago Scandinavian countries are said to have been at levels of underdevelopment as some developing countries today (Chambers 1983); then it is not nonsensical to think Rwanda will be at a stage comparable to welfare economies in a century or so. In any case these are still highly abstract estimates using a summary

¹⁸ Domestic like domestic product estimates what was produced from within the boundaries of a country. National like National Product is about residents of a country whether they are inside the country or outside.

¹⁹ Ideally there can be some form of absolute poverty in one form or another. In reality this phrase means absence of misery and absolute deprivation

statistic like per capita income. Kenny and Williams (2000) show that Pakistan today has a per capita GDP almost equal to that of Britain in 1820s but is nowhere near where it was in standards of living. Development is a more complex and dynamic term than these estimates reflect.

The whole point of poverty reduction programmes is to influence economic policy and planning. In this regard it is akin to taut planning where targets dictate actions in a deliberate manner. Thus it is reasonable to consider the cross over time within given targets. The table below starts with the target of eradicating absolute poverty in 20 years, which is given as country vision.

5.22 Estimate of g for crossover of 20 years

Poverty line	Current estimate -2001	Mean income of the poor*	Ln (z/y)	g %	Ln (1+g)	T yrs
Food poverty line	45,000 FRW per AE	15,570	2.89	15.5	0.1445	20
1 st Quintile	29,716	15,570	1.91	10.02	0.0954	20

SOURCE: Own calculations

With other variables remaining as given calculations show that for eradication of absolute poverty in Rwanda it would require average growth in GDP per capita of 15.5%. To move from the lowest quintile would require about 10 % on average. Of course both do not seem unrealistic only assuming there are no serious volatile conditions that can affect the economy as has been the case in the past.

From the simulations we demonstrated that attaining the targets of the vision in broad and ‘domestic’ sense is not impossible. However in terms of raising the average living of the poor so that he can cross the poverty line is rather difficult.

A third way of looking at the tenability of the objectives is by looking at the suggested sources of growth for Vision 2020. These are summarised in Table 5.16.

These are expert and well thought out figures. It is reasonable to think they are tenable. They assume that agriculture will grow by between 5 and 6.5%, industry between 7 and 12%, services between 7 and 11% and GDP between 6.2% and 10.1%. Let us review them briefly using examples and common knowledge about Rwanda to see what it would take to get them²⁰.

Table 5.23 Sectoral Growth Timeline 2000-2020

Sector	May-01	Oct-06	2011-2015	2015-20
Agriculture	5	6	6.5	6.5
Industry	7	10	11	12
Services	7	10	10	11
GDP	6.2	8.2	9.1	10.1

SOURCE: Vision 2020;15

Agriculture is the largest sector in the economy of Rwanda in terms of employing people. It employs more than 90%. However, it is the most fragile. It is dominantly traditional and still depends on the vagaries of weather²¹. For the growth to be guaranteed application of modern techniques is imperative. Indeed it has been stated that commercialisation and professionalisation of agriculture is the key to development of Rwanda and is part of the new land policy (Land Policy 2004). The question is whether this assumption is realistic taking the current data as the base.

It is reported that 75% of the growth in agricultural growth can be ensured by use of chemical fertilisers and the rest of the growth can be ensured by use of marshlands (Mellor 2001). But we already indicated how the application of fertilisers and modern inputs is still at exceptionally very low level. Several arguments were advanced. Fertilisers are expensive. Chemical fertilisers are used by 5.2% of Rwandan households. Between 1996 and 1998 on average only 400 grams of fertilisers were used per hectare of arable land compared to say 35,700 in Kenya or 53,700 in Zimbabwe (RDI 2002).

²⁰ As we were submitting the, Thesis IMF posted an analysis similar to this but even more critical and rigorous on its website in December 2004. see www.imf.org/counytry/Rwanda

²¹ For a recent analysis see Donovan,, Mpyisi,and Loveridge(2002)Forces driving change in small holder agriculture 1990-2002 FRSP

Knowledge on application of fertilisers and modern techniques of production and conservation of the soils by the farmers themselves is considered to be limited (RDI 2002). Extension services are limited and inappropriate. ISAR, a research institution has not managed to diffuse much of its research findings to the farmers and at times its findings are not necessarily what the farmers can easily adopt with minimum risk (Waller 1996).

Sources of agricultural credit particularly (e.g. Banques Populaires) have not had any significant impact on the agricultural sector mainly because a lot of credit is used for non-agricultural purposes (Blarel 2001, Annual Reports 2002). Policy expects the private sector to take up the supply of these inputs (PRSP 2004). However their response will depend on the demand side of the market. Since the supplier may not be accorded subsidies, because IFIs disbanded this as part of liberalisation of the economy, demand will be restricted by non-affordability. The agricultural productivity-input problem may take many years to change the face of the agricultural sector.

The same growth assumption is based on the expectation that some crops especially coffee and potatoes will respond favourably to use of fertilisers (Mellor 2001). But again this is to forget the preferences of small peasants and the structure of the sector. In late 1980s after the adjustment crises peasants are reported to have uprooted up to 300,000 coffee trees (cited by Chossudovsky 1996). The reason is not agitation. Coffee like 'tea cannot be eaten' (cited by Waller 1996). Peasants respond if the opportunity costs and markets for cash crops are right. Otherwise they choose to grow tomatoes.

Others believe the peasant in Rwanda is more interested and proud of food self sufficiency (Pottier 1983). Commercialisation will involve a revolutionary change in agriculture that will depend on an effective agricultural policy, in addition to other policies on infrastructure development. The assumption under such a policy is removal of market distortions. One of the central problems is lack of transport, low prices and

exploitation by middlemen. It is estimated that 34.8% of rural communities are more than 5 km from the nearest market while about 12.8% are 10km away (CWIQ 2002).

One solution out of the dilemma is to promote private investment especially in new market niches. One example is that of growing flowers especially in the marshlands and valleys. According to one USAID study (Weiss and Kedrock 2000) the marketing of flowers was promising good returns but lacked regular and reliable flights to European markets. Flowers used to be air lifted once a week by Sabena the Belgian Airline. Cargo space had to be secured if flowers had to reach the European market still fresh. Sometimes they did not and Sabena later collapsed. Commercialisation and modernisation greatly depends on other sectors, especially infrastructure.

Another experiment was with modernisation of coffee production and marketing in Southern Rwanda. A project named PEARL (Partnership to Enhance Agricultural Research Linkages)²². Its so far a success story with cooperatives being helped to produce specialty coffee, establishing washing stations and securing direct markets in the U.S and U.K where prices are satisfactory to farmers. But once again when the project assistance is phased out and there is no alternative source of inputs and marketing peasants can always go back to growing food crops.

The argument above is simple. Modernisation of agriculture in Rwanda is a hard task that is bedevilled with constraints. It is not a change one assumes will come up spontaneously. The unfortunate thing is that the agents of the change are poor peasants who have own production and consumption preferences that cannot be altered easily unless the markets are set right.

Before shifting to another assumption, it is important to have a brief comment on the remaining two sources of growth. The second and third major sources of growth are

²² Details available online www.ija.msu.edu/pearl/

industry and services although they are not of first priority in the poverty reduction strategy they are important component of Vision 2020. Indeed the vision foresees a service, knowledge based industry in Rwanda in two decades. It can be supposed these are the ones from which 10 % of growth is expected. Indeed endogenous growth models put a premium on investment including human capital investment (Cypher and Dietz 1997). What is important is how investments in industry and services²³ can ensure such rates in two decades. Investment to accelerate growth is lagged for several years. For investment to grow foreign direct investment has to be attracted. The Rwanda Investment Promotion Agency (RIPA)²⁴ has been set up to oversee investment matters and incentives, but it has just started its work (GoR 1998). World Bank indicators of competitiveness put net FDI as % of GDP in 1996 at 0.1. Average annual difference in Net FDI (%) 1980-82 to 1990-92 was estimated at -0.4%. Behind the projections then lie challenges of no mean dimension to Rwanda.

The challenge requires earnest effort to promote investments in Rwanda that can reliably attain the estimated growth rates. Political stability should be a basic precondition to good economic governance (AIPA 2002)²⁵. The government has correctly put unity and stability as one of the pillars of Vision 2020. This cannot be overemphasised. A strategy to promote services that can surely bring the desired growth should be clearly elaborated and implemented. A clear niche in Rwanda is tourism. In 1980 tourism was a third earner of foreign exchange. The resources for promoting tourism are abundant. A mountain gorillas national park to the north of Rwanda is a unique asset that can be used to promote up make and exclusive tourism. Nyungwe Forests have more than 250 rare species of plants and some of the rarest primates in Africa. Akagera National Park has a variety of game but may not compete effectively with Game Parks of East Africa. With

²³ There is a good case for promoting the tourist industry in Rwanda. As in the case of the work of RIPA detailed studies and analysis of its potential need to be carried out. see for an overview of tourist potential in Rwanda Lyambabaje (undated after 2000) Ecotourism . For theory see Copeland, R.Brian (1991) Tourism, Welfare and de-industrialisation in a small open economy *Economica* Vol 58 pp 515-529

²⁴ It has since been changed to Rwanda Investment and Export Promotion Agency to cater for export promotion as well

²⁵ AIPA is African Institute for Policy Analysis based in South Africa. It carried out a big study on investment in Rwanda. This argument is contained in Chapter 8 written by the author on investment incentives

its renowned beauty ecotourism is an alternative that can be deliberately promoted. Since this is almost common knowledge the principal challenge is for government to give tourism a priority as one engine of growth in a time bound manner. But again we showed how the environment is in precarious condition because of human activity. Growth depends on controlling destruction of the environment.

Assumption 5. PRSP is a neoliberal and viable approach to poverty reduction.

PRSPs over the developing world have been referred as neo-liberal. And indeed they are taking into consideration that they replaced the Policy Framework Papers that were conditional to adjustment. They are neo liberal because they are built on the supremacy of the market forces, liberalisation, privatisation and open economies. In this section we review these aspects of Rwanda PRSP and those that are relatively general to all PRSPs as artefacts of the ‘neo –liberal paradigm’.

The IMF and the World Bank expected the papers to be based on six principles²⁶. They were supposed to be result oriented, with targets that were tangible and could be monitored. Secondly they are supposed to be comprehensive integrating macroeconomic, structural, sectoral and social elements and thirdly country driven representing the consensus in a country on what should be undertaken.

Other properties were to be participatory where all stakeholders should participate in their formulation and implementation, basing on partnerships between government and other actors. They are supposed to be long term focussing on reforming institutions and building capacity in addition to other short-term goals. One way of looking at PRSP is thus to see whether what the IMF/World Bank expect has been realised. But it is also possible to review PRSP in terms of what has taken place in Rwanda. In the next section

²⁶ Most of this stuff is usually available on websites of the World Bank and International Monetary Fund. www.worldbank.org and www.imf.org respectively

we use the first approach and support it with evidence from Rwanda or with appropriate footnotes.

The first issue is that of participation. The World Bank defines participation as 'the process through which stakeholders influence and share control over priority setting, policy-making, resource allocation and access to public goods and services'. It also notes that PRSPs should 'be developed transparently with broad participation of elected institutions, stakeholders including civil society, key donors and regional development banks' (OXFAM 2001)

PRSP in Rwanda can boast to have at least attempted to take into consideration people's opinion including the poor, in the process as summarised above²⁷. What is important is whether this can continue as a perpetual strategy. The onus falls with the government of Rwanda. The quality of participation also needs to be enhanced. Blytt (2001:3) again notes, "the poor are ill –placed to participate in public consultation processes. And concerning of decision making the gap in opportunities is even bigger."

Civil society exerted pressure seeking to get involved in the process. To a great extent their opinions were honoured. During the drafting process of Rwanda PRSP there were NGOs seeking what was called mainstreaming of gender, environment and land with the ever present fear that this or that sector is not adequately covered in the PRSP²⁸. But as a whole Rwanda PRSP honoured most of these inputs, a reason it may have become one of the longest PRSPs in Sub Saharan Africa. However the issue is that consultations only are necessary but not sufficient elements of participation. These were consultations

²⁷ A criticism leveled against this is that it was done in a hurry to meet preset deadlines. Another is that sometimes consultations were in form of workshops or meetings that did not involve the poor themselves. To some extent PRT and PPA attempted to cover the lacunae by moving across the countryside. A better consultation would involve more frequent and prolonged visits, which of course would depend on availability of resources.

²⁸ Gender, environment, land and good governance involved separate studies sponsored by different donors but synchronized to provide inputs into the final paper. The education sector study was underway but did not make it for the final paper. Although it seems to have come out with one of the model sector strategies in Rwanda.

during preparation of PRSP. The continual participation of civil society needs to be institutionalised.

On the other hand Rwanda PRSP can be seen to have attempted to foster participatory processes. It was noted that in drawing up of PRSP, a pilot study on how to enhance grass root participation in poverty reduction was carried out in one province. The results of the study have been applied to all the provinces in the country under an approach called *ubudehe*. This is a collective work approach derived from the traditional mutual help practices in Rwanda, blended with modern forms of decentralisation to fight poverty reduction today. We shall revisit this scheme in the next section, but with regard to participation, this can be regarded as a unique effort to promote participation in Rwanda.

A second issue is that of ownership. It was noted that Rwandans drew up the paper. However, given that the PRSP is still within the same framework of conditionalities as Structural Adjustment then the ownership is still just a 'good catchword'. Blytt regards the PRSP conditionality as 'an over prescription by donors, which undermine effective implementation of policies by national governments. It gives rise to administrative overkill, co-ordination problems and limits the extent of ownership'.

UNCTAD (2001) identifies three elements that the new system brings in, that undermine government capacity and creates uncertainty. Firstly the poor integration of the aid delivery system into national economic and administrative structures, lack of coordination of donor activities and strict policy conditionality on the fiscal budget

These over time, question the concept of ownership by national governments. Rwanda has for instance established a Bureau called CEPEX to coordinate foreign financed projects. But the major problem is that the interest and policy of a donor is paramount to the delivery of assistance. An annual donors conference and frequent consultations are made to assist in the coordination of aid. But by and large the financier influences what is done directly or covertly. One example is the threat by donors in early 2000s that aid

would be withdrawn if Rwanda did not withdraw from a neighbouring country. Rwanda was arguing that it went into DRC in pursuit of genocide perpetrators who wanted to destabilise Rwanda and continue genocide activities.

A third issue is the HIPC net gain. Besides having a poverty reduction strategy the PRSP is supposed to lead to debt relief through the HIPC initiative. Critics, however regard the process as making debt relief more complicated and benefits more limited. OXFAM (1999) questioned for example why a country like Rwanda should be made to undergo such a process when its indebtedness and poverty are known to have been caused largely by the war and genocide²⁹. More tragically put, the *ancien regime*, in preparing and putting in action the genocide, incurred a large part of current debts. There is need to estimate what is the net gain of HIPC to Rwanda now and how indebtedness bears on the effectiveness of PRSP.

A fourth issue is that of institutional location. In almost all the countries PRSPs are placed under the Ministry of Finance. This is also the case in Rwanda. In fact a National Poverty Reduction Program that wrote the PRSP was within the Ministry. After its completion it's now under the Directory of Strategic Planning and Poverty Monitoring, which is also in the ministry.

Essentially the location is strategic. In many developing countries Ministries of Finance are almost the most powerful. Being the drawers of budgets it's a safe location in relation to access to government votes and financing. But as Kanbur (2000) remarks, the ministries are havens of the officials and consultants who believe in orthodox conditionality as the best response to poverty. They support rapid adjustment to fiscal imbalances, rapid privatisation, deregulation of capital controls and opening up trade and investment. But these are the types of policies that some circles believe infringe on the conditions of the vulnerable in imperfectly structured economies.

²⁹ See in Chapter figures on amounts spent on buying crude traditional instruments for genocide. Why would Rwanda need to order 1 million machetes in one year. Together with other implements the sum went to several million dollars between 1990 and 1994

It is evident that, there an apparent confusion between PRSP and ordinary development business of government. Oheihoron (2002) rightly argues that PRSPs are regarded as development policy. Poverty reduction is a language that is used in all government business as a key to coming to terms with IFIs. But the more concern has tended to be stability than extreme poverty. In the Rwanda PRSP what is called expenditure criteria and costing is closely linked to the rest of the government-spending plan. There is nothing wrong with the close link, but it would appear elements of poverty reduction expenditure in the PRSP have to compete with other forms of expenditures for resources.

Fifthly, is an issue of how realistic are some of the objectives spelt in the PRSP. The Rwanda PRSP is undeniably comprehensive. Actions touch almost every sector. Even what is regarded, as prioritisation is about addressing almost every aspect of the economy³⁰. Indeed this reflects the previous struggle by every ministry and every group to see to it that it is adequately mainstreamed in the paper³¹. However, despite the observation that PRSP is like a government wish list, the possibility of seeing through every action may be a difficult task to fulfil even if funds were available. There is a need, for example to establish what it would take to transform the agriculture of Rwanda or to institute a comprehensive land reform. Research may reveal that, it may not be as easy as it is usually written³². An assessment of financing and resource capacities of PRSP may be quite useful.

A sixth issue is the role of the private sector. The new poverty reduction paradigm as indicated is generally neo-liberal. It thus expects a leading role of the private sector in several economic aspects that used to depend on government or its parastatals. The Forum (2001) reports a number of cases in Africa where the private sector has played a

³⁰ Casually look at the table of contents on PRSP document. Almost every economic sector is addressed.

³¹ DfID sponsored a study of how to distill environment and land into PRSP. There was a special consultant to into how gender can be engendered. The World Bank studied education.

³² See attempts to estimate what it costs to carry out a land reform GTZ paper online cited in Bibliography

leading role. One case is the provision of energy in Sierra Leone. In Madagascar the private sector provides jobs for the poor via small and medium enterprises.

However in the Rwanda surveys (e.g. PRT 2002) the private sector was seen to be very weak. For instance, the Federation of Private Enterprises stated that its work is still that of assisting the existing small private companies strengthen and modernise their activities. The role of the private sector in poverty reduction is still limited. The Federation noted however, a growing informal sector that can later be supported to develop into private entrepreneurs if they acquire legal status and capital.

Promotion of Foreign Direct Investment is high on the agenda of the Rwanda Investment Promotion Agency. Rwanda is still far from creating a credible and attractive policy and environment to make investors decide to invest in Rwanda.

Concerns are usually whether investment should be in sectors where the poor are or not. But the argument has been that more investment even in urban manufacturing can offer a few more jobs to the poor.

Finally is the question of poverty reduction and law. In a serious bid to reduce poverty in Rwanda poverty reduction should be supported by the right legal and regulatory enactments. Basic social services should, for instance be a constitutional right³³. Some laws can regress or marginalize the poor and vulnerable. Such laws need to be repealed. So far the only effort that is noticeable is laws concerning gender equity³⁴. Laws could be reformed to reflect their roles in poverty reduction. Likewise PRSP could have a legal framework that can make some of its objectives more enforceable legally.

³³ Even in a middle-income countries like South Africa, poverty reduction as an economic right has been difficult to make constitutional. The state will always argue that resources are limited.

³⁴ we noted that some may be a source of new forms of conflict such women who were denied land because they had no brothers to inherit their father's land now reclaiming the right as a result of the new law see Musahara and Huggins (2004)

A related proposal has been to have a Committee of Parliamentarians on Poverty Reduction (Forum 2001). This is a good idea provided it advocates for the poor in relation to allocation of resources and legislation. Care is to be taken not to start creating a bureaucracy around poverty reduction or the so called “poverty business”(Blytt 2000). But the legal and regulatory framework around poverty reduction may need to be assessed.

The second level of reviewing PRSP as suggested at the beginning of this section is from overall context of Rwanda being party to the new Bretton Woods paradigm. The drawing line is between proponents of neoliberal policies and the more radical critics of the World Bank and IMF. A number of general remarks have been made.

By the new conditionality IMF renamed its concessional lending facility from the Enhanced Structural Adjustment Facility (ESAF) to the Poverty Reduction and Growth Facility (PRGF). PRGF has seven features. These are broad participation and greater ownership, embedding the PRGF in the overall strategy for growth and poverty reduction and budgets that are more pro-poor and pro-growth. Others are, ensuring appropriate flexibility in fiscal targets, more selective structural conditionality, emphasis on measures to improve public resource management/accountability and social impact analysis of major macroeconomic adjustments and structural reforms

Loans under PRGF are for three years and carry an annual interest of 0.5 per cent with repayments made semi annually beginning five and a half years and ending 10 years after the disbursement.

Independent assessments (e.g. OXFAM 2002) have shown that although there have been some progress in areas such as streamlining conditionality (reducing the number of conditions attached to PRGFs) the overall core of macroeconomic prescriptions remain unchanged. There has been no entertaining of alternatives or choices in terms of macroeconomic policy in the PRGFs to date.

Blytt (2002: 1 citing UNCTAD 2000 report) makes a more radical comment;

The current rethinking of international development co-operation, the changes in policy conditionality refer to changes in both the content and extent of policy conditionality and in the procedures of setting it. Policy reforms are now much more geared towards poverty reduction. But as no policy conditionalities have been subtracted there is net addition to the extent of conditionality faced by poor indebted governments

The World Bank seems to have a more generous arrangement. Assistance is defined in the Country Assistance Strategy (CAS). This is a medium term 'business plan' for the World Bank and will be derived from the PRSP. The World Bank will continue to provide Structural adjustment Loans (SAL), Sector Adjustment Loans (SECAL) and project loans. It is also developing Poverty Reduction Support Credits (PRSCs). The latter already developed for Uganda, Burkina Faso and Vietnam are provided from International Development Association (IDA) and are provided without interest, with a small service charge, a grace period of 10 years and then repaid over forty years. As such most of these loans (70%) are in effect grants.

That notwithstanding the comment, the PRSPs has continued to face criticisms from the anti-neoliberalism lobby. The next paragraph is a summary of the most common criticisms (OXFAM 2002).

Firstly, it has been a donor led process from its inception. Ironically the concern of national ownership still comes from the donors themselves and not the governments. Secondly, many feel there is no real change from the previous Structural Adjustment approach and is more an attempt to coat those policies in a more human façade and thirdly, there are concerns over whether governments are really in the driving seat given that PRSPs require 'endorsement' from the Boards of the IMF and World Bank.

A fourth feature is that given the substantial influence IFIs and donors continue to have over decisions made by poor countries, PRSPs offer little more than a chance to pass the

responsibility and the blame for failure to governments. Another is that there is no clear link between the PRSPs process and existing national planning structures. The links are cosmetic and duplication of effort is a concern

Rwanda has drawn a PRSP to the satisfaction of the IFIs. To that extent our judgement is that it satisfies the neoliberal requirements embodied in the new conditionality. But her initiative to put on board a participatory approach in the PRSP referred to above as *ubudehe* resulted in the Rwanda approach also having strong concerns for social and distributive justice. The question is whether the trade off between growth-oriented strategies and desires for reduced inequality can be sustained. It is to this last remark and to its interface with conflict that we now turn.

Assumption 6. Vision 2020 and PRSP are capable of addressing income inequities and other elements of the ‘poverty-conflict trap.’

This assumption complements discussions in the assumptions already made above. Our argument can be put plainly as follows; rapid economic growth is indispensable but its tenability and sustainability needs arduous economic dispensation. Inequality is politically and economically desirable but forces of economic growth may make it inevitable. Forces of conflict that are noted to be organically linked to poverty and that may arise out of inegalitarian development in Rwanda have not been given proper seats in the policy framework (see World Bank 2003)³⁵.

From the statement and objectives of the Rwanda PRSP, one can say Rwanda’s PRSP is pro poor at least in three senses. The bulk of the growth is expected to come from agriculture, where the majority of the poor live. Growth will presumably be labour intensive and through the institutionalised participatory processes inequality will be reduced. With geographical and spatial considerations and sectoral patterns of growth

³⁵ The World Bank through CDF (Comprehensive Development Framework) has attempted to develop an approach that combines PRSP and conflict resolution.

inequality can be stemmed (Anderson and White 2001). However this generalisation needs to be informed when it comes to implementation.

For Vision 2020 let us refer to commercialised and professionalised agriculture as a source of growth. We note that while the vision projects an accelerate decline of the Gini-coefficients, from an estimated 0.45 in 2000 to about 0.35 by 2020, a closer analysis of the sources of growth does not point to that direction.

The most likely source of commercialisation in agriculture is within the export sector. It is however estimated that 90% of Rwandan exports are produced on 7% of agricultural land. In terms of population, it is practised by less than a third of the farming population (cited by Waller. 1996). That said, therefore, professional farming would be the business of a few people in Rwanda. It suggested by one report (cited by Waller 1996) that farmers who can invest in their agriculture are those with at least 1.5 ha. More than 69% of all farmers have no choice but to practice subsistence. Since it will be by those who are relatively endowed with land and resources professional farming may include most likely urban elite and even businessmen. The argument above is supported by the fact that not all Rwandans grow coffee and tea. And just a few will be able to have large-scale farms on commercial scales. In this regard the growth expected from agriculture can be attained but from a handful of farmers. That would therefore mean professionalisation and commercialization in agriculture will move in tandem with the development of a small better off group, while the rest of agriculture will be dominantly subsistence practiced by a majority of poorer farmers. Given the agronomical nature of Rwanda, it is most likely that attaining agriculture-based growth will inevitably lead to greater inequality.

There is need to offer more clarification to our assumption. It was stated that inequality is not synonymous to poverty. If there will be other sources of raising the rest of the poor to levels above the poverty line, then a policy issue will be reducing inequality for other purpose such as a moral responsibility of a nation. Indeed at a general level Vision 2020

would seem to point to that. The aim is to get to at least a per capita income of almost a \$ 1000 without any clear analysis of how inequality will be handled.

Another qualification is that inequality need not mean conflict. This is also sensible. However anytime inequality is configured around social groupings such as ethnic identities it is a major source of social tension as discussed at the beginning. The backbone of the economy is agriculture and the major asset is land. There are two ways that inequality may lead to conflict in Rwanda.

Firstly, it was found out that 80% of all conflict in Rwanda is related to land (NURC 2000). A more recent survey revealed that the issue of land if not handled very well could be a source of future tension (NUR 2004). Another study has used almost similar arguments on modernisation of agriculture to show that a new policy and land reform will lead to inequality and social tension (ACTS 2004). Apparently neither PRSP nor Vision 2020 gives this issue of the poverty-conflict nexus any serious analysis. Besides the commitment to good governance by the two documents, there is no clear indication in content, how poverty reduction will address roots of conflict in Rwanda.

A second, and which constitutes one of the causes of crisis in Rwanda, is how the present framework addresses some of the known causes of the link between poverty and conflict. Two are known and have been mentioned already. Firstly one of the accelerators of genocide in Rwanda was that the land failed to support the growing number of youth and landless and the economy did not offer enough non – farm activities to absorb them. Secondly, the urbanisation process failed to create enough jobs to absorb them. The result was a large number of disparate and unemployed youth in Kigali who provided a ready supply of resources for the execution of genocide (see Uvin 1998). The argument here is that there is no evidence in terms of detailed analysis of how the present policy framework has addressed this weak spot. Let us elaborate briefly on each for emphasis.

It has been assumed, and this has been the case in any policy analysis on Rwanda, that off and non farm activities will be created to absorb the victims of the crisis in the rural areas commensurate with our analysis in section 2. Land scarcity, as shown above, is a major problem that has been acknowledged by the Rwanda land policy itself. The policy indeed indicates clearly that not every Rwandans will have access to land. The pressure of land can be eased by progressive availability of non-farm and off farm activities³⁶. But the assumption is embedded in two major processes.

An enhanced capacity of the agricultural sector to produce a surplus that can feed increasing populations out of the farm economy. Secondly it will depend on the capacity of the non-farm and off farm activities to absorb the landless and unemployed. The dual process is in itself a significant change in the structural alignment of the economy and it requires effective planning.

Kampayana et al (1990) noted that the type and nature of such off farm and non-farm activities is at stake. Some forms of non-farm and off farm activities and jobs are informal or are distress activities. Disguised unemployment, or chronic underemployment, are likely consequences of activities that do not ensure a permanent and alternative employment to agriculture that is viable and can support a decent livelihood instead of a coping mechanism.

The possible source of knowledge and means to promote off and non –farm activities has been the activities of NGOs. However, these have been noted to lack a coordinated and pervasive approach. They differ in what they are interested in and where they will operate in Rwanda (see Bingen and Mpyisi 2001).

The previous statement is supported by the most recent survey on NGOs (Bingen and Mpyisi 2001). The NGOs lack a coordinated approach and the government does not have

³⁶ For definition and discussion see Gordon and Craig (2001). Rural Non Farm Activities in SSAs available online

a clear policy on their operations. From the survey it would appear a coordinated effort within a framework of a coherent policy for more non-farm activities would be provided with the help of the NGOs.

It was shown by the survey mentioned above that Rwanda has 53 NGOs of which 2 were not related to agriculture. Of these 33 are national and 18 international. Interestingly, a majority are involved in socio-economic development (23) agriculture (18) cooperatives and association development (5) and youth and women (5). Butare, Kigali Ngali and Gitarama have more than 20 NGOs projects; Byumba, Gikongoro, Kibuye and Umutara have between 10 and 19 and Cyangugu, Gisenyi, Kibungo, Kigali Ville, and Ruhengeri less than 10. Only one district (then commune) of Giciye in Gisenyi was found to have no NGOs. A notable constraint to a coordinated approach is the diversity of mandates, technical capacity and coverage (by sector and beneficiaries) of the various NGOs whose geographical coverage is otherwise wide.

In sum, unless there is a coherent policy and effort to ensure that non-farm activities are readily available the problem of unemployed landless will still remain or get worse. As Pottier (1997:1) puts it “ I am sceptical that future off farm income generating programmes in Rwanda will be more successful than those attempted in the 1980s unless a massive reorganisation of regional markets for labour and goods is achieved”.

Another way out often mentioned is urbanisation. We criticised this view earlier and here we give more factual basis for our scepticisms. First, unlike in many other countries, Rwanda has no urbanisation policy yet. It is just mentioned in the current land policy as an important process (Land Policy 2004: 24).

In terms of space utilization under scarcity of land, the assumption that urbanization is a positive phenomenon is understandable. It is even more understandable given the assumption that villagisation –imidugudu- is a transition to urbanization. The current rate

of urbanization is estimated to be 16.9% with about 1,372,913 urban residents out of total number of 8,128,553. The annual growth rate is about 9%.

However not all urbanization is good. Urbanization without a proper urban policy and plan has been known to be a source of slums, social decay and development of 'underclass' groups. If urban areas will not provide adequate job opportunities and lack basic infrastructure and services such as roads, water, sewage they may be source of disease, poverty and misery. Troops of unemployed youths and delinquent children are known to be sources of crime. Masses of poor populations are a source of social tension and squalor in urban areas.

But above all the bulk of urbanization is around Kigali City alone. Its population has exploded within the last decade. In 1991 it had 235,664 inhabitants, which grew to 358,000 in 1996 and is currently 603,049 growing at a rate of 10.4% per year. The rate of growth outpaces that of facilities and services in the city. It accounts for 50% of all the money that circulates in the country. Although the main source of government revenue is said to be in Kigali, combined with Butare the second town, they contribute 50% of total government revenue. In regional planning urbanization need to be more balanced. The most modern facilities, such as tarmac roads, electricity, airport, and modern hospitals are based in Kigali. Of course, in feeding the city the rural districts would be expected to benefit from further growth of towns, but imperfections in the market of agricultural produce and distribution are likely to benefit the middleman more than the farmer

Assumption 7. Ubudehe is a Rwandan poverty reduction approach that will lead to effective poverty reduction and break the poverty –conflict cycle

It is perhaps important to explain what this concept and approach is. Ubudehe is designed on traditional Rwandan practice of collective work. The concept paper (MINECOFIN 2003:1) states this in the introduction;

The name Ubudehe was chosen as a reminder that collective action and participatory development are very rooted in Rwandan society. The aim of the

Ubudehe process as it has recently been designed in Rwanda is to build on the positive aspects of this history and complement it with modern participatory techniques, which have proven their worth in Community development.

The current poverty reduction strategy (PRSP 2002) has borrowed this word and practice to develop local community participation mechanisms. **Ubudehe mukurwanya ubukene**. The expected merits of the adopted system are stated as to ensure individual and collective rights particularly the right in decision-making achieved through dialogue. In this regard the new concept is a concept of participation and decentralisation processes.

Ubudehe is said to use a COMIC 8-4 tool as a modernising engine of an otherwise traditional concept (MINECOFIN 2003). COMIC is an acronym for Co-operation, Operational, Maintenance, Information and Co-ordination. These are stated as guidelines, which need to be followed to make sure the collective action set up, will be sustainable. The eight represents the number of principles for a community action system (MINECOFIN 2003:2);

a well defined framework, striking a balance between benefits and costs, inclusive participation, monitoring & evaluation, gradual sanctions, conflict resolution mechanisms, acknowledgement of the right of free organisation and integration of different levels of organisation.

Finally, the number 4 represents opportunistic behaviour that ubudehe seeks to fight or avoid. These are corruption, opportunism, escaping responsibilities and moral corruption.

Then Ubudehe is described as a methodology intervening in poverty at two levels; the community and household levels. The community level intervention is described as follows;

The community goes – with the help of facilitators/trainers – through the following steps:

- *Determine the poverty profile as perceived by the people themselves;*
- *Determine the causes and consequences of poverty;*

- *Draw up the social map of the cellule, which includes the names of household heads, their social category (different categories are again decided by the people themselves), development infrastructure, material of each house's roof;*
- *Identify and analyse the problems facing their community and determine a priority problem to be addresses;*
- *Plan the activities and relative means needed for addressing the prioritised problem through a collective action plan (Ubudehe);*
- *Put in place a system to manage the identified collective action (soft system check list);*
- *Submit the action plan to a pertinence test for all stakeholders to see if the retained strategies are the best to solve the identified problem;*
- *Check if collective action principles are respected through the COMIC 8-4 tool;*
- *The management committee, elected by the community, local technicians, local authorities and other stakeholders approve the execution of the collective action and engage to safeguard and respect the principles of collective action.*

After this process, funds are made available to support the identified ubudehe collective action.

There is also intervention at the household level. The community will have identified which household was poor. Then trainers and facilitators would visit the household where a participatory approach is supposed to be used to make the household address the challenge of fighting poverty. The concept paper outlines the procedure

- *Determine their coping strategies throughout the year (seasonality);*
- *Analyse these strategies in order to come up with a strategy favourable to the promotion and improvement of the living conditions within the household (preference scoring);*
- *Plan activities and budget the necessary means to execute the retained strategy;*
- *A pertinence test is then carried out by wise men in the cellule (Inyangamugayo) to make sure that the retained strategy is appropriate and will be of good use to the household;*
- *The household members finally accept and sign for the funds that are accorded to them. They agree that the funds supporting the execution of their strategy will have a rotating character.*

After this process, funds are made available to support the identified household strategy.

At a conceptual level the approach is an important step that can be used to face the type of poverty that was analysed in the introduction. A legacy of poverty based on exclusion,

lack of access to entitlements and that was engineered by bad economic and political governance need to be addressed in an innovative manner. However the question is whether *ubudehe* being so necessary and ambitious an innovation is also sufficient to address poverty that was linked to conflict.

Firstly, this is a ‘selective’ approach. The participatory approach is exclusively for the poor. This is a poverty reduction approach that asks the poor to identify themselves and then bundles them together as a target group (see MINECOFIN 2003 concept paper). Bundling the poor together is essentially stigmatising them. If the poor are bundled together as genocide survivors, or as one ethnic group then stigma and social tension may be even more exposed. Above all, by this approach we tend to get the idea that the poor are the ones that need to reconcile. Conflict and genocide is not the confines of the poor alone.

Secondly, this approach is attached to the decentralisation policy in Rwanda. As the name suggests, it is also a concept related to participation and tapping of social capital. For posterity let us review this poverty reduction approach under the three levels of decentralisation, participation and social capital. We can the later assess if this is one element of the poverty framework that may have inroads into the ‘poverty –conflict trap.’

The decentralisation policy in Rwanda is one policy while poverty reduction is another. However by design, one of its core objectives is poverty reduction and *ubudehe* was designed to be part of the decentralisation process (MINALOC 2002:).

The Ubudehe process in Rwanda is a unique policy of nurturing citizens’ collective action in partnership with a government committed to decentralisation.(underlined emphasis not ours.)

The Ubudehe programme is thus linked to the decentralisation process. It creates a mechanism for grassroots empowerment whereby communities have the opportunity to improve both their quality of life and their social cohesion, through the decentralisation

of planning and financing down to the cellule. Every *cellule*³⁷ in Rwanda will receive about \$1,000 each year to execute their own collective project

The decentralisation policy was introduced in Rwanda in 2000. Generally it was defined as policy of empowering the local population by making them participate in planning and management of the development process for poverty reduction, better service delivery and national reconciliation (MINALOC 2002).

At a specific level the aims have been stated as empowering the people, ensuring sustainable democratisation, mobilisation of economic resources, a tool for reconciliation, social integration and well being as well as a vehicle for promoting social, cultural, civic, administrative good governance

More explicitly, decentralisation in Rwanda was conceived on principles that are pro poverty reduction. These include; national unity, indivisibility and equal development, local autonomy, identity, interests and diversity, separation of political/administrative and technical authority and transfer of responsibility matched with resources.

The decentralisation is a three-tier structure; the first level is broad level consultations with the public and private sectors as well as civil society. The second is step by step of de-concentration, delegation and devolution. The third is incremental planning and allocating of resources

The effectiveness of ubudehe will therefore depend on the decentralisation as a political process and poverty reduction as an economic policy. There are thus issues that can be raised on decentralisation and poverty reduction particular to Rwanda and decentralisation as a policy in practice in any developing society.

³⁷ A cellule is the second lowest administrative organ in Rwanda. A cell, the lowest contains ten households. A cellule may have several ten cells usually between 10 and 15 or even more in semi-urban and urban areas

Decentralisation has always been hampered by failure to delegate full powers downwards. This is made difficult by the desire to transfer power without authority. A governor of a province will feel insubordinate if mayors of districts no longer take orders from him. Moreover, like in many postcolonial states, it is this power and authority that is important³⁸.

The decentralization has brought reflections on how district mayors wielded much power before 1994. The military dictatorship that prepared the genocide had taken the district-commune- as the nucleus of administering the people. The mayor who was the most powerful administrative proxy of the regime was a presidential appointee and had to be a loyalist to the MRND the single political party and facility of the dictatorship regime. The mayor became a very powerful government instrument in relation to ordinary civic and political life of citizens as well as access to resources³⁹.

New structures, through elections that were carried out in 2001 elections, are attempting to shed these powers. The mayor now is political post that is filled by election. He/she does not handle financial issues, which was one entry point to corruption. He is moderated by advisory and executive committees that were elected to office by the citizens.

In this regard *ubudehe* fits well in the new philosophy of empowering the lower organs of governance unheard of before genocide. However, as can be seen, *ubudehe* is assumed to be part of the policy. It will probably get the link when the project is turned over to the Ministry of Local Government as indicated in the policy statement (MINECOFIN 2003). The latter ministry is in charge of decentralization.

³⁸ See for example Bayart `s (1993) African State. The Politics of the Belly is not only about corruption but hoarding and amassing power as well.

³⁹ The mayors or burgomasters presided over land issues and were in charge of allowing access to prime resources such as marshlands, common property like forests and were custodians of state land

But it is apparent that the challenge of delegating power and administration is not a simple one. Recently (2004) several mayors in Rwanda have been required to resign by the central government. Some remarks are in order. The old power relations always haunt local governance. Secondly, being elected by the citizenry does not make them immune from pressure and authority from the center. There is a likelihood that if the philosophy does not work effectively, decentralization can lead to a new bureaucratic structure at the bottom, which may among other problems present a burden to the center, at least financially. Emphasizing *ubudehe* as part and parcel of the decentralization policy in the broad envelope need not constitute a virtue, if the latter policy hits a snag (see e.g. Tordoff 1994). However we shall argue below that detaching poverty reduction from the political process itself is not the wisest idea, given the roots of poverty in Rwanda discussed earlier.

Decentralisation and *ubudehe* has constraints of resources and capacity (MINALOC 2003). Planning and management are already a problem at the national level. Now the most likely result is reproduction of bureaucracy downwards without the appropriate human resources to support it. The most likely possibility is that the so-called grass root project formulation will be another legitimising top down decision making process. Current accounts⁴⁰(MINECOFIN 2003) most of the thinking is done by a small cadre of trained staff. As is common in such interventions these are the people who become the most influential with regard to what has to be done. It is not the community that is trained. It is the professional who will be the expert on community's poverty.

So far modest financing is forthcoming. The sources of funds are from the local government, 1.5 % of the budget and 10% of domestic revenue for community development fund (CDF). However currently, seed capital for *Ubudehe* has come from foreign donors especially EU.

⁴⁰ see MINECOFIN Website www.minecofin.gov.rw

Three remarks are in order. Firstly finance has always been the most important variable in many planning initiatives. In other words decentralisation is difficult to implement if funds for local development are not adequately sourced and disbursed. Secondly it is because of the first reason that decentralisation is weakened because the ‘purse’ is usually controlled at the centre. Thirdly, when money is from foreign donors, a central problem becomes that of sustainability, because projects are usually folded up when the donor phases out the support. These are latent weaknesses that ubudehe needs to grapple with⁴¹.

Another remark is that there are cases where decisions or projects at meso levels may be more desirable. Several micro projects at *cellule* level may lead to a disaster in over production at national level. Principles of economies of scale and allocation of resources would suggest that one grinding mill would be better for say one *secteur*⁴² instead of each *cellule* wanting to have its own because the area is dominantly a cereal growing area. A mill may also be too expensive for one *cellule* and achieve full capacity utilisation if shared by more than cellule.

But poverty reduction is not about how many projects. Even as of today projects are there and the principal complaint is that they do not cater for those they are meant for. Experience shows that the poor are so weak in their own communities that the power to contribute their opinion is often taken away from them by the more literate, the connected and incidentally the better off. In one of the national surveys, poverty policy problems substantially changed by merely changing the composition of focus groups. When the relatively poor were put together away from the local leaders and elites they mentioned better their problems (PRT 2002). Leaders at the local level seemed very capable of stereotyping government policies perhaps even better than their immediate superiors⁴³.

⁴¹ The remark notwithstanding there are reports that there is idle money that has not been utilized by rural population probably because of lack of capacity see PRS 2003

⁴² The secteur is an even larger administrative unit that is between a cellule and a District.

⁴³ Another impression is that poverty goes with loss of confidence. Poor people seem ignorant and lacking constructive ideas. Ordinary citizens may have been feeling that speaking in public is some sort of insubordination while in some cases women would simply request one of the members their group to speak on their behalf.

The second level of review is *ubudehe* as a participatory approach. Participation refers primarily to the process of involvement in decision making as both empowering and educative process

Silva and Athukorala (1996) elaborate on participation as follows;

The participatory approach argues that the only way the poor can overcome their difficulties is by directly participating in the process of development including formulation of social policy, development programs, their implementation at the ground level and sharing in the benefits of such programs. The participatory approach has the dual goal of promoting growth and equity while also ensuring the development of democratic processes in the grassroots.

Moreover in developing countries political participation is even more stressed because it is usually associated with material gains. The policy document is clear on this objective (MINECOFIN 2003).

The aim of the Ubudehe process as it has recently been designed in Rwanda is to build on the positive aspects of this history and complement it with modern participatory techniques, which have proven their worth in Community development....It sets out to strengthen democratic processes and governance starting from the people's aspirations, ability and traditions(pg 1)

Participation is a process, which can be regarded as the opposite of the process of exclusion, a common fault with policy in Rwanda before 1994.

However a number of issues need to be raised before taking on board the assumption that there is a participatory model that is making a difference in Rwanda. Firstly is whether it is regarded as entrenched in the political and social ways of life at grass root level⁴⁴.

Rwanda's poverty reduction paper has emphasised participation as an important element of the new strategy. In drawing out the poverty strategy there was an attempt to use a participatory process or at least conducting some consultations. But as one of the surveys notes, participation should not be used as a slogan that can be used to please donors only

⁴⁴ For a practical reference the Kerala Model of participation in India is usually cited

(PRT 2002). It should be an active and dynamic process in poverty reduction efforts. Participation can be in terms of what ‘works’ and what gets ‘funded’ (Hickley and Mohan 2003).

Another test of participation and *ubudehe* in particular is the question of ownership. It is clearly an approach that involves the poor themselves to define their poverty and input in the decisions regarding their livelihood. However it is important to note that it is still a project run jointly by two government ministries-of Finance and local government. This is highly advantageous in securing funds from the central budget and the donors, especially EU. However, the danger is that ideas from the bottom can be manipulated by bureaucrats at the centre or by the wishes of the donors. At a general level *ubudehe* is a bottom up approach controlled from above. To borrow a phrase from Gaventa and Cornwall (2001) it may be a ‘voice without influence.’

Secondly, is the question whether the participatory process has conflict resolution as an important element of its goals. One test of this is direct and is whether there is a clear component in the same regard and second is whether it addresses adequately the issue of land and environment.

Ubudehe is just one of the interventions within the national and economic framework of reducing poverty. In this regard conflict resolution can only be implicit. If it works and poverty is reduced in participatory way then conflict will wither away. From the documents on *ubudehe*, conflict resolution is mentioned as an advantage. However there is no clear modality of how the approach can be used to that end. There is no indication of how it will be coordinated with processes like *gacaca* and reconciliation efforts.

But it worth noting that conflict need not be violent upfront. A high percentage of conflict that is non-violent for the time being is accounted for by the land issue as cited above (NURC 2000,NUR 2004 forthcoming). However, *ubudehe* is notable for its lack of a clear agenda on land. So far there is only a promise in the plan that land will be an

important area of intervention (MINECOFIN 2004 website). From our account on the roots of poverty and how land is associated with conflict in Rwanda, an approach like ubudehe need to have a strong action on land and environment, as factors in both poverty and conflict.

An obvious lacuna in the content of ubudehe is lack of an inclusive programme for women. It is mute on this. It is mute on the disabled. Another marginalized group is old case returnees whose access to land has been uncertain and present holdings insecure (Land policy 2004). Genocide survivors are also known to be a group that suffers a deprivation of their own. Theirs is a poverty that is laced with trauma. A poverty reduction approach needs to address explicitly education and health needs of the widows and orphans, projects that may not easily surface in ubudehe programmes unless they were planned for at policy level.

Finally ubudehe should be in position to recreate confidence in the citizenry. It is noted that one of the features of the pre-genocide regime was political exclusion and a psychological complex that made citizens obey without question any directive from above. This is used as one argument of accounting for mass killings during genocide (see e.g. Hintjens 1999).

A third level of analysis is the link between ubudehe and social capital. The policy statement on ubudehe is explicit on this.

It sets out to strengthen democratic processes and governance starting from the people's aspirations, ability and traditions....The Ubudehe process seeks to create deliberate opportunities for people at the cellule level to interact with one another, to share worldviews, and to create institutions of their own which assign duties, benefits, responsibility and authority. It is through such processes of local interaction for mutual benefit that trust between individuals will increase, as will reciprocal relationships. The assumption is made that strong social capital creates high trust and communication within a group and opportunity for economic co-operative formation (MINECOFIN 2003:2)

In terms of poverty reduction there are several advantages that have been mentioned with regard to traditional institutions, networks and social cohesion. Grassroots organisations and institutions have proved to be low key but effective coping mechanism against poverty⁴⁵.

Secondly building on local institutions will reduce the ordinary over-dependency on government. Government has a role in intervening in allocation of resources and provision of merit and public goods related to poverty. However government should not commit itself to what it cannot fully deliver. Local institutions approach is a method that can start with building self-confidence among the poor themselves. In more economic terms the poor are not mute 'targets'. The poor should be active agents with capabilities (Sen 1995)

Thirdly it was seen that one of the biggest constraints in poverty reduction is cost. It may be costly to 'means test' the poor for intervention but it may also be politically costly to convince the non-poor to finance poverty reduction. It may be socially costly for the poor to respond to poverty intervention that stigmatise them. Using traditional methods of working and solving problems collectively can empower the poor and unleash their power of response to government effort without a lot of commitment of financial resources.

Finally it embodies the virtues of bottom up approaches (Mammo 1999). Ubudehe is in this regard a medium of building a bottom up approach to development.

Mammo (1999:173) defines a bottom up approach as

efforts of people in the spirit of self-help and self-employment using local knowledge and resources. It indicates the use of indigenous knowledge and

⁴⁵ For more details on social capital visit www.worldbank.org/PovertyNet or see Putnam.(1995) America's declining social capital Journal of Democracy 61 pp65-78

practices to carry out day-to-day activities. It also incorporates the use of local institutions and informal economic activities.

Colletta and Cullen (2000:6) were interested in social capital and violent conflict in Rwanda. They have however, provided a definition of social capital that serves better our purpose.

“Social capital refers to systems that lead to or result from social or economic, such as world views, trust, reciprocity, information and economic exchange and informal and formal groups and associations⁴⁶”

Ubudehe is thus a medium for using and building social capital. However good and innovative are ideas of social capital and indigenous knowledge use a number of weaknesses are apparent.

Firstly as Mammo (1999) remarks with regard to Ethiopia traditional institutions per se are not an African panacea. They need to be complemented by other interventions. For example using information technology in rural development of Rwanda is not contrary to the traditional skills approach but rather enhances it.

Rwanda can present a case of rich local institutions and organizations but there is evidence that they may have been severely diminished by historical and political processes. Colletta and Cullen (2000) have shown how social capital was used in mobilizing people to participate in genocide. Uvin (1998) notes how every 35 families in Rwanda were attached to some cooperative or association. However, despite that excellent network unequalled in Africa, it was possible for genocide to take place. Genocide resulted in the destruction of various forms of social capital. It could be stated that IK and social capital has certain limitations that may make them necessary but not sufficient strategies.

⁴⁶ See Colletta and Cullen for more detail on the theories of social capital approaches.

Finally then *ubudehe* needs to come out clearly on how social capital can be recreated in a coherent manner. It mentioned several times in the core policy document but what is being done, to recreate social cohesion is not spelt out. This is important for the same argument mentioned in the policy document itself. The concept can be a nice word derived from Rwandan tradition but fail either to live to what is expected of it or remain a catch phrase for an otherwise top down scheme. This is a similar comment to that given to the uses and abuses of words like *gacaca*⁴⁷ and *umuganda*⁴⁸.

5.4 CONCLUSION

From this chapter we can conclude that the capacity of the past and current policy to address poverty leaves much to be desired. The first set of findings shows very high levels of targeting inefficiencies. The low levels of spill over may not reflect the efficiency but rather because a large number of Rwandans are poor. From examining the case of education and health, we come to the conclusion that in Rwanda what is targeted is the sector not the poor person. It is however disillusioning because while we may justify more expenditure in the social sectors, the estimates tell us that very little effect is felt by the poor themselves.

Secondly the current policies have also several shortcomings that casts doubts on their capacity to challenge poverty as we analysed it. It is most unlikely that growth targets envisioned will be tenable and if they were whether the likely disparities in income distribution can be controlled. The neoliberal approach of poverty reduction may has a number of desirable targets but the probable consequences, if they succeed particularly income inequality need to be addressed by policy. Neither the participatory efforts nor the long-term development vision address conflict as an organic element of poverty in

⁴⁷ Gacaca is a traditional conflict resolution approach that has been engineered to try genocide cases in modern times

⁴⁸ Umuganda is a traditional practice of helping each other in times of need or to members of the community who were disabled or aged. It has been transformed in modern times to mean voluntary labour for repairing infrastructure or some other collective work. In past regime it was regarded by some ILO circles as forced labour and was often used for political purposes.

Rwanda. Policy packages to be proposed in the next chapters, need to address seriously how the high levels of poverty can be challenged and how the conflict element can be implicitly and explicitly included in poverty reduction policies.

CHAPTER 6

RWANDA: TWO PRECONDITIONS FOR A POVERTY REDUCTION POLICY

6.1 INTRODUCTION

Chapter 6 and 7 corroborates two arguments that are cross cutting in the thesis. We have stated that, given the nature of poverty in poor countries in general and Rwanda in particular, it is incorrect to believe that there is one prescription, which is a cure for all forms of poverty. In the present chapter the analysis shows that micro finance, which is sometimes taken as the state of the art prescription, is not the sole answer to poverty anywhere in the world. On the other hand Chapter 7 challenges a second equally ambiguous position. Not every possible programme one can think out need be promoted for poverty reduction. Fighting poverty does not mean having the longest list of anti-poverty programmes. After a careful analysis of Rwandan poverty there is a rationale that makes specific interventions, in our opinion, more attractive than others.

In this chapter we propose two interventions that are preconditions to a proposed comprehensive social policy framework in Rwanda. The choice of these interventions was based on the policy design criteria in Chapter 2. Firstly the desire for growth and redistribution as well as diffusion of the ‘poverty-conflict trap’ cannot be attained with such levels and depth of poverty. Thus the first precondition is an intensification of a variety of short-term safety nets to dampen the chronic and high levels of poverty we demonstrated in Chapter 4¹.

¹ Needless to note that the eradication of hardcore poverty is also a Millennium concern. See the website of the goals and targets by visiting www.worldbank.org and branching to Millennium Development Goals

Secondly given the nature of poverty analysed and the low levels of targeting efficiencies identified in the Rwandan economy, a second precondition suggested is improvements in the targeting of expenditure in the social sectors. For consistency with the desire for growth and distribution, we suggest that this precondition be in form of a holistic human resources development. While improving targeting in the sectors is specifically targeting people instead of sectors, the emphasis in this chapter is that the targeted expenditure on social sectors will provide a basis for long-term growth, which is a necessary condition for poverty reduction.

But a fundamental question arises. Don't these measures exist in Rwanda? Do the propositions in this chapter constitute any new ideas? There are a number of arguments in response to these questions. Firstly, as we noted in the introduction above, there is no single form of safety net that is a panacea. Unlike other studies or programmes, we suggest that neither public works nor micro finance nor some other intervention can address poverty alone. Each type of safety net is proposed by considering some of its merits and demerits. Secondly we argue, as we have done several times in previous chapters, that mere raising of expenditure on social sectors is not enough. The argument raised in the previous chapter, on expenditure on education and health is followed up in terms of a proposal for a comprehensive approach to human development. A specific finding was that more expenditure in the education sector in Rwanda was more expenditure on teachers and supporting staff, which in Rwandan standards do not constitute poor groups. We had concluded that it was because policy is targeting sectors instead of targeting poor groups. Moreover the effect of conflict in Rwanda questions the conventional wisdom of targeting primary education and health. The need to replace the rare skills and infrastructure that was destroyed in the civil war and genocide of 1994, may mean that Rwanda would have to prioritise higher education and training of doctors, at least as a medium term target.

Finally, one issue that is not directly addressed in current programmes in Rwanda is that of ethnicity. While we do not suggest that ethnic identities be targeted or monitored

directly, we propose that policy should have built in or implicit checks for possible real or perceived ethnic grievances. Specifically we draw from past experience that Rwandan conflict is derived from these differences. As we pointed out in Chapter 4, of course, there is a web of other causes that may be more proximate than ethnicity.

These preconditions are not mutually exclusive but are complementary to the propositions advanced in the next chapter. We mention them here generally and in passing because detailed analysis of each would constitute a study of its own.

6.2 Precondition 1: TARGETED SAFETY NETS²

Let us for posterity first clarify the concepts. Subbarao (1997) defines safety nets as programs that protect a person or a household against two adverse outcomes; chronic incapacity to earn or work or chronic poverty and a decline in this capacity from a marginal situation that provides minimal means of survival with few reserves or transient poverty.

The chronically poor may be the chronically sick, disabled or old people. Transient poverty may result from life cycle events such as death of a breadwinner, poor harvests, natural calamities or war as well as recession or recently due to cutback in public spending during adjustment (World Bank/Poverty Net 2004). Safety nets may also be in cushioning the effects of adjustment or what has come to be called the ‘new poor’ (Graham 1994).

Private safety nets are still in use, in some societies, to face acute deprivation. These are for instance the schemes related to community reciprocal support. Publicly supported safety nets are also used to support groups of vulnerable people. These may be in form of social services for education and health, social insurance programs such as pensions and publicly funded transfers such as cash transfers and subsidies mentioned in Chapter

² More detailed analysis can be found on www.worldbank.org under what is called PovertyNet

2. In developing economies another most common type of safety nets are public works discussed as a case study in earlier chapters.

In the rest of this section we discuss the role and problems of public works, micro-credit and transfers in fighting absolute poverty. We shall also outline briefly the need to address the question of ethnicity as a ‘social safety net’. There are yet more specific reasons for using the limited range of safety nets, over and above the argument in the introduction. Firstly, as already mentioned the most fundamental problems of poverty in Rwanda are its depth, severity and high degree of vulnerability. In responses to them, public works and micro credit are generally good poverty reductions practices. They are said to constitute a ‘wealth creationist’ approach (Remeyi 2001)³. By this approach the poor are assisted to overcome what keeps them in poverty by producing goods themselves. Remeyi (2001) considered the approach as the most effective in avoiding the poverty trap.

A second reason for selecting the types of safety nets in this section is that they are easily identifiable ‘bottom up’ initiatives. A characteristic feature of the paradox of Africa poverty has been lack of bottom up approaches (Mammo 1999). While top down approaches have so far failed to remove the most basic forms of absolute poverty, they continue to feature in most poverty reduction initiatives. The two preconditions are thus proposed as a way of addressing poverty from below or from the poor themselves. But in addition to these main forms of safety nets, we also discuss briefly transfers and as indicated- the question of ethnicity. With these two remarks let us consider first public works.

6.2.1 Public works

Public works were mentioned as a poverty reducing strategy in the U.S. (as a form of ‘workfare’). They were also presented as a kind of safety net using the example of

³ Remeyi (2001) in the introduction to Credit Based Income Generating Projects identifies the alternative approach as ‘redistributionists’. These are approaches that involve for instance transferring of some resources from the rich to the poor.

Maharashtra in India. It is suggested that these could be used in poorer regions of the country where the other forms of interventions cannot guarantee a modest income in the short run.

To recapitulate we noted that the rationale of workfare schemes is that they lead to better targeting. They target the poor better in that they actually lead to self-targeting. It is poor people who will most likely present themselves for the public works. Secondly if the poor present themselves then the budgetary cost of targeting is minimised (Kanbur and Besley 1993). The strengths and weaknesses of the Indian Model and workfare in the .U.S were discussed in Chapter 3.⁴

In Rwanda public works are not a new idea (Derrier 1985). Apparently they have been of two types. The first is the official SPWP (Special Public Works Programmes) started in 1980s and the second is the traditional mutual help schemes known, in vernacular, as *umuganda*. Although the two are almost always confused they are in fact different. But in relation to poverty eradication let us first focus on the first type, which is currently referred to as HIMO (Haute Intesif de Main'Ouvre) or in simpler terms Labour Intensive Public Works.

HIMO or Special Public Works Programme in Rwanda work in the same framework and under similar principles with programmes in the Third World (Ravallion 1998, Subbarao 1997). These were discussed under the Public Works Schemes in India in Chapter 3. The most common principles are that wages should be lower than minimum wages. Eligibility should be open to all the poor so that there can be what is referred to as 'self targeting'. The costs of the programmes should be as low as possible and the impact of the programmes should be tangible to the poor groups in a country (Ravallion 1998;Subarrao

⁴ A point to recall always is that payments for public works are deliberately kept low so that recipients continue looking for minimum wage jobs. It is logical to make sure that the scheme does not create a disincentive to work. But clearly even a non – Marxist can see a risk of exploitation by the government. Moreover it can be seen that at aggregate level it is economically inefficient to reward a factor of production where ideally the marginal product is far less than the marginal cost and where the employer is the government.

1997). It is our view that public works are appropriate to alleviating the vagaries of hardcore poverty. However we suggest that Rwanda should learn through experience. Why? A number of difficulties were observed in the earliest trials of the scheme in Rwanda.

A first sensitive issue is clarification of the primary objective of the public works programme. One commonly cited objective is that of stimulating participation. A pilot programme of public works in Rwanda was implemented between 1980 and 1983. An extended programme was started in 1984. In both cases participation of the target population was noted to have been problematic (Derrier 1985: 613). In the pilot phase the decision on the content and site of the programme was undertaken by the central administration. As a result the poor participated with little interest. Reforestation and soil conservation did not seem to have any relevance to the needs of the poor themselves. Rural road projects were regarded as projects that were serving the interests of the merchants and the rich. Under the extended programme the Mayors of communes were consulted and made responsible for the projects. What is important to note is that Mayors tend to represent more the views and expectations of central administration than those of the poor people themselves. Cases of corruption were also noted to have characterised the schemes (Derrier 1985: 614).

A second problem with participation is in the execution of the programmes. Reforestation is simple and the poor can participate without any need for formal training. However there are activities such as water supply projects in which not every unskilled poor can participate. In most of the project management activities the poor themselves found themselves excluded.

A third aspect to learn from past experience is the nature of the projects and their impacts on the poor population. For example the cost establishing kilns for bricks and tile making was US\$ 70,000 for each kiln but with a possibility of offering permanent employment to

200 people⁵. Roads and reforestation projects cost up to US\$ 5 million. Despite the high cost tag they provided no prospects for permanent employment.

The fourth area of caution is related to the third. The benefit, even if desirable, by design had very little impact on the lives of individuals. First, benefits accruing to individual labourers rarely exceeded US\$ 200 per year⁶. Second, the schemes employed not more than 10% of the population⁷. There is a large number of the poor especially those suffering disguised unemployment in the rural areas that would be missed out by the projects.

A final problem is that they are also dependent on foreign aid. In 1985 the schemes required up to US\$ 5.7million provided by the Netherlands and Italy. The labour costs constituted 61% or US\$ 3.5 million, which although good for the poor meant withdrawal of the funds would mean the end of the programmes⁸. Public works are good for the poor, but we conclude that they need to be designed carefully to have impact on the poor themselves. The major reason is that we have tended to leave public works alone, simply because they involve self-targeting. But from past experience self-targeting is one advantage and the ultimate impact on poverty another.

A second form of public works is a traditional mutual help scheme, which is a form of a coping mechanism in relation to poverty reduction. It is called in vernacular *umuganda* and is cited in all major poverty reduction documents (PRSP 2002, MINALOC 2003).

⁵ Note however that today (2004) brick making using wood for the kilns have become environmental problem in Rwanda. The government is currently discouraging them.

⁶ In 1985 the exchange rate was 1 US \$ for 98 Francs. A worker received what was equivalent to 1 US \$ per day

⁷ It should be recalled that the rate of Rwandan out of the formal wage employment sector, is about 91% and those depending on agriculture 90%(RDI 2002). Thus while 10% looks like a large share, it is only 10% of 90% of the Rwandan population.

⁸ If the overall result is the monitoring item then government tend to consider them as good. Indeed the pilot programme is noted to have reafforested 2,400ha, controlled erosion over 12,000ha, constructed 63km of rural roads, constructed 8 water supply systems and constructed dykes for water up to 110,000cu metres. The extended programme in 11 communes conserved soil over 10,000ha, reforested 2,600 ha, repaired 134 km and supported artisanal projects, maintenance of roads and maintaining infrastructure set up in the pilot phase (Derrier 1985).

Traditionally this is a custom and practice of collective work. Members of a village would, on selected a day, help build for instance a house to provide shelter for the elderly or infirm. The same members could work for each other to repair a broken house or infrastructure. Each member would contribute some material and labour such as poles, thatching grass, ropes and in more modern times nails and timber. Labour was offered freely, except for rewards such as a drink. The real payment is reciprocity when a member is weak or has been befallen by a mishap.

Although *umuganda* is an example that can be used to show the link between traditional practices and customs and modern organisations it also presents a case of how they can be abused. ILO (1998) was among the organisations that criticised the scheme, as a form of forced labour imposed by the government. It can also be used for purposes that do not increase the lot of the poor while taking away their most precious asset, labour.

Umuganda was used for political mobilisation and was part of the one party ideology of the Second Republic of mobilising the masses (see Verwimp 2003). Whether this argument is a fair assessment or not, a clear example occurred during genocide. In some parts of Rwanda such as in the Province of Kibuye, to the west of the country, killing people in large numbers was referred to by some killers as *work* or *umuganda* for collective labour. Ironically and tragically, genocide was being taken as government policy, which always encouraged the peasantry to use collective labour. This does not mean it is a bad concept, but the reality is that unscrupulous politicians abused it.

Public works are now popular in addressing the most elementary forms of poverty. The rest of our advocacy is based on an analysis of the Indian scheme suggested in Chapter 3. However, there is another group of scholars who believe the most appropriate intervention that should be supported by government is micro credit schemes (see e.g. Mohamed Yunus 1985; Remeyi 1990). In the next sections we consider these briefly.

6.2.2 Microcredit schemes

Sometimes there is confusion between micro finance and micro credit. The former is bank finance for small business that is not necessarily for poverty reduction. In the U.S. the small business is so well developed that it would appear like big business in the developing world⁹.

Micro credit has been identified with specially tailored programs of enabling the poor access to financial services and resources by providing subsidized or unsubsidised loans often without the need for collateral. Some credit programs also provide other financial services such as savings facilities in addition to loans.

Credit programs promote self-employment through income generating activities in the informal sector and could complement economic growth (Subbarao et al 1997). They are particularly relevant where there is high unemployment and where the scope for raising public employment is limited. They have been used to counter transitional poverty resulting from disasters or economic shocks or to combat chronic poverty where there has been low growth.

A typical example of micro credit for poverty reduction has been the Grameen Bank started in Bangladesh¹⁰. Its major success has been its capacity to solve basic problems of the poor at the same time having high repayment of loans of above 98%. The success has made it very famous and is being replicated in many parts of the world (Grameen 1989)¹¹.

Among the reasons behind its success is its delivery mechanism. First it is organised as a solidarity and social movement with responsibility being with every member and enforcement being undertaken by peer pressure. Secondly the majority of its members are women who are relatively more disciplined than men. A cell involves five people and

⁹ To see the role of these visit the Microfinance Virtual Library which can be easily reached through a search engine like 'google'.

¹⁰ Although it is called a Bank it is in fact a credit scheme that benefit millions of poor Bangladeshi

¹¹ see www.grameen-info.org/grameen/gtrust/replication.html A trust fund to replicate the programme was started in 1989 and has 89 projects in 28 countries so far

loans are given to a member at a time and if there is default then the responsibility is with the entire cell. For example no other member will receive a loan if one of them defaults. The mechanism is often called peer responsibility and pressure (Musahara 1999).

The scheme is run under a very tight code of rules and regulations. For example the sitting arrangement in meetings is always the same for the entire group. Meetings are preceded by a citation of the Grameen rules, which are 12 in number and range from vows to grow vegetables to those of not accepting bride wealth. Then a sort of para military saluting punctuates every business. Some of these rules and regulations are relaxed in various schemes that have been developed to replicate the scheme in other parts of the world. The programme also involves extensive forms of educating the poor in everything from family planning to nutrition (Musahara 1999)¹².

It is the failure of interventions from above that convinced Prof Mohamed Yunus, its founder, that micro credit is an answer to the basic forms of poverty in the world¹³. Despite the success stories of this world-renowned scheme a number of criticisms have been raised against. It is argued that micro credit is not panacea to world poverty as is portrayed by the proponents of the scheme.

Firstly, in general credit schemes require high and specialised levels of managerial and financial capacity¹⁴. Secondly credit, it is known, can be used for purposes other than what they are meant and may also not reach the ultra poor.

The Grameen in particular has been seen to succeed because of the economies of large numbers¹⁵. Otherwise overheads are initially high and administration of credit is costly.

¹² This includes also own observation when the author visited the Grameen

¹³ A Vanderbilt University (US) PhD graduate of Economics most of his earlier literature in the formative stages of Grameen explains dissatisfaction with economic theories especially its inability to address poverty and the ever present market failures

¹⁴ The author spent two weeks at the headquarters of Grameen in Dhaka and in Chittagong to the South of the country in 1999. The scheme has infrastructure including two twelve-storey headquarters in Dhaka and modern branch offices in the countryside. Branch Managers are qualified graduates with good remunerations. The capacity seems to have been acquired over many years. The hat trick seems to be the ingenuity of one man – a former professor of Economics Mohamed Yunus.

In its early development it is known to have got support from donors especially from Scandinavian countries.

Another recent example is China where wide-ranging experiments with micro finance are being experimented by the government since 1994 (Parker and Ren 2001). China has the largest number of rural poor in the world of close to 124 million earning less than 1 dollar a day. They note also that the experiments are quite promising because in China land is collectively owned, making it difficult for poor peasants to get collateral. The scheme has been operating like the Grameen by using peer screening and monitoring as substitute for collateral. Repayment rates are above 95% and at times 100%.

There are studies that show that the present proponents of micro credit have managed to advocate considerably for the poor of the world in general and the predicament of the women in particular. Nonetheless these schemes have not effectively captured the real poor populations (e.g. Mayoux 1997, Rahnuma 1992 and Neff 1997). David Hulme (2000) reviews methodologies of impact assessments and argues that on one hand there are people who regard micro credit as panacea like the micro credit summit and others who would rather be cautious. He, as a result, argues the case for impact assessment.

It has also been argued that micro credit has led to “feminisation of poverty.” At a general level, it has been noted that, not all women-headed households are poor, worthy of micro credit support (see e.g. Appleton, 1997 on Uganda).

If micro credit is administered generally by gender, it can lead to two types of statistical errors. Type I error, means some really poor men may be excluded from a micro credit scheme. By Type II error¹⁶, some women who are not really poor may be included in the micro credit scheme. Moreover not all poor women are included in the Grameen scheme. As a whole it is estimated that the credit scheme does reach about 13% of the population.

¹⁵ Most of these accounts are based on first hand experience from a visit to the programme by the author in summer 1999 in Dhaka and in a village in Chittagong to the south of Bangladesh.

¹⁶ The errors are the same as the targeting errors discussed in Chapter 2

Naila Kabeer (2001) gives a good account of cases of where the credit empowers women and where it does not in Bangladesh.

In Rwanda the desirability of micro credit scheme is self-evident. The war and genocide broke down rural infrastructure and capital networks. The financial sector is weak and inefficient. But a crucial issue is also how to design an effective delivery mechanism.

Bank Populaires (people's banks) were created in early 1980s by Swiss assistance. It had a single aim of offering credit to peasants (Uvin 1998). The network of the banks is even today enviable with every commune having at least a branch. That is more than 90 branches all together in a country the size of Rwanda (Banque Populaires 2003 Annual Report). But the major problem has been that the loans benefit the better off in the rural areas. A considerable number of loans go to people building houses or buying commercial vehicles than to the farmers (PRS-APR 2003). Again the problem may be the bankability of projects. Collateral is always the biggest problem that prevents poor farmers have access to credit.

Women groups, particularly two large networks known as Duterimbere and Reseau des Femmes respectively, are using extensively credit schemes as means of empowering women. Some are known to apply schemes that look like the Grameen mentioned above. However, the coverage countrywide is still limited. In recent surveys it was revealed that the poorest rural women are still marginalized.

The government has reacted by forming a micro finance section in the Central Bank- the National Bank of Rwanda and enacting a law to guide microfinance in the country. It reflects how the government views the role of micro credit. The bank has already produced a legal and regulatory framework. UNDP and most donors support credit

schemes. It is our view that the schemes are useful but costly to set up and need to be designed very carefully if they are to tackle poverty effectively¹⁷.

The current poverty reduction strategy has regarded credit and savings institutions as important to agricultural transformation (PRSP 2002: 41). But it also acknowledges that there is a lack of information on the state of micro finance in Rwanda and the problems of transaction costs mentioned above.

Subbarao (1997) suggest that in any credit scheme a system of reducing transaction costs both for the lender and borrower is very important. A programme should involve the reduction of covariate risks and the selection of rationally target groups and building of performance incentives to managers. He offers four key lessons from cross-country information.

Firstly, simplifying loan-processing procedures to avoid delays and repeat visits should reduce transaction costs for the poor. Secondly, where possible these costs must be subsidized. Thirdly, the schemes should not rely on rely on program managers or bureaucrats but on local people, the community and the NGOs. Thirdly, saving need to be promoted as an integral part of the scheme. Finally covariate costs to borrowers and lenders should be reduced through group lending, small loans, repeat loans to those who promptly repay and so on

The Rwanda PRSP (2002) identifies the following actions in the short term: Firstly, the Banques Populaires are being recapitalised and encouraged to develop mechanisms to finance farmers groups with seasonal and marketing credit. Secondly, the Central Bank will continue to avail credit to importers for farmers` groups and agro processing. Thirdly, as a transitional measure OCIR Café will continue to import fertiliser and other inputs to be provided to farmers as credit in kind. Fourthly, the poverty reduction in poor

¹⁷ PRT (2002) survey found that the schemes are not popular among poor women who regard them as projects of the non-poor and women with connections. The case in point was a livestock project in one poor district where recipients of the project were allegedly non-poor women

districts of Butare and Kibuye, which includes some lending for livestock partially targeted at poor female-headed households, will be accelerated and finally the establishment of an agricultural credit guarantee fund will be explored.

Thus we can say credit schemes are among a number of safety nets that can stimulate responses from below, but they should be carefully planned because their capacity as an overarching poverty reduction programme in themselves is questionable.

6.2.3 In kind transfers

A third form of safety net is in-kind transfer. We shall review first what is generally known on this kind of safety net before focusing on its import in Rwanda. This is with regard to 'how' and 'where' of its application in Third World countries especially

In kind transfers are usually preferred to cash transfers if the objective is to encourage the consumption of certain commodities especially those that are consumed by the poor. In kind transfers usually face less opposition from taxpayers especially if they are directed to the most vulnerable e.g. school children feeding programmes. In kind transfers may involve less cost of targeting because they may involve self-selection. They may retain their value during times of inflation.

These transfers can be administered in different ways. Government can raise the quantity of commodities and services consumed disproportionately by the poor, provide direct subsidies such as food rations or resort to price controls. Besley and Kanbur (1988) have shown that subsidies can have the same effect on poverty as cash transfer if they are well targeted.

The most popular subsidy in poor countries is a food subsidy. It has often taken the form of open general subsidy, quantity rationing and food stamps. It is often administered to counter nutritional deficiencies like those of children and lactating mothers.

International experience provides ample lessons. Quantity rationing has been popular in South Asia, food with work requirements in Latin America and the Caribbean. Another form has been open price subsidies in some countries in Africa and the Middle East and in North Africa (Subbarao et al 1997). Nutritional and school feeding seem to be common in many places, but more predominantly in Latin American countries.

The patterns depend, as noted earlier, on the infrastructure. That's why, for example, food stamps are not common in Africa. Countries that have a low level of infrastructure and a high head count poverty index have tended to prefer food for work such as in Bangladesh and Ethiopia. Food stamps have flourished where infrastructure is well developed and the head count index is low.

Subbarao et al (1997) also point to political economy considerations. Finely targeted programs are very difficult to run where the incidence of poverty is high and needy households difficult to separate from those that are not. Changes in programmes have often depended on fiscal tightness (Sri Lanka and Tunisia) poor cost effectiveness (the Philippines and India) or high targeting errors (Egypt and Brazil).

The most ubiquitous programs have been food supplement and nutrition intervention for mothers and children. They may be in form of general maternal and child nutrition programs, covering all pregnant women and lactating mothers as well as pre-school children. They can be nutrition programs aimed at mothers and children at risk or nutrition education, growth monitoring or school feeding programs.

Of course subsidies are unlikely to get political support given the present policies that are inclined towards full market liberalisation¹⁸. However it would be logical for such subsidies to be administered in areas known for chronic food shortages and bad harvest,

¹⁸ Part of the IMF conditionality under structural adjustment was for example abolition of state subsidies on agriculture

such as some districts in Gikongoro and Kigali-Rural provinces. Food stamps seem to do well in countries that have a well-developed administrative structure and infrastructure. Perhaps the best approach would be to have a temporary mechanism of mitigating acute food shortages occurring as a result of natural disasters such as famine and dry spell that affect harvests.

Besley and Kanbur (1988) have shown that food subsidies or rations need to be used where the head count index is highest or on food that the poor consume most. If this is a temporary structure, then self-targeting will occur to the people who genuinely have no food. Indeed, recent experience has shown that it may be a matter of co-ordinating food supply between provinces. As people were starving in Gikongoro Province, there were bumper harvests of potatoes in northern provinces of the country¹⁹

Besides that it may not be acceptable under policies linked to the IMF, it is our view that a subsidy on a vital input like fertiliser would greatly boost the fight against poverty. The present expectation is that private traders can supply chemical fertilisers and other vital inputs²⁰. Past experience show that poor people may have a lack of access to fertilisers due to their cost or manipulation by middlemen. The rationale of supporting people have a more secure access to fertilisers is that, as noted elsewhere, the much needed economic growth in Rwanda largely depends on agriculture. Given the present technologies and levels of productivity in Rwanda the Vision 2020 targets may be difficult to attain if such an intervention is not contemplated (see Chapter 5). Peasants also cited in surveys that a big constraint in using fertiliser was ignorance (CWIQ 2002 and PPA 2002). In this regard a big intervention in education and extension work is quite necessary. On the other hand, it would be important to assess the effectiveness of subsidising agriculture on poor groups. This is because as we stated in Chapter 5, it may end up favouring the rich

¹⁹ One cannot help but recall Sen's (1983) monumental study on famine in India and Bangladesh where he showed that the hunger was not related to food supply. The supply of food was higher than demand but some people were hit by famine because among other reasons they did not have access to the food.

²⁰ See Kelly and Murekezi (2000) for a scientific study on fertiliser inputs use and dynamics in Rwanda.

farmers or farmers in some areas of Rwanda where specific crops like potatoes and coffee are grown.

The poverty reduction strategy (PRSP 2002) has earmarked the potato growing regions of the north as being in position to use fertiliser more readily than others because of a commercialised agriculture, knowledge of the impact of fertiliser and the potentiality of contributing to overall growth. It is then expected that the use will spread to other areas in due course. This seems to be a sound strategy but on close scrutiny it is somewhat an opportunistic idea²¹.

Given the relatively low levels of agricultural productivity in Rwanda there is no region that would not seem to need chemical fertilisers (Kelly and Murekezi 2000). In places where intensification has been forced onto them because of land scarcity like in Butare the problem of fertiliser use is surely that of affordability and not diffusion of the practice. The biggest problem in our view would be the acceptability of such support by donors especially the IMF and World Bank²².

A second one is the cost and where the government can get the human and financial resources to offer some selective in-kind support. But if it is done on a region-by-region case, then the prioritisation should be rational enough to challenge the root causes of poverty. The possible effects on labour supply and incentive to work should always be monitored (Sahn and Alderman 1995).

²¹ Kelly and Murekezi (2000) use traffic lights colour to show the demand and use of fertiliser in Rwanda. It is interesting to see how wide are areas under red or where fertiliser is not recommended. Moreover the analysis is done by types of crops also.

²² Another potentially big problem is that the private sector expected to market fertilisers is still weak and may not be attracted in dealing with fertilisers. Currently fertiliser distribution is undertaken by NGOs. There is also the wisdom that may support the position of the IFIs. Fertiliser is more accessible to the well to do. Subsidising it, is more in favour of the rich than the poor peasants

6.2.4 Ethnicity

A final discussion is that the government should try to devise a safety net for addressing the sensitive issue of ethnicity.²³ There may be a variety of reasons why ethnicity does not appear very frequently in analyses of poverty in Rwanda. Firstly it is relatively more prominent in anthropology, history and political studies especially in connection with conflict in the recent genocide (e.g. Mamdani 1998, Prunier 1995 and Uvin 1998). For economists this is not a principal variable²⁴.

Secondly, the problem of ethnicity is sensitive in discourse on Rwanda. Understandably this is due to a legacy of conflict that has often originated from or assumed to be based on ethnicity. After the 1994 genocide government has officially abolished classification of people according to their ethnic groups. This ambitious decision is intended to be a precursor to a long-term reconciliation of Rwandans and to stem future sources of misunderstandings²⁵. We have however decided to give it a consideration here because it is important when one considers issues of social capital, poverty reduction and people's initiatives.²⁶ It is consistent with our contention that any policy for poverty reduction should also take into consideration conflict resolution if the poverty conflict has to be undone. Finally even in countries other than Rwanda ethnicity is a major cause of

²³ Perhaps this is not a wholly fair assessment. See for example the vicious attack on the present regime in a dissertation by Bjørn Willum. refer www.willum.org. His attack though based on serious prejudice and perhaps exaggerated confirms my earlier point that ethnic complexities do not have to be real to be major problems. Even at the level of perception they are. See more recently websites that are opponents to the current regime in Rwanda.

²⁴ Nonetheless Muller (1999) in Censored Quintile Regressions of Poverty in Rwanda has included ethnicity as one of his variables. Using data from 1982-83 Budget-Consumption surveys he indicates that a household with a Tutsi head was significantly correlated with both Chronic and Transient Poverty. But surely now the case may not hold since data sets are not comparable. Moreover a recent Survey (HLCS 2001) did not consider this as a variable and no data is available. Due changes in politics and policy it would be even difficult to collect such data since ID do not hold these items and ethnic identification is actually discouraged by the current regime in place since 1994

²⁵ Of course there is no written policy as such but by abolishing ID cards bearing holders ethnic grouping the government is trying to discourage the use of ethnic identity as dividing lines between people as in the past

²⁶ See e.g. Platteau (2000) in *Ethnic cleavages and grassroot behaviour* uses of social choice theory to explain ethnic problems in Rwanda and elsewhere using what he calls weak and strict monotonicity principles. By these ethnic conflict is not related to envy but a violation of one or all the principles where one group uses all it can mobilise to discredit another for political purposes

conflict.²⁷ In the next paragraphs we analyse generally how ethnicity needs to be considered in Rwanda with regard to poverty reduction. Discourses on ethnicity and conflict *per se* are so wide and constitute a discipline of its own standing today. We cannot in any way digress to analyse it exhaustively within the scope of this study. Studies on ethnicity and conflict in Rwanda have been increasing in number recently (see e.g. Lemarchand 1970, Newbury 1988, Bar-Tal 1990, Mamdani 1996, Goyvaerts 2000, Gorus 2000). Any study on Genocide in Rwanda will most definitely touch on ethnicity and conflict²⁸.

Some scholars have attempted to provide some link between ethnicity and economics in Rwanda (Austin 1995, Storey 1998). With regard to liberalisation Storey (1998) argues, “if one group monopolises state employment and another is prominent in private trading activities, then an economic liberalisation programme which seeks to ‘roll back’ the state and enlarge the role of the private sector may well be interpreted in ethnic blocs.” He further uses documentary evidence to show that there was a perception that Tutsi had developed a commercial and financial elite in the postcolonial period. He also points out that the Tutsi were not formally denied access to all levels of state employment, but acknowledges discrimination was fully applied in the middle and upper echelons of government and the army. Of course, he points out that, these were perceptions promoted by extremist Hutu, but which had implication of interpreting privatisation in ethnic terms.

But the central point has already been made.. Intra state ethnic conflict has been a major factor in poverty generation in Rwanda (Nkundabagenzi 1999). Nonetheless this issue is not as easy to analyse, as it may seem. As already discussed in Chapter 4, many authors have failed to define two groups of people speaking the same language having the same

²⁷ see e.g. Wiberg and Scherrer(1999:57) Ethnicity and intrastate conflict : Types, causes and Peace Strategies. Ashgate. It has been a cause of conflict in about two thirds of between 6,500 and 10,000 ethnic identities in 200 countries

²⁸ In addition or recapitulation, the following authors seem to be the most authoritative on Rwandan genocide.; Abdulai 1994, Lemarchand 1995, Prunier 1995, Uvin 1996, 1998, Newbury 1998, Adelman and Suhrke 1999, Des Forges 1995, 1999, Gurevitch 2000, Alvarez 2001, Semujanga 2003 Linda 2000, 2004, Nigel 2004,

culture believing in the same god and living on the same hills as different ethnic groups²⁹. The Hutu and Tutsi of Rwanda can well qualify as orders, and not castes (Prunier 1995, Mamdani 1998, Uvin 1998) and in a few cases classes (Kamukama 1993).

Austin (1996) has challenged the notion of ethnicity being `primordial` or a permanent feature of Africa. He also rejects the notion that it is a construct used as a channel for political ends. Being an economic historian himself, he admits that he wants an account that is not ahistorical. While we fully support his view, it would seem there is a dearth of statistical evidence on ethnicity and economics in Rwanda, that an alternative analysis would have been difficult any way.

But as narrated earlier in Chapter 4, there is a lot of written evidence to show how access to power and privilege was changing hands among the ethnic groups in the history of Rwanda. Tutsi were privileged by the Belgian regime under the system of `divide and rule`. Austin (1996) however notes, as are many other scholars on Rwanda, that at times the Tutsi / Hutu divide was fuzzy in economic terms. A Hutu could change identity- a process known in vernacular as *kwihutura* a sort of ennoblement. Some time after 1939, anyone who could own 10 or more cows could call himself as Tutsi (Prunier 1995).

Not all the Tutsi were better off all the times. The ruling elite of the monarchy was mainly one clan-*nyiginya*. Wars were most often waged between Tutsi clans fighting for superiority or competition over resources. Some Tutsi like those falling out of favour of the king, found themselves in more economic trouble than their Hutu counterparts. But officially it is the Tutsi who had a favourable position in Rwanda before independence. This favourable position was reversed on the eve of independence when the Belgian colonial administrators decided to switch their support to Hutu radicals (Prunier 1995, Mamdani 1996, Uvin 1998).

²⁹ A point that has been raised by Paul Magnarella (2002) which is absurd is that ethnicity in Rwanda is defined patrilineally. One's ethnic group is defined by that of his/her father even in cases where there is evidence of intermarriage. In many parts of Rwanda during genocide only ID cards could help killers sort out the people because appearances were not always so helpful. He calls it identity card "ethnicity" from the fact the identification was institutionalised by the a Belgians after a census of 1933-34

For three decades after independence, a Hutu elite dominated the regimes of Rwanda. It is simple to reason that now the Hutu had the power and privilege. This is true to the extent that Tutsi were excluded from both regimes between 1963 and 1994. Both Storey (1998) and Uvin (1998) provide some interesting information. Some Tutsi having been denied positions of power in politics went into business and working for international organisations. Some Tutsi could get themselves Hutu identification in order to have better access to economic privilege (Austin 1996).

By 1993 some Hutu, had started feeling that wielding political military power was not in themselves enough (Austin 1996). In fact the insecurity was also aggravated by the fact that frequently Hutu elite took to marrying Tutsi girls (Semujanga 2003: 172)³⁰. Some Tutsi in Diaspora had also accumulated capital to the extent that some Hutu elite in Rwanda may have started feeling insecure in the growing economic power and international influence Tutsi were apparently wielding. But this could not have been the most realistic analysis. No tangible statistics exist. The majority of the Tutsi living in Rwanda were probably as poor as the bulk of the Hutu living on the same hill.

Secondly, besides having power the Hutu in Rwanda did not resolve all the economic problems of the day (Von Huyweghen 1998). Population had continued to grow and land continued to diminish in size. So many young men were almost landless. It is no wonder therefore as mentioned elsewhere (Uvin 1998) that when genocide came in 1994, it is suspected, that many participated due to economic reasons such as promise or greed for land (Prunier 1995).

Thirdly ethnicity was an issue that unscrupulous politicians used as a pretext when there was a problem in Rwanda (Semujanga 2003:182ff). For example it is common knowledge that the Second Republic, which was a military dictatorship, gave power and preference to Hutu of the north. Later on even among the Hutu of the north those from

³⁰ Hutu politicians such as Kayibanda, Gitera and Mboyumutwa were married to a Tutsi

the home place of the president were given more power. There were some Hutu who were more privileged than others. In any case (and before the genocide) this particular contradiction was covered by the fact that there was always the overarching problem of ethnic differences. A good instance is that mobilising the Rwandan masses against RPF invasion in 1990 on the pretext that the Tutsi had a hidden agenda of repossessing pre independence positions of power and privilege³¹. Why would an underprivileged -almost landless- Hutu take arms and massacre his own Tutsi neighbour who was perhaps poorer than himself? Whether issues were economic or not, there is an irreducible minimum differentiation that involves ethnic identification, which lies at the heart of conflict. The resultant divisionism needs to be curtailed if further conflict needs to be avoided. How does the problem present itself for economic analysis. Van Huyweghen (1999:365) states quite correctly that, Rwanda's history should have shown that "ethnicisation of economic activities is something to be avoided if the country wants to evolve into a more peaceful future."

In promoting economic growth necessary for poverty reduction a relatively richer middle class may have to be created. One such scenario resulting from recent policy reforms is documented by Storey (1999). A middle class in Rwanda is a vanguard that can invest in agriculture, industry and services. A legal or other type of framework needs to be put in place to ensure an access to resources, which does not raise ethnic discords. Austin (1996) proposes an ethnic monitoring system. It is most unlikely that such a system would work. The simplest danger is that it may make ethnicity a policy issue again something unscrupulous politicians can use for their own advantage. With the official abolition of ethnic identification little or no monitoring tools and data can be tenable. Reliable data may not be forthcoming. In pre genocide Rwanda, some people could easily change e ethnic identification. Even today it would be difficult to ascertain whether all data on ethnic identities are correct.

³¹ In fact even in earlier years if a regime wanted to cover its inefficiencies or promote an unpopular policy the short cut was to use the age-old ethnic rivalries. The First Hutu president used fictitious invasion by Tutsi abroad to persecute and kill Tutsi inside Rwanda.

Storey (1999) reviews in conclusion, suggestions by some circles including the World Bank of what he calls 'ethno-national assessments' into a project planning cycle. However, the difficulty of these monitoring systems is as just said in the previous paragraph a possible negative effect of giving prominence to ethnicity quite overtly.

He also raises a point that is quite important in Rwanda. The problem of ethnicity has often been of *perception* or an ideological tool for mobilisation. In this regard although Rwanda presents a unique case of ethnicity, violence and poverty anything that involves ethnic parameters should be approached with caution lest it serves to do the opposite from what it is designed to do. But it is conceivable that the culture of internalising differences that we think is rampant among Rwandans may require that issues of ethnicity be opened up³². Suppressing perceptions may be a better therapy than pretending that there is no such feeling even if they were not real. For poverty reduction we propose policies that are comprehensive and appeal to social capital formation (see e.g. our justification for an income grant).

Perhaps as suggested below, policy interventions that can close the possible valve of dissent may be useful till when true reconciliation has taken root³³. One approach that has been suggested by Austin and which we support is a proper land reform and off- farm activities. Why?

So far we have considered how land is important in the lives of the poor and how it may have played a role in the conflict that has led to the most recent poverty. Three problem areas can be identified. There is the case of an old refugee, a Tutsi, who returned to the country in 1994. According to the Arusha accord he cannot reclaim the land of his grand parents. But he has to share the land with another Rwandan, possibly of Hutu extraction who may have been in the country except perhaps for a short while in 1994. Suppose the

³² I have no empirical evidence or literature issue on this belief. It may be a perception. But any attempt to open up such debates among members of faculty does not attract many. Even during recreation few if any ever discuss these if they belong to differing ethnic groupings

³³ A view of one expatriate in Kigali, which I share, is that the gospel of reconciliation will take firm root when ultimately Rwanda will be resided by a generation that did not witness genocide.

latter had supported the genocide ideology for personal gains including those related to land. For such a person policies like land reform for poverty reduction that makes him share his land with another Rwandan who was outside the country is actually making him worse off from his own point of view (see NUR 2004).

A widow who lost her family during genocide exemplifies a second case. She too will never feel satisfied with poverty reduction strategies that will infringe on her land entitlement. That is to say to her, genocide made her lose her family, lose a source of labour and now a post genocide reform wants to take a part of her land and give it to a Rwandan who was outside the country, whose family was not killed. The sharing could be also with a member of a different ethnic group who was inside the country. The reasons for raising these dramatic examples is to show how proposing such poverty reduction policies like land reform and social capital formation become pitted against a new set of problems related to ethnicity and reconciliation.

Of course some of these may be more imagined than real, but the argument is that unless ethnic stability is ensured, poverty reduction cannot be sustainable because the poverty-conflict cycle may not be fully broken. At a more general and political level, even non-violent conflict and hostilities that can emanate from differences we have outlined above need to be cleared as precondition to poverty reduction. The latter argument is important in view of how previous regimes used ethnicity to justify impunity. Like wise political opportunists can use ethnic differences even if they are not real for economic gains or for creating their own niches.

This section was generally referred to as safety nets. This was a loose title. Even the next section on social expenditure can be referred to as safety nets. The thrust of the argument was two fold. First are sets of interventions that can mitigate the effects of deep levels of poverty. A safety net can be of any type. The whole point is preventing Rwandans from slipping in and out of poverty every season or permanently as suggested by the concept of the 'poverty –conflict trap', a concept supported by various studies on Rwanda (Muller

1998, Waller 1996). Secondly, we were arguing that no single form of safety net should be considered as a panacea. It is inconceivable to hold a view that rural poverty problems can be solved by micro credit schemes alone as would be suggested by the Grameen Bank Model. Even the most well designed Public Works, it was noted in Chapter 4, do have a limited impact on poverty. Public Works in Rwanda cannot provide permanent and secure form of employment. But a third argument was that even in terms of addressing the most basic and chronic form of poverty, the Rwandan case needs a poverty intervention that would at the same time address conflict as well.

6.3 Precondition 2: TARGETING PEOPLE THROUGH EXPENDITURE ON SOCIAL SECTORS

In this section we argue that targeting social sectors is an important element of human development. This we do by reviewing the elements of a human development model. We then give data showing the trends and conditions in the two most important sectors- education and health. We then show that although the idea of spending more on the social sectors is appreciated in Rwanda, the incidence on the poor may be low given that measures of targeting inefficiency are very high. Since we argued that a solution would be targeting people instead of indicators or sectors we argue for a universal income grant approach. The rationale of the approach is based on the desirability of the model as discussed earlier and the difficulty of ensuring expenditure reaches the poor, under current forms of social expenditure.

We I showed that mistargeting in the education sector is as high as 95%. The expenditure on the health sector has been low and relatively stagnant³⁴. Rwandan economy. The aim of this section is to argue that a case for more targeted expenditure in the social sectors, which will reach poor groups.

³⁴ Data used is % of government ordinary budget or GDP see Table

This view is supported by the human development concept (UNDP 1990) whose aim is to reduce poverty in its broader sense of human poverty. The approach we support here is Human Resources Development (HRD). The Human Resources argument is of special significance in Rwanda. The country has a scarcity of natural and financial resources. The most abundant resource is the people themselves. It can be said that development of the economy will most logically depend on this resource. The argument is further supported by available evidence that investing in human resources is like investing in physical capital. Let us give this general argument some theoretical base.

The bases of Human Development are in its relation to growth and vice versa (Ranis, Stewart and Ramirez 2000). A more direct path is the link between human resources development and reduction of poverty and how poverty influences low levels of human development (Behrman 1988).

Ranis, Stewart and Ramirez (2000) demonstrate that the relation takes two chains³⁵. Using cross-country regression they argue that expenditure on education and health especially on women is an important element in the Human Development (HD) to Economic Growth (EG) chain. Investment rate and income distribution are important in the second chain of Economic growth to Human Development.

Human Development is defined very broadly as enlarging people's choices. In this section we have confined ourselves to health and education as the most important aspects of HD. Firstly it is clear that improving the quality of the labour force will enhance economic growth and on the other hand economic growth provides the resources to develop human resources. The two chains suggested above explain these relations.

³⁵ See also Lyn Squire (1993:380) *Fighting Poverty*. AER Vol 83. She advances a similar argument but qualifies it using Brazil and Pakistan to show that increase in health and education expenditure does not necessarily move with growth. You can have high growth rates but low levels of education and health. On the other hand examples like that of Kerala and Sri Lanka show high expenditure on the social sectors with low levels of economic growth.i.e. have low levels of morbidity, longer life expectancy despite low levels of growth

Under Chain 1, GNP contributes to HD through household and government activity and through civil society like community organisations and NGOs. Poor households tend to spend relatively more on HD like food and education, but again these quantities are relatively low because of low per capita incomes.

Growth to reduce poverty and improve and income distribution must however be related to increasing employment and raising rural incomes i.e. it must have a rural base and must be labour intensive. Then reduction in poverty allows higher expenditure on HD. More income has led to higher education on schooling. There is evidence also from Gambia to show that where women control incomes more is spent on HD.

In terms of government, the allocation depends on total public sector expenditure, how much goes to HD and how the intra sectoral allocation is arranged. This will depend on three ratios; the public expenditure ratio, such as proportion of GNP spent by government; HD allocation ratio or allocation to HD sectors and HD priority ratio or the expenditure going to the priority areas e.g. the basic education or primary health argument.

Ranis et al (2000) point out that the ratios will depend on the taxation capacity of a country, pressure on military expenditure, expenditure on other government priority areas and policy issues like decentralisation. Full decentralisation is likely to improve expenditure on HD.

Some examples are illustrative. In the 1980s the public expenditure ratio to national income were almost similar in Kenya and Malawi (27% and 30% respectively) but Kenya had a significant higher social allocation ratio (47% compared to 35%) and social priority ratio (34% compared to 14%) so that the proportion of GDP going directly to HD improving priorities in Kenya was over three times that of Malawi (Ranis, Ramirez and Stewart 2000).

Examples of economic growth and HD are that of Botswana and Sudan. In 1970 public expenditure on education and health was similar for both countries (\$ 96 in 1987 prices in Sudan and \$ 65 in Botswana). During the 1970-92 per capita expenditure increased more than seven times in Botswana while remaining unchanged in Sudan. By 1992 the Sudanese expenditure was less than a quarter of that in Botswana (\$114 versus \$466). This is thought to have originated from faster growth in Botswana (Ranis et al 2000).

NGOs and the rest of the civil society can also contribute to the HD objectives but evidence is scattered. An example cited above is the Grameen Bank Model in Bangladesh as well as Harambee Schools in Kenya.

Ranis et al (2000) convincingly argues that spending on HD is one issue and raising it is another. Effectiveness depends on what they call the HD improvement function (HDIF), which is a definition of the vital inputs in the HD function that can bring change. One example of a commonly agreed input is female education.

Thus for Chain 1 they conclude tentatively that the GNP-HD link is supposed to be stronger the lower the number of people below the poverty line is, the more households allocate to HD such as education to girls, the higher proportion of GNP expenditure allocated to priority social sectors and the more vigorous the work of civil society is, including the use of social capital.

Under Chain 2 HD to EG is also quite understandable. Healthier, well-educated people contribute more to economic growth. HD is an end in itself but it also enhances the capabilities of the people their creativity and productivity.

Ranis et al (2000) summarises some of the simple relations. Firstly, health, primary and secondary education and nutrition raise the productivity of workers, rural and urban. Secondly, secondary education including vocational facilitates the acquisition of skills and managerial capacity. Thirdly, tertiary education supports the development of basic

science, the appropriate selection of technology imports and the domestic adaptation and development of technologies. Finally, secondary and tertiary education also represents critical elements in the development of key institutions of government, the law, and financial system all essential for economic growth.

Evidence is at a micro and macro level. At micro level is the stock of empirical evidence that show that additional years of education are associated with higher rates of return. The argument about signalling function of education is explained by evidence from rural Pakistan and Tanzania. The argument is that education signals the innate differences in people rather than raising productivity itself. The cognitive achievement seems to be contributing more to earnings than schooling as such.

In agriculture the positive association between education and productivity is found among farmers using modern technologies. In Thailand farmers with four or more years of schooling were three times more likely to adopt the use of fertiliser and modern inputs as compared to farmers with less education. In Nepal completion of at least seven years of schooling increased productivity in wheat by over a quarter and in rice by 13%(Ranis et al 2000).

Evidence from Sri Lanka show a link between skill and levels of education and technical change. Of course change is not influenced by education alone. There is for example quantity and quality of domestic and foreign investment. But the level of human development has a bearing on all these. For example, levels of education of managers most likely will also influence the quality of policy (Ranis et al 2000).

At macro level the New Growth Theory attempt to endogenise these factors that emphasize education as well as learning and research and development. Higher education has a link to their level of productivity of the workforce and those with whom the workers collaborate. Technical progress depends on R&D while education has an important role in R&D. There is empirical evidence to show a relation between education

and growth. Education is thought to be associated with the type of growth of export, which in turn can lead to economic growth such as the case of East Asia (Ranis, Ramirez and Stewart 2000)

There is evidence reviewed elsewhere (Tilak and Psacharapoulos 1993) of a link between education and income distribution. Education can influence per capita income growth via population control. Studies have, for example, shown that higher education levels of women and lead to lower fertility rates.

In general Ranis et al (2000) conclude that the connection between HD and GNP are likely to be stronger; the higher the investment rate, the more equal the distribution of income and the more appropriate the economic policy setting. In an empirical analysis of 35 to 76 developing countries strong links between economic growth and HD and vice versa were found.

With these hypotheses proved the authors identify certain trends that can be traced in countries; Firstly there is a virtuous performance, where a strong HD leads to economic growth that in turn promotes HD. Second is vicious performance where poor HD leads to poor economic growth which in turn depresses HD. A third scenario is a lopsided HDI where good HD does not lead to good EG because of weak linkages such as low investment rates. Finally, there is lopsided EG where good economic growth does not lead to bring about good HD because of low social expenditure allocations

Table 6.1 shows the performance of some countries. The selection is random and does not reflect regional trends. They were selected to show different performance over three decades and may need more specific analysis to analyse why they performed as they did. For the full list see Ranis et all (2000).

Table 6.1: Performance of some countries by Economic Growth(EG) and Human Development(HD)**1960-1992**

Country	1960-70	1970-80	1980-92
Botswana	Vicious	Virtuous	Virtuous
Cameroon	Vicious	EG lopsided	Vicious
Ivory Coast	EG lopsided	Vicious	Vicious
Malawi	Vicious	HD lopsided	Vicious
Mauritius	HD lopsided	EG lopsided	EG lopsided
Rwanda	Vicious	Vicious	Vicious
South Africa	Virtuous	Vicious	Vicious
Brazil	EG lopsided	EG lopsided	Vicious
Chile	HD lopsided	HD lopsided	Virtuous
Costa Rica	HD lopsided	HD lopsided	HD lopsided
Indonesia	HD lopsided	Virtuous	Virtuous
Hong Kong	Virtuous	Virtuous	Virtuous
Malaysia	Virtuous	Virtuous	Virtuous
Singapore	Virtuous	Virtuous	Virtuous

SOURCE: Ranis et al (2000 ;251ff)

The simple conclusion going by this analysis is that Rwanda has neither done well on promoting HD first or economic growth first. The major explanations were advanced at the beginning of Chapter 3 and summarised as a ‘poverty-conflict trap’. But then how are the human development conditions in Rwanda? We can draw this precarious picture by looking at the education and health sectors more closely

6.3.1 Education indicators in Rwanda

As indicated, the salient features of poverty in Rwanda education are very important to poverty reduction. Major poverty indicators were found to be associated with having education or not or by levels of education attained. That it is the most important element of human development cannot be better explained. In this section we provide the data that should justify why a dynamic social policy needs to address education specifically.

Firstly, there are standard measures of enrolment to education by cohorts of different sexes or age groups. Table 4.12 in Chapter 4 presented the first set of such figures. As

can be seen, a country can have a high gross enrolment while net enrolment is relatively low. This can happen in a situation where there is a high rate of abandoning school, which we shall revisit in the appropriate section below.

It is also arguable that enrolment is not about figures but a statistics should indicate the level of enrolment by gender. In the introduction we presented a hypothesis that education to girls may be one important element of Human Development that can make a difference in terms of effectiveness in raising levels of human development.

More recent data indicate considerable improvements. The Rwanda Development Indicators (2001) show that the Gross enrolment rates for 1998/99 and 1999/00 were 87.9% and 97.1% respectively. Correspondingly the net enrolment rates were 69.9% and 72.1% for the same years respectively. Why a high gross rate of enrolment is accompanied by a low net rate like in 1999/00 is of interest to the analysis of education and poverty.

A more recent picture is provided by the Household Living Conditions Survey (2001). In this instance we extend analysis to spatial differences indicating the rate of enrolment by provinces of Rwanda.

Table 6.2:Gross and Net enrolment rates by provinces of Rwanda 2000.

Province	Gross	Gross	Total	Net female		
	Male	Female		Net male	Total	
Butare	92.3	94.8	90.1	70.1	70.4	69.9
Byumba	90.2	88.4	92	70.2	71.1	72.1
Cyangugu	87.8	87.6	87.9	70.17	71.3	72.4
Gikongoro	91.2	88.45	94	70.8	71.6	72.45
Gisenyi	84.5	90.4	79.6	68.8	66.2	64
Gitarama	103.3	106	100.8	80.1	78.4	76.8
Kibungo	90.3	92.58	88.4	65	66.7	68.3
Kibuye	91.8	95.5	88.2	75.5	74.6	73.7
Kigali Ngali	95.1	91.9	98	72.1	75.5	78.6
Ville de Kigali	94.4	89.7	99	77.2	79.8	82.3
Ruhengeri	92.9	93.7	92.2	75.3	74	72.8

SOURCE : HCLS(2002:47.)

It is not necessary to have a lengthy analysis from these tables. The rate of enrolment has tremendously increased in recent years, but in all cases it not difficult to see the wide gaps between gross and net. Except for a few isolated cases this is related to the rate of dropping out from school for reasons linked to inefficiency or poverty.

A common observation from all over the poor world is a higher rate of enrolment in urban areas compared to rural areas. All towns followed by Kigali have the highest gross and net rates. Regional disparities are substantial and consistently rates of drop out and probably other factors dampen the high gross rates.

Yet enrolment is not the best measure of access. One simple measure of access to primary school is time taken or distance to school. The Household Survey (2002) gives some of the recent picture. The average distance has been around 2.5 km. As noted earlier Rwanda is a country of harsh relief and two kilometres may not only be time consuming to the pupil but could not even allow even use of a bicycle. Table 6.3 is the average distances as provided in the recent survey

Table 6.3: Distance of primary school from home in km

Province	Distance
Butare	2.3
Byumba	2.4
Cyangugu	2.2
Gikongoro	2.7
Gisenyi	2.6
Gitarama	2.2
Kibungo	3.6
Kibuye	2.5
Kigali Ngali	2.6
Ruhengeri	1.8
Umutara	2.1
Total	2.5

SOURCE: HLCS 2002:48

The Core Welfare Indicators Questionnaire survey (2002) used a crude definition of access as reaching a school in less than 30 minutes. With it they estimate that about 53.6% of all children in Rwanda had easy access to primary. The rate for urban areas was as high as 82% and rural areas 51.6%. For secondary schools the same survey estimated 13.3 for the whole country with 9.4% rural and 58.7 in urban areas.

Another indication of how education is delivered is that of efficiency. In the absence of rigorous methods the rate of efficiency in education can be looked at in terms of transition to higher level of learning. In general the rate of primary school pupils proceeding to secondary has been abysmally small. By the recent survey it is around 76%. The transition to university is even lowest at about 1%. Of course more numbers could be registered if facilities were not scarce

Table 6.4. Rates of enrolment in Secondary and Tertiary institutions

Area	Gross Male	Gross Female	Total	Net Male	Net Female	Total
National	10.5	10.2	10.8	7.1	8	7.6
Urban total	30.7	32.9	29.1	22.7	22.4	22.5
Kigali City	33.4	38.79	29.8	26.8	23.5	24.9
Other Towns	24.5	21.2	27.4	14.3	19.5	17.1
Rural	8.1	7.8	8.4	5.4	6.1	5.8

SOURCE: HCLS 2002:49

It should be expected that the better the quality of education the better would be the level of efficiency. A crude indicator of quality is efficiency in teaching. One indicator can be teacher student ratio. In Rwanda it is somewhere above 50. The Human Development Report 1994 had estimated a teacher-pupil/student ratio of 57% based on 1987-88, a ratio, which may have gone, down considerably now, but is still high.

Another aspect of quality is the qualification of teachers. Recent estimates suggest that 48% of all teachers are under qualified in Rwanda (Rwanda Development Indicators 2000).

Training more teachers needs more resources. Other authorities have debated about using shifts to optimise existing numbers of teachers. This requires careful study and planning. It involves the question of motivating the few teachers who will be required to take extra workloads. Even if this was to be taken care of, there is a question of the qualifications of teachers.

The question of quality in delivering primary education in Rwanda is corroborated by the fact that the success rate is a mere 21% of the entire pupil population. Note that secondary school intakes as noted above, comprise only 7% of the total school leavers. This has also been caused, it is said, by lack of teaching equipment in primary schools.

Table 6.5 Some recent estimates of efficiency ratios.

Ratio/No	1991/ 92	1992/ 93	1993/ 94bw	1993/ 94aw	1994/ 95	1995/ 96
Qualified Teachers	56.70%	58.20%	60.00%	45.50%	38.90%	44.90%
Non-Qualified Teachers	43.30%	41.80%	40.00%	54.50%	61.10%	55.10%
Student/class	46	47	44	32	37	39
Student/Qualified Teachers	101	99	98	107	136	118

SOURCE: UNICEF 1999: 68

Another important aspect of education is equity. Like others it is an elusive attribute. A simple way is to compare, as in tables above, all aspects of education by distinguishing between male and female such as with enrolment. Another aspect that sheds light on equity is regional distribution of schooling either between urban and rural as indicated in some tables in this chapter.

Another measure of education closely related to poverty is the literacy rate. A higher rate of literacy is associated with a lower rate of poverty. MICS 2000 has estimated the rate of literacy across age groups as presented in Table 6.6

Of course these figures have to be analysed with caution because they are from a rather restricted survey of 10,679 people extracted from a larger sample of 4205 households or about 20400 people using a household average size of 4.85. Nevertheless it can be seen that a large majority of adults above 15 are illiterate. The more illiterate population is to be found in rural areas.

Although with slight variance the situation is similar to that in the most recent Household Survey (HLCS 2002) in Table 6.6. Table 6.7 is on literacy rates from the Household Survey 2002. Perhaps some of the difference arises from the fact that the survey identified literacy as reading and writing.

Table 6.6: Population and Primary enrolment by prefecture 1996/97

Prefecture	POPULATION			ENROLMENT		
	Total	Male	Female	Total	Male	Female
Butare	518,886	231,755	287,133	95,209	46,547	48,662
Byumba	598,434	280,520	317,914	108,150	54,783	53,367
Cyangugu	541,496	244,502	296,994	82,783	41,335	41,448
Gikongoro	40,562	206,220	224,342	71,317	34,520	36,707
Gisenyi	692,919	325,199	367,720	143,122	71,122	72,000
Gitarama	800,889	365,304	435,585	142,003	69,109	72,894
Kibungo	335,525	150,546	184,979	69,271	33,896	35,375
Kibuye	327,863	150,587	177,276	75,615	37,591	38,024
Kigali R	593,045	267,391	325,654	128,305	62,871	65,434
Kigali V	358,202	167,191	191,011	42,865	20,335	22,530
Ruhengeri	784,815	378,325	406,490	148,367	78,461	69,906
Umutara	184,845	89,662	95,183	47,761	24,074	23,689
Rwanda	6,167,483	2,857,202	3,310,281	1,154,768	574,642	580,126

SOURCE: Rwanda Development Indicators 2002:322

Table 6.7 :Rates of those who can read and write

Area	Male	Female	Total
Urban	54	47.3	50.4
Rural	58.6	47.9	52.6
Total	58.1	47.8	52.4

SOURCE: HLCS 2002:51

Table 6.8 Literacy rates2000*

Area / age group	Male	Female	Total
Urban	90.1	82.9	86.2
Rural	67.3	54.9	60.4
15-24	76.2	74.3	75.2
25-34	74.6	70.8	72.4
35-44	68.3	45.7	55.3
45-54	60.2	28.8	42
55-64	48.2	18.9	30.3
65+	34.2	4.6	19.7

SOURCE: MICS 2001:9 * Note that this survey was based on a sample

6.3.2. Health conditions

Like education health was related to poverty in Chapter 4. In this section is an analysis of poverty conditions and the status of the health sector that further justifies the need to target the sector. Health indicators are diverse, ranging from incidence of diseases, access to medical services, water, sanitation and nutrition. In this section we present the most generic indicators that draw a picture of the health status without compromising or distorting the overall picture in Rwanda. Table 6.9 gives a bird's eye view of the health situation.

Except for antenatal consultation of mothers where percentages are at least above 90, all other indicators reflect a low level of health services. The level of medical consultation due to illness is high reaching an average of over 80%. The rate may be a good or a bad thing. It may reflect that there is a high prevalence of disease in the country, but it may also mean people have the propensity to go for medical care in a hospital.

Overall the state of health in the rural areas is relatively worse than in the urban areas and as expected Kigali City is relatively endowed with better indicators of health and related conditions.

Table 6.9 Summary indicators of health situation

Item	Total	Kigali City	Total Urban	Rural
HHs with faucet water in the dwelling(%)	2	12	11	1
HHs with water from a public tap(%)	29	46	42	27
HHs with electricity(%)	6	44	39	1
Women using modern contraception(%)	4	14	14	3
Births whose mothers received antenatal care from a health professional	92	92	95	92
Children under 5 who are chronically under nourished(%)	43	23	27	45
Mortality rate of children between 1 and 5 per 1000	100	67	69	106
Vaccination of children under 5(DTC and polio)(%)	61	76.7	71.3	59.1
Medical consultation				
-general visit	11.3	18.1	21.6	9.9
-illness	82.1	78	74.5	83
-injury	2.7	1.2	2.3	2.8
-illness and injury	2.9	2	1.6	3.1

SOURCE: DHS 2000 summary and HCL2002:58.

There is an abundance of primary data on the sector³⁶. Likewise there has been some attempt to draw a profile of the sector (Poverty Profile 2002). In all accounts the level of health reflects a low level of human development. The following paragraphs give a brief summary.

From the survey the Poverty Profile points out that Rwanda has one of the highest maternal mortality rates per 100,000 of live births in Africa. Rwanda records 1071 (DHS 2000) while Uganda (1995) has 505, Tanzania (1995) has about 529 while Namibia (1992) has a rate of 225. Other health conditions compared to the rest of Africa are shown in the table 6.10

³⁶ Besides a recent household survey, HLCS (2002) there is Demographic and Household Survey, DHS 2000; Multiple Indicator Survey 2001, MICS2 and Core Welfare Indicator Survey, CWIQ 2002.

Table 6.10 Comparative Health Conditions between Rwanda and select countries

Country	IMR 1997	HIV 1997	Safe Water 1995
Zimbabwe	69	25.8	77
Uganda	99	9.5	42
Tanzania	85	9.4	49
South Africa	48	12.9	59
Rwanda	131	12.8	44
Malawi	133	14.9	60
Kenya	74	11.6	45
Burundi	119	8.3	58
Botswana	58	25.1	70

SOURCE: Rwanda Development Indicators 1999 computed by Lizy (2001:32).

The most common diseases that are causes of morbidity and death are malaria, HIV/AIDS, acute respiratory complications, diarrhoea and malnutrition. Malaria accounts for more than 95% of illness in rural areas while HIV/AIDS is estimated at 11.25%.³⁷

The health infrastructure is still weak with 358 health centres in the whole country. It is estimated that each centre caters for about 20,000 inhabitants. It is estimated that there are 1.8 doctors and 17.9 paramedics per 100,000 people. The only indicator that is used to indicate good performance is geographical dispersion. Rwanda is relatively a small country and can afford at least two health units per district (CWIQ 2002, PRS-PR 2003).

Illness is more prevalent in the female gender regardless of whether they are based in rural or urban areas. Majority of the people consult nurses (53.9%) compared to doctors (23.2%) and traditional healers (17.4). Time that is spent for walking to a centre, waiting and consulting is on average 3.4 hours. The average distance to a health centre is 5.8 kilometres, which can go up to an average of 8 km in Gikongoro (HLCS 2002, CWIQ 2002, Poverty Profile 2002)

³⁷ HIV/AIDS which used to be at a low rate of 2% in the 1990s shot up drastically for reasons suspected to be related to genocide. Rwanda government now recognises it as not only a health problem but an economic one. Now even the decline in life expectancy may be related to HIV/AIDS

The profile concludes, obviously that Rwanda has still very poor health indicators at all levels and access to health facilities is still limited.

6.3.3 Targeting expenditure on the social sectors

The aim of the section was to confirm the argument that health and education services in Rwanda are underdeveloped and weak. It is now possible to combine health and education indicators to confirm that the level of human development is low or declining because the most basic human resources are underdeveloped. The most common method is using the Human Development Index (HDI)³⁸. Table 6.11 provides evidence of the inference.

Table 6.11 Human Development Indicators

Year	Life expectancy	Adult literacy	Gross enrolment	Real GDP(ppp \$)	HDI value	HDI ranking
1993	49.5	50.2	47	657	0.186	149
1996	47.2	58	39	740	0.332	152
2000	40.6	64	43	660	0.382	164

Source: UNDP Human Development Reports computed by Lizy 2001:39

The data clearly imply that human poverty has been declining compared to the rest of the world. The data for 1993 is a reflection of pre-genocide period but even after 6 years of genocide a low level of human development is indubitable. Besides poverty the low levels of human development may have been exacerbated by the effect of war and genocide, pandemic like HIV/AIDS and high population growth. For a successful and comprehensive poverty reduction process priority to the social sectors is important in terms of increased and protected allocation of resources to the sectors. Besides reviewing the present status of expenditure on the sectors we point out basing on the measures of targeting efficiency that increased allocation is not an adequate definition of targeting the social sectors.

³⁸ HDI is a composite index that combines formal education, literacy, health and economic growth to determine levels of human poverty. The index with its close measure HPI or the Human Poverty Index are used to rank countries. HDI is used for the entire world while HPI is used for the poor countries. The ranking is reliable but is also dubious. A country may have a higher rank because of say a very high literacy rate but with very poor economic indicators.

As indicated in the model the most important task is examining the allocation ratios. These were mentioned as government allocation or the share of government expenditure in GNP.. But the second and the third need some attention. The HD allocation is examining the share given to health and education and a third ratio is priority allocation.

Table 6.12 Public expenditure trends on social sectors

Year	Education expenditure as % national Budget	Education expenditure as % of GDP	Health expenditure as % national Budget	Health expenditure as % of GDP
1990	20	2.9	3.2	0.5
1991	11.1	1.8	3.9	0.6
1992	15.5	2.7	4	0.7
1993	16.5	2.6	4.4	0.7
1994	-	-	9.5	1.37
1995	12.1	1.5	4.1	0.5
1996	12.1	1.6	2.5	0.3
1997	17	1.9	2.6	0.3
1998	21.2	2.5	3	0.5
1999	20.2	2	3.4	0.7
2000	30.2	3.5	3.1	0.6

SOURCE: Rwanda Development Indicators 2001 pg 278 and pg 314

Over the last decade the patterns of public expenditure on health and education were as in the table 6.12. As it can be seen in Rwanda there has been a tremendous increase in the share of education in government expenditure as percent of GDP. But we have to bear in mind that these are increases of shares from a narrow base. Secondly the share is still not high compared to other African countries. The health sector is however probably the worst financed on the continent. This can be seen in Table 6.13 It is low at global level. In 1990 the share of the health sector was 3.3%, 6.75 in Nicaragua and 2.4% for Sub Saharan Africa while Rwanda as can be seen was 0.47%.

Surprising enough Rwanda does not show the highest share of public health expenditure to GDP over 1990 through 1998, but it is not the lowest. The figure is very suspicious because there is no single year that reached 1% or taking the average from the table above the figure of 2% must be an error.

Table 6.13 Share of social sectors expenditure to economic growth

Country	Share of public health exp to GDP % 1990-1998	Share of public exp education to GNP 1997
Zimbabwe	2.9	8.3
Uganda	1.9	2.6
Tanzania	1.3	NA
South Africa	3.3	7.9
Rwanda	2	1.9
Malawi	2.8	5.4
Kenya	2.4	6.5
Burundi	0.6	4
Botswana	2.5	8.6

SOURCE: Rwanda Development Indicators 2001; 316

In relation to GNP, Rwanda's rank is actually the lowest. Another view of appreciating the importance that HD allocation is given is to compare it with military expenditure (MILEX). For Rwanda military expenditure as per cent of GDP rose from 3.7% to 4.3% compared to the health sector increasing from 1.9% to 2.1% over roughly the same period. For example, compare the historical evolution of military expenditure relative to education up to the period after genocide.

That military expenditure overtakes education in 1990 is understandable because that is the year of the war of the former government and RPF. By 1991 military expenditure had become twice as large as that of education expenditure. And in 1995 it is almost three times as large. The figure for 1994 is probably a product of data collection where data for previous years are used if none was collected for the year. Alternatively it could be that the data before July 1994 when data was available officially from the government³⁹.

So much for the state of allocation to HD in Rwanda in the immediate past and present. One simple policy consideration would be increasing the amount allotted to the social sectors, which would be possible under certain conditions. As peace is restored in Rwanda more resources that used to be allocated military expenditure can be diverted to the social services .

³⁹ Kigali was run over by the RPA soldiers in July 1994. A new government was set up on 4th July. The new government had to reconstruct everything destroyed including records and statistics

Table 6.14 Education, military and total government expenditure up to the war and genocide

Year	Education	Defence	Total
1977	1420.7	1130.9	6437.9
1978	1534.4	1369.8	7669.8
1979	1962	1643	9214.3
1981	4677.3	2499.4	15.599.3
1982	4481.9	2622.4	16.700.1
1983	4491.3	2692	16368.3
1989	5776	2808.9	21565.9
1990	7219.5	7963.5	29574.4
1991	6659.7	13184.2	39033
1993	8200	12900	55200
1994	9200	5700	10800
1995	5300	14700	56100

SOURCE: adopted from Musahara 2002: 14

A second possibility is increasing expenditure on the social services of education and health as a safety net against poverty. One case would be using the proceeds of debt relief for the two sectors. A simple idea would be to compute a minimum level of expenditure per capita on health and education in real terms. The idea is that increased expenditure in absolute terms is dampened by proportionate increase in population growth and inflation. But all these are broad ideas that technicians can handle in budgeting and allocation provided there is an articulate poverty reduction policy.

But the priority allocation needs to go further down in the sectoral allocation. One reason is that different intra sectoral allocation has differential impact on poverty. For example, in the case of the education sector some facts have been so established that they are like conventional wisdom (Tilak and Psacharopoulos, 1993).

Firstly, education contributes to economic growth quite significantly; returns to education are fairly comparable with if not more than those to investment in physical capital.

Secondly, the contribution of education is also significant in reducing poverty and improving income distribution, sometimes transferring resources from higher income groups to lower income groups. Thirdly, both with respect to growth and income distribution the contribution of primary education is more significant than that of higher levels of education. Fourthly, even when education's contribution is measured in non-monetary terms and measures in terms of physical productivity say in agriculture, the positive and significant relationships hold good. Fifthly, the contribution of education is higher in developing countries compared to developed countries. Finally, the contribution is higher from investment in education of socio-economic weaker sections compared to investment in socially and economically advanced groups of population.

Apparently the desire to increase and protect expenditure on the social sector takes care of facts 1, 2, 4 and 5. But for fact 2 and 6 that are pro-poor indicate the need for prioritisation. In fact similar hints for priority allocation were noted in presenting the HD Model. Two appeared to be most important. First is the education of women and girls is better for HD and primary health and education raises productivity of workers

The whole point is that mere increase in expenditure on the social sector is in principle pro-poor but may have nothing to do with the incidence on poor groups. In this regard more dis-aggregate apportionment with deliberate bias to the priority sections of the sector that can both increase growth and reduce poverty is very crucial. Let us give some indications.

It was noted that generally primary education would need a priority allocation. In the section on the extent of poverty it was noted that over 90% of all expenditure pays salaries of teachers that has nothing to do with poverty. But even at that level the HDR (1994) estimated that higher education consumed 16% of the entire education budget to cater for only 1% of the population. This is a serious dilemma with regard to Rwanda. Increasing public expenditure on education without correcting this distortion is not pro-poor. But at the same time diverting resources to primary education and spending more

than 90% on salaries is also not pro-poor. Moreover, if funds allocated for higher education are diverted to primary education, without any alternative ways of improving efficiency, this reallocation is not pro-HD. Under present circumstances using education as an example, social sector prioritization generally taken and even specifically taken may neither reduce poverty nor develop HD. Of course there are other sets of dilemmas, do you cut down or freeze wages of teachers? The salaries are already meager and the need to cut down government expenditure makes it impossible to fulfill both How do you ensure that the resources saved reach the poorest areas, families or pupils?⁴⁰. It is important that some serious attention be given to finding how some targeting can enable poor individuals have access to primary social services without depending on spillover from government budgetary allocations.

This same argument can be extended to elements of the HD Model⁴¹. A poverty reduction targeting mechanism should be able to provide more access to vocational training, skills formation and facilitation of capacities such as micro credit programmes that incorporate health and education⁴².

6.3.4 Policy challenges on targeting the social sectors⁴³

⁴⁰ Per capita increase in expenditure or per pupil increase would be better because geographical targeting may also have the same problem as before. The non-poor will benefit. One-way out is like our proposed Universal Grant with VAT. See e.g. Samuel Rea (1977) On the link between human capital investment and Negative Income Tax.

⁴¹ Another advantage of the model is that at the same time all other HD dynamics that enhance growth even if not directly linked to poverty in the short run are taken care of at the same time. For instance under HD higher education has its share of priority of building managerial capacity. So is innovation and technological change expected from tertiary education. That's why a targeting mechanism like a Universal Grant proposed in this chapter is important because it does not lead to conflicts in allocation of resources at central level and is not at the mercy of efficiency of the trickle down mechanism. A grant even if its costly to administer gets to the right person –the one who is poor.

⁴² A good example today is the Grameen Micro credit schemes that has developed coherent programmes that combine credit, health and education...for recent development visit www.grameenbank.org

⁴³ In this section focus is on health and education with regard to poverty reduction. In other words a holistic Human Resources Development strategy may be in place in Rwanda (see e.g. projections of PRSP) but our concern is only those have direct and obvious link to poverty. This does not mean that there is no HRD that is not linked to poverty reduction in the long run but as already demonstrated the problem in targeting is taking envelop assumptions that need not relate to poverty as those for which empirical evidence is available.

The most obvious observation is that policy makers would always agree that targeting social sectors is important for HD and therefore for reduction of poverty in entirety human poverty i.e. human.⁴⁴ The last section of this chapter suggests proposes a universal targeting approach that does not hurt the non- poor as well. It is attractive for poverty reduction because it can reach the poor without hurting the non- poor. The best way to ensure the re is similarly targeting social sectors not only for economic growth but also for poverty reduction is pegging the grant to primary health and education⁴⁵. But as it is noted this may take some time to be phased in just as the targets of 2020 will take time to attain. For the short and medium term social expenditure is one method of ensuring poverty is effectively targeted. We consider health and education together first before considering each sector on its own.⁴⁶

Generally four aspects can be considered; ensuring universal access of basic services by the poor, focusing on both supply and demand of these services for poverty reduction, concerns should not be amounts of resources only, but also outcomes and not only outcomes alone but impact on poor groups and levels of poverty as well and participation of the poor in the long term development of human resources is important

Firstly, at targeting level Morrison (2002) cautions against a conventional assumption that spending per child is related to better attainment at school and therefore future earning capacity. Using evidence from Senegal and Madagascar he argues that performance correlates better with quality of teachers, teacher's evaluation, availability of textbooks and family level of poverty. We also argued that measuring performance of primary education by gross and net enrolment is not enough. But that most of education does not reach the poor themselves but benefit more the teachers would not be a problem

⁴⁴ The desirability of this approach is that human poverty reduction means a broader concept that includes consumption income and deprivation or exclusion such as lack of access to basic services.

⁴⁵ The mechanism will ensure there is both HD, poverty reduction and growth in a dynamic synergy that link short term and long term paths to prosperity. The poor with their grants will be able to solve their basic problems. At the same time allocation to the sector at aggregate level will ensure HD in the medium term, which will result in growth in the long run.

⁴⁶ The two sectors are considered jointly under the umbrella of the Human Development Model. See Morrison (2002) for why health and education have to taken together anyway. His review of existing studies on the link between health and education is in dispensable.

if there were mechanisms in place to make teachers deliver quality education. The snag with this argument is that the essence of targeting is diverted from the *de facto* beneficiaries –poor children. An advanced debate would require more empirical evidence but perhaps it does not quash the observation that a universal grant may empower not only the child but also the parent⁴⁷. The same logic and perhaps rightly is that it is not enough to measure the efficiency of allocation of health expenditure by putting a price tag on the visit to a medical visit because it overestimates the expense to the poor. But the fact is also that where there are charges and where we know the poor are more prone to illness then the poor are advantages because their access to better services than the no-poor.

Morrisson`s observation on the interaction between education and health is important. The point is straightforward. Children from educated parents tend to be healthier, perform better at school and have the probability of earning better in future and thus avoid becoming poor in future. Children from poor families may be malnourished are less healthy and will tend to perform less well in class. The gift of the argument is that poverty reproduces itself intergenerationally⁴⁸. This relation if wholly true then it reinforces the approach of this section of putting together education and health.

A finding that is almost generally acceptable now is that primary education and health spending are more redistributive than higher and tertiary education and health respectively. Using evidence from Indonesia, Peru and Madagascar it has been shown that that the level of spending of poorer households is lower than their share of the population in case of both sectors. Reference. Let us digress and consider this aspect with regard to education in Rwanda because it has some considerable policy questions.

⁴⁷ The reliability of inferences based on performance when responding to 40 questions and scores between pupils of two countries can also be questioned as to how they reflect gains in human capital differences in Madagascar as compared to Senegal. There may be other factors that are exogenous to human capital formation as such.

⁴⁸ Recall Waxman`s (1977) analysis of the culture of poverty. The argument may be reckless if stretched to far to include race and ethnicity differences in performance. See Behrman (1988) for a two-way relation between poverty and health.

The argument for priority to primary education is understandable as was noted at the beginning. It also constitutes a long-standing problem. In 1986/87 the unit costs in RWF were 343,948 for higher education, 49,350 secondary and 4,004 primary education or a difference of more than 90 times. Recent estimates indicate as mentioned earlier under education that expenditure on higher education as a whole is about 16 times more than on primary education (HDR 1994).

Besides that it caters for about 0.1% of the population it is argued that the tertiary education is accessible relatively more to non-poor families (DfID 1999). The private rates of return of tertiary education are highest but this means it serves more as 'disequaliser' than a poverty reducer. Therefore the argument for spending more on primary education is well founded. However this needs careful handling with regard to Rwanda.

Firstly, more than 95% of expenditure on primary education in Rwanda as shown earlier goes to pay teachers who are by any Rwandan definition non-poor. Therefore arguing a case of spending more on primary education on the premises of poverty reduction is not well informed⁴⁹.

Secondly, while primary education has better social rates of return the whole purpose of reducing poverty should not be making people move away from extreme poverty alone. For sustained growth primary education cannot ensure high level of human development.

Indeed the UN now includes secondary education as 'basic' education (UNDP 1991). But for Rwanda one can ask what is basic in basic education? Rwanda has experienced acute shortages of skilled human resources after the genocide and displacement of a part of the Rwandan intelligentsia. In this regard and perhaps in the short run the conventional wisdom of small economies does not hold. It is usually argued that in poorer countries at

⁴⁹ It is arguable that the expenditure on teachers could be pro-poor if they delivered quite substantially better services. However, that a large number of primary teachers are not qualified makes the argument weak (World Bank 2004).

the lowest stages of development high and tertiary education can wait for later stages of development. But it is using stereotype reasoning to cut down resources for tertiary education when the country is in dire need of replacing the diminished expertise. It is also very crucial for a country with resolve to stimulate growth through human resource development.

An argument, devoid of sound empirical evidence, is that tertiary education is dominantly occupied by the non-poor. A small survey undertaken by this researcher in one faculty at the National University showed that a substantial number of respondents classified themselves as poor especially those who lost their relatives in the genocide. It would not be surprising if a deeper inquiry revealed the same especially with the view of the affinity Rwandans have for higher education.

Another often-neglected point is the position of social capital in Rwanda. An educated Rwandan is usually obliged to be of service to his extended family and to exceptionally vulnerable relatives and friends. There is a need of a deep research in this field but it would most likely find that a graduate's salary is usually not wholly his. Helping the younger ones to go to school or offering shelter and odd jobs to relatives is still a strong element of the Rwandan social capital. Investing in a tertiary student is not wholly offering him a 'meal ticket' or passage to affluence individually.

But all these arguments do not answer the policy question. It can be argued that the problem is not much concern of inequity in allocation of resources but scarcity of them. There is need for research and expertise that can justify more expenditure on tertiary or higher education. Thus the real problem should be spending more on higher education but relatively more from sources outside the government budget. This has difficulties since governments also wants to control higher education and promoting the idea of sourcing for resources outside such as the private sector is contradictory to the perceptions of those in the political power system. Yet it is still possible to use student loans to reduce government burden.

Tertiary education can be used deliberately to design curricula and community activities that assist in the war against poverty. For instance, one common error of policy makers is that poverty can be detected even by the naked eye. But today research shows that poverty is so complex and is so poorly studied and understood (see e.g. CROP 1999). An example is lack of informed research on social capital in Rwanda⁵⁰. As a conclusion the Bretton Woods 'paradigm' on priority to primary education for poverty reduction is sensible, but not a panacea.

This focus on education does not mean health is less important. There is the general belief that primary health is essential directed to the poor groups. But in essence it can be noted that as people's income and affluence rise, the spectrum of primary health also changes. It can be seen that non-poor start demanding a different set of primary health care such as dental surgery and eye care that the poor may often skip not out of their choice but because of lack of financial capability. Another observation is that diverting more resources to primary health care means that less is available to specialised or referral hospitals. This may not be conducive for advanced medical research. It may also encourage flight of local medical experts to countries where there demand is high and research interests catered for. It is a common complaint in developing countries that a hefty part of government health budget may be spent by bureaucrats and their families for medical attention abroad. More resources to the specialised hospitals may save such expenditures. Naturally, the opportunity cost of such decisions need to be established, but the real point here is to emphasize the fragility of policy based on conventional fallacies or generalisations that would need further research before concrete policy formulation is embarked on. A fair balance should be arrived at.

A more progressive form of expenditure is clearly a desirable. Policy consideration should be given to a Universal Income Grant financed by an increase in indirect (VAT

⁵⁰ Colleta Cullen (2000) inclusion of Rwanda in a study of social capital, social cohesion and violence in four countries reflects the gap in the knowledge.

etc.) taxes. This is proposed as a long-term social policy option for Rwanda in the next chapter.

Notwithstanding the need to focus on the specific policy that will reach the poor without assuming more spending on social services, empirical evidence show that higher coverage of public services over time is pro poor. If the enrolment rate is between 60 and 90% the probability of the service reaching the poor is higher than when the coverage is say 40%. This true of education as it is for health (Lanjouw and Ravallion 1999;Morrisson 2002).

An issue related to quality and cost of social services is distinguishing demand and supply of the services. Encouraging coverage in terms of enrolment or the number of health centres is a supply side approach. In most of the surveys in Rwanda it was noticed that poor people have failed to create effective demand of the services even when the charges are regarded as very low⁵¹.

Another prickly issue of policy on spending on the social sectors is that of equity. For instance one policy problem has been the assumption that services in the sectors are homogenous. But there is evidence from several Sub Saharan countries that show that quality of rural social services facilities and personnel are relatively lower than those in urban areas (cited by Morrisson 2002). Increasing the quality in rural areas and poor urban neighbourhoods involve more budget appropriations. It is also known that medical personnel tend to prefer working in cities than in remote villages.

A policy issue that follows from the previous argument is to incorporate the provision of social services under decentralised structures like local government. As is noted under the

⁵¹ For example parents contribution is RWF 300 less than a dollar or equivalent to about 6 Rand a year. The reality is however that there are more charges related to school uniforms, food and other contributions. Health charges are usually prohibitive to poor people such that some charitable organisations have often to intervene. The worst cases are narrations people who were denied to see a doctor because they could not pay a registration and consultation of about a dollar or equivalent to 10 Rand (2001 exchange estimates). The author was told of cases of patients who sneak out of hospital under the cover of darkness still ill because of fear of the medical bill.

review of current policy frame, this has to be considered carefully also. A typical case is lack of the requisite personnel and capacity to run decentralised functions. It may actually be prudent to retain the allocation of resources at the central level if a policy is to avoid regional or provincial imbalances or the usual unequal relative shares between urban areas and rural areas.

A final remark on policy for social sectors is the dramatic example of Tanzania and Madagascar that is cited by Morrison (2002). Ambitious targeting can lead to disaster. These two cases demonstrate how some policies were keen to raise the level of social services and reduce levels of poverty before the economic crises of the 1970s and 1980s. With structural adjustment policies even less resources became scanty and the structures in terms of schools and health centres started experiencing shortages of personnel, equipment and essential drugs. Massive resources allocated in the past became wasted as a result. With regard to Rwanda it is to be doubted whether resources for every thing mentioned in PRSP can be attained. The wisdom would be to target what is affordable. In fact, that's one other attractive side of a Universal Income Scheme. It is possible to estimate how much would be required depending on the amount of grant and the capacity of the economy to bear the burden.

6.4 CONCLUSION

In this Chapter it can be seen that there exist no single poverty reduction intervention that can be prescribed for Rwanda. Each has its merit and demerits. For safety nets, it would be important to allow as many forms of interventions as possible with the view of making them robust to all forms of poor groups. However again care should in trying to make them reach the poor who are targeted.

There is a need to increase the expenditure on social sectors as had already been noticed in the last chapter. More data was provided to show that while the expenditure is necessary for future growth and human development, the situation in reality still leaves much to be desired. More disaggregate data show the need to ensure increased

expenditures reach specific poor people in all social sectors. One of the strategies we propose is that of universal targeting pursued in the next chapter.

CHAPTER 7

RWANDA: PILLARS OF EFFECTIVE POVERTY REDUCTION INTERVENTIONS

7.1 INTRODUCTION

In the previous chapter we reviewed propositions that we considered to be important to counter high levels of vulnerability and challenge deep and complex forms of poverty. In this one we extend the analysis to a search for more effective interventions. Effective in what sense? The propositions are regarded as effective if they meet the policy design criteria suggested in Chapter 2. Will they minimise the poverty gap and undo the poverty-conflict trap we mentioned earlier? Will they also provide long-term answers to poverty? We do not provide answers to each of these questions as such. But these are the underlying questions that each of the propositions was trying to answer.

Three propositions are thus presented and analysed in this chapter. We call them pillars because, as we argued; answers to poverty are never final. There are other policy elements too, as we have shown in Chapter 6, and the boundaries between the different options are not necessary very clearly drawn. They do not need to be mutually exclusive. The point we are making here is that; if our analysis of poverty and policy in Rwanda is taken, then these pillars are consistent with an appropriate response at policy level.

Firstly we argue for an institutionalised and comprehensive social policy. The basis of this argument is that, as we argued in Chapter 5, PRSP is regarded as development or economic policy. Indeed it is, like in many countries, located in the Ministry of Finance. Secondly, we have noted that poverty is complex and calls for attention of many disciplines. It is not a business of economists alone. An independent social policy can accommodate several disciplines. It has to be comprehensive to play a vital role of promoting economic growth, conflict mitigation, and redistribution and welfare

provision. Current policies have tended to be narrow, emphasising expenditure and indicators on sectors instead of the poor themselves.

Secondly, we argue for a reform of the current land tenure proposals in Rwanda. The major reason for pinpointing land reform is because poverty in Rwanda is related to land and is more dominant among rural dwellers. We showed that land is closely linked to and to a great extent a source of conflict in Rwanda. We argue that reforms currently suggested by the government, do not address adequately prevention and mitigation of conflict. Using land reform as a pervasive poverty reduction strategy will target the sector from which the bulk of growth of the economy of Rwanda is expected and a sector where the majority of the poor are found. It is also a sector where a lot of conflicts originate.

A final pillar is the development of a universal income grant as a long-term goal. In this proposal we consider the merits of designing and phasing in an income grant financed by a progressive value added tax alongside Rwandan Vision 2020. In Chapter 2 we analysed the weaknesses of selective targeting. In Chapter 5 we showed the weaknesses of current targeting. We were also sceptical about the robustness of existing policies on poor groups. We even argued that should targets of Vision 2020 be attained, a challenge that would follow would be that of answering the question of inequality and possible tensions. The analysis of this pillar is a response to the fears raised in the previous chapters. It draws from knowledge that is being accumulated in both South Africa and Namibia.

7.2 AN INSTITUTIONALISED AND COMPREHENSIVE SOCIAL POLICY¹

Why a Comprehensive Social Policy? There are a number of arguments that may be advanced on the need for a comprehensive social policy in Rwanda based on the data and information already presented in the previous chapters. First there are conventional objectives of social welfare, which are, the provision of welfare to citizens, offering economic and non-economic services such as assistance and minimum wages and

¹ This proposal is inspired by the institutionalisation of social policy in Malaysia since 1957. see ESCWA (2003) Social Policies in Malaysia. United Nations pp 8-24

redistribution of income from the rich to the poor (Titmus 1974). In this sense a comprehensive social policy is broader and more dynamic than a poverty reduction policy that is ill defined. Social policy is a deliberate state intervention to redistribute resources among its citizens so as to achieve a welfare objective (Marshall 1965, Baldock(ed) 2003). From our analyses so far, the first argument for a comprehensive social policy is that there has been none in Rwanda².

While there has been no comprehensive social policy, our analysis of the character of poverty and current policy framework shows gaps that can be covered by a policy reform. While poverty reduction may be about indices that are economic, a comprehensive social policy includes aspects of redistribution that may include other social groups such as gender, ethnic, and regional considerations. In our case, the need to break the ‘poverty-conflict cycle’ may require a broader approach through a comprehensive social policy rather than a narrow poverty reduction perspective that is generally sought after.

A second argument revolves around considering policy regimes in an appropriate policy mix. In searching for the explanation of poverty reduction in policy we analysed schools of thought and welfare regimes. While we found no single ‘world’ (Esping-Andersen 1990) appropriate for a Third World case, it is possible to determine a mix, involving elements of each. An independent social policy can be used to promote a developmental approach to poverty reduction. The latter is an approach that focuses on economic growth and well being of the poor groups simultaneously. This pillar is therefore consistent with the desire to remove Rwanda from a list of poor countries within the next two decades.

Thirdly, we give attention to institutional responsibility of poverty reduction activities and monitoring of related issues. Some aspects of poverty in Rwanda, as analysed, are

² This statement does not mean budgets and plans do not have any social policy implications. An absence of a comprehensive social policy is in relation to a lack of blue print or written regulations cutting across ministries and sectors of society. There is no formal social policy that is comprehensive enough to integrate long term economic aspirations and social needs of national unity and equitable distribution. There is no autonomous organisation to oversee these objectives

non-economic and require non-quantitative outcomes. These are, for example, ensuring that there is a more egalitarian and conflict free Rwanda. Poverty reduction activities are located in the Ministry of Finance. They are in fact under a monitoring unit in the strategic planning department. They are regarded as a unit in a department charged with planning. But there are issues of growth, redistribution, social sector expenditure that need to be coordinated with a view of having a more dynamic and long-term development. A comprehensive social policy as defined above, under an independent government department or as an autonomous body, could address poverty more comprehensively and perhaps more effectively.

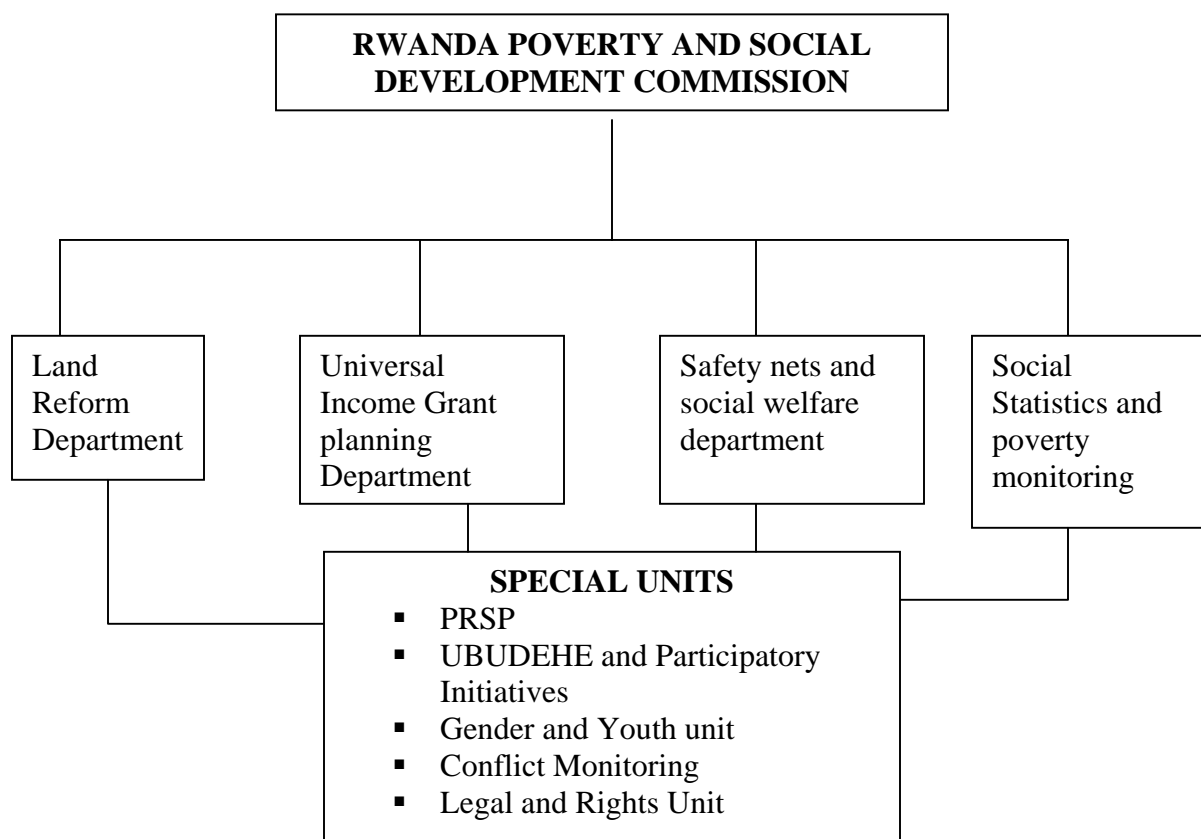
Fourthly an analysis of poverty has shown roles played by economics, sociology, history and political science. Other stakeholders in poverty reduction policy dialogue include NGOs, media, political parties and the private sector. An institutionalised comprehensive social policy can broaden the contribution to poverty reduction to more strategic players from different disciplines. As argued PRSPs are regarded as neo-liberal dominated by mostly economists who tend also to abide by neo-liberal thinking alone. While we are not suggesting that everything neo-liberal is bad, we have argued from the beginning that poverty is complex and some of its features were analysed from non-economic perspectives.

It is important to point out here that comprehensive social policy, in a broader and dynamic sense, may engender more detail and a wider way strengthening the proposals we are making in this chapter. However, as we mention, in the conclusion, this chapter like others in the study is concerned with broad policy analysis. A blue print of the modalities of a comprehensive social policy would be another task.

How comprehensive would the social policy be and what would its institutional position be? The diagram below is one possible version of the activities and scope of such an independent body to oversee such a comprehensive social policy.

Although we said the modalities of an independent institution is beyond the scope of this study it is in order to shed light on what an institutionalised social policy would do. There are three principal functions. First is the formulation of a social policy. Second is its implementation and third its monitoring³.

**Figure 7.1 A hypothetical institutional structure of a social policy organisation
In Rwanda**



The formulation will necessarily involve participation of key players and stakeholders. The Commission will be independent but probably under the Prime Minister's Office. But it will need cooperation of key ministries particularly that of Finance and the Ministry of Social Services. It will have to liaise with those ministries or departments in charge of social services such as education and health. It will liaise with departments or ministries in charge of employment, youth and gender. It may employ expertise of

³ See e.g. Gordon (2003) An introduction to social policy. The context of social policy in Malaysia. In this regard a social policy can be an engineer of growth and redistribution.

environmentalists, economists, sociologists and political scientists. For a comprehensive social policy it will demand wide ranging and well planned and integrated processes.

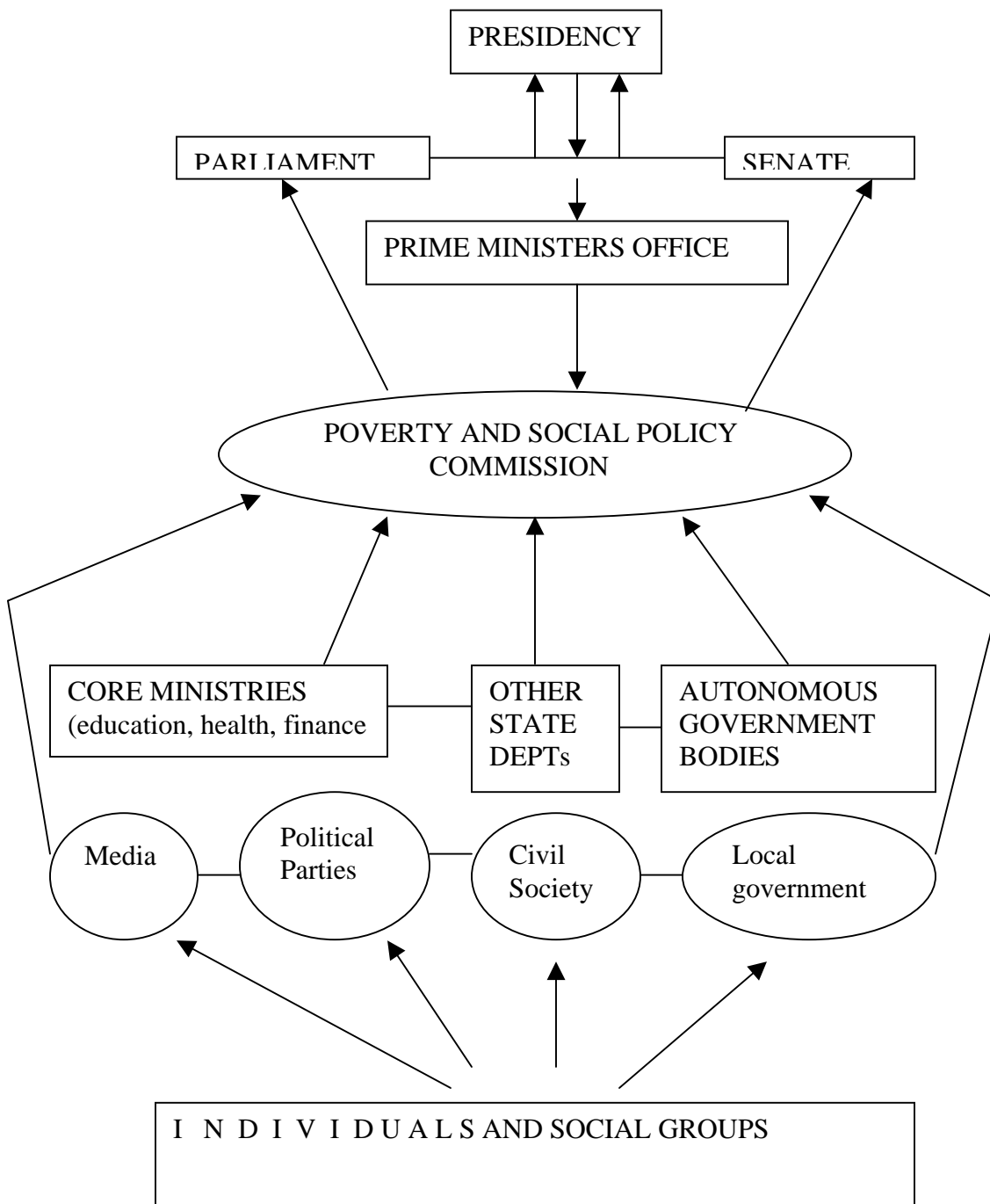
In such activities it would also involve the parliament, civil society, political parties and grass root organisation. It will need approval of cabinet and judiciary. A comprehensive social policy could be used as a tool that can direct the government in building a developmental state.

Implementation cannot be an on-off event. Most likely it would involve phases that are synchronised with Vision 2020, PRSP or some other long-term projection. Stated otherwise, implementation will involve integration with economic and other plans and programmes. A key feature in implementation is poverty reduction, conflict resolution and stimulation of growth and welfare. Figure 7.2 is a possible structure of implementing and monitoring a social policy in Rwanda basing on one that has been operating for more than fifty years in Malaysia⁴.

Monitoring will be an important function of the Commission or such other body in charge of social policy. It can play as a watchdog in looking at how poverty indicators are progressing, social expenditure is being allocated and sensitivity of policies to conflict. It will collect data on poverty and do other related activities such as research and training in the same regard. As said, the details of such modalities would be beyond the scope of this Chapter. However, good social policy seems to have been important in major success stories in the Third World

⁴ See footnote 3 above

Figure 7. 2. Proposed institutional structure for implementation and monitoring of social policy



It will be comprehensive in terms of being robust not only to economic growth, but also to welfare, redistribution and in our case conflict mitigation. By taking on a long-term role of development, the policy becomes dynamic and integrated in the entire economic and social development of the country⁵.

It is clear from this proposition that an independent institution on social policy would be responsible for the formulation, implementation, monitoring and coordination of a social policy. The social policy would be comprehensive in that it would involve coordination of all stakeholders in social and economic development. The social policy would be the engine of growth as well as welfare that include poverty reduction. It would take a leading role in developing a developmental state

7.3 LAND REFORM TO BREAK THE ‘POVERTY-CONFLICT TRAP’⁶

Land has appeared several times in this study. First it appears as a major cause of the ‘poverty-conflict trap.’ The second was in the discussion of land reform in China and Taiwan as models for growth and redistribution. This section proposes that a dynamic land reform is a possible element of a comprehensive social policy that can provide an answer to the poverty-conflict trap.

By the previous statement we shall argue that the current land reform efforts in Rwanda do not address poverty reduction adequately. The basis of the argument is that the proposed elements of reform do not answer problems of land scarcity analysed in Chapter 4 adequately. Secondly, the proposed land reform in Rwanda, does not address conflict in any explicit ways⁷. Unless the land reform addresses conflict mitigation, while the poor

⁵ For a more analytical look visit the social policy virtual library www.social-policy.org

⁶ This Section draws a lot of material from a work done on land reform and conflict for the African Centre for Technology Studies, which will appear as a chapter in a forthcoming book. The author acknowledges profoundly, the co-author Chris Huggins, ACTS and the sponsor of that study USAID

⁷ The Land policy document states peace and reconciliation as its objective. But from our analysis this is not discernible in the rest of the text. see Land Policy 2004; 5

are mainly attached to land it cannot undo the poverty-conflict trap suggested to be characteristic of poverty in Rwanda⁸.

The bases of this section therefore are firstly that any comprehensive social policy has to have a strong land reform component because it accounts for the bulk of poverty and conflict in Rwanda. Secondly under conditions of land scarcity and inequality, land reform in Rwanda should be a comprehensive package that can reduce poverty effectively. It should be a reform that should make land available to the landless or make it possible through productivity increase for the sector to release labour efficiently to other sectors of the economy⁹. It should be used to mitigate conflict. To put our argument in context let us, unlike in Chapter 4 where the focus was on land scarcity, give the basis of a land reform from a land tenure point of view. Our analyses should point out critical areas of land reform that social policy could pursue in more detail.

7.3.1 Background to the land tenure question in Rwanda

An analysis of the historical development of land tenure and land-use management systems is particularly important in understanding the poverty-conflict trap and how a land reform needs to be dynamic enough to address the problem. A major argument that is reinforced in this section is that land tenure, land use and the benefits and obligations linked to land have been a key aspect of the formation of Rwandan society, including class and ‘ethnic’ differentiation. But historical analysis like most investigation in the social sciences is full of contentious and fierce debates.

The first point of contention introduced earlier on is that of origins of the so-called ‘ethnic groups’ (see Prunier 1994, Mamdani 1996). We shall not review the debates again

⁸ This argument would be supported by World Bank (2004;) although they do not refer directly to the poverty –conflict trap we refer to here

⁹ In relation to our debate the process of releasing labour from the agricultural sector is an issue that needs closer study. As shown in various sections on Rwanda, troops of unemployed youth were thrown into the economy and with low absorption capacity of the non-agricultural sectors, it can be argued, they could offer services to anyone including the conductors of genocide

and indeed our concern here is their linkage to the land question. What can be summarised from the historical debates is that Tutsi came to be identified with cattle keeping and privileges especially during colonial rule; Hutu with agriculture and the Twa remained a marginalized group. Aspects of this debate were presented in Chapter 4.

A cross cutting idea is that changing patterns of control over land and natural resources – specifically, the expansion of the royal kingdom and related customs, tenure and taxation regimes – were a factor in the generation of current ‘ethnic’ identities. While the link between land and poverty was clarified in Chapter 4, it is important to note that the land conflict inherent in the discourses on land tenure, rural production systems, settlement patterns and land access may be perceived through a historically-specific ‘ethnic’ lens by some people and will certainly be interpreted that way by the extremists that still maintain genocidal ideology, within and outside the country. It is our basic premise that land, unless there is a dynamic land reform as suggested, can be a source of future conflict¹⁰. To understand this, one has to understand the evolution of the land tenure in Rwanda. We explained this briefly in Chapter 4. In this section, for clarification, we provide more detail.

There were essentially three systems regulating access to land immediately prior to the colonial period. In the central, eastern and southern areas controlled by the central kingdom, the *igikingi* system governed pastoral lands. The *mwami*, the head of state, was the holder of all land rights and granted usufruct rights to land through his local representatives, in return for obligations including fees, payments and labour requirements.¹¹ The right to use land could be withdrawn by the *mwami* and it seems that access to land was used as a political ‘stick’ or ‘carrot’ according to need. In the 1870s some forms of the *igikingi* land grants were altered and became more exploitative.

¹⁰ It has been shown from previous reviews how Rwanda seems to be quite popular in centres focussing on the potentiality of land and conflict. ENCOF, ACTS, FAST, NUR etc

¹¹ Andre (1998). The term *ibikingi* is preferred by some, such as Prunier (1995)

In the northwest and the ‘Hutu’ kingdoms of Bukunzi and Busozo, the *ubukonde* system was dominant. Under this system, the lineage-group of the person or household who first cleared a plot of land (which was, in this region, mostly under forest) controlled access to that land.¹² The rights of exploitation of the land were permanently conceded to members of that lineage, or granted to others in exchange for obligations and fees. These typically consisted of banana beer or agricultural implements, and only rarely included provision of free labour. Some clients could over a period of time increase their wealth and thus become *abakonde* – a lineage head. However, one problematic aspect of *ubukonde* – at least from the point of view of the clients – was that a holder - *umukonde* could reduce the amount of land available (i.e. to settle members of his extended family) but would still have to pay the same ‘tribute’ (ACTS 2004).

In agricultural areas that were under Tutsi control (including those for example, which came under the control of the central court during the reign of the expansionist King Rwabugiri in the latter half of the 19th century), the *isambu* system replaced the *ubukonde* system – on which *isambu* seems to have been modelled. Instead of the *abakonde*, the Tutsi *Mwami* became the ultimate owner of the land, which he distributed in return for produce and provision of unpaid labour. This labour requirement was a major difference between the two systems, and it increased the extractive power of the state at the expense of the peasants. The *igikingi* system was also significant, which was also based on access to land being granted by a Tutsi lineage to a client group. The spread of this system led to some landed Hutu lineages being transformed in social status in order to become Tutsi, but also relegated the vast majority to a state of inferiority, such that they had to sell their labour to survive (Prunier 1995). However, as Prunier (1995) points out, in the late 19th century, grievances over land were not articulated in ethnic terms, but rather in terms of a regional, centre/periphery struggle.

¹² In the process, the Twa were pushed from their customary homes and left with the remaining pockets of forest.

As the peripheries of the country came under central rule, administrative control over land shifted from the customary Hutu lineage heads to the hill chiefs, who were under the control of the *Mwami*. These hill chiefs (who could be Tutsi, Hutu, or Twa) were part of a hierarchy that included, at the 'provincial' level, three kinds of chiefs: the 'chief of the men' (responsible for recruitment to the army), the chief of the land, and the chief of the cattle. Appointed by the *Mwami* or his delegates, the chief of the land was usually a Hutu, while the others were always Tutsi. It has been suggested that the cattle chief and the land chief were engaged in a kind of "reciprocal surveillance" which benefited the peasants (Pottier 2002), Lemarchand (1970) describes it as a "balance of forces", while Mamdani (2001) speculates that the masses could reduce the pressures on their labour, by playing the two chiefs against each other.

The impact of the colonial regime has been well documented in a number of sources, particularly Mamdani (2001). Some – including many in government in Rwanda today – argue that Rwandan society was largely 'harmonious', with classes or groups living in a kind of social 'balance', until the colonial period. They blame the Belgian colonial machinery for creating the ethnic identities and tensions, which have resulted in conflict.

Others, who are probably in the majority, argue that inequalities and differentiation between Hutu and Tutsi existed in pre-colonial times, and became especially significant during the rule of King Rwabugiri. The colonial regime then exacerbated these differences to a massive degree, by a number of direct or indirect processes, including the dissemination of an explicitly racist ideology. Mamdani has described how Rwanda's colonial experience has influenced current events. He describes how in most other colonies indirect rule 'created' ethnic groups (by fixing them as separate entities and ignoring gradual changes, fusions and fissions which may have taken place over decades), and made these subordinate on a racial basis to the colonialists. In Rwanda, by contrast, the particular form of indirect rule (re) created the Tutsi as a 'race', not an 'ethnicity', and thus further separated them, in the minds of some Rwandans, from the Hutu. He compares the treatment of the Tutsi as somewhat similar to the British

treatment of 'Indian' or 'Arab' inhabitants of other parts of Africa – they were seen as inferior to the Europeans, but superior to what the colonialists thought of as 'indigenous' Africans (Mamdani 2001).

The Belgian authorities during the first half of the twentieth century assisted the Tutsi in bringing the remaining independent areas under their control, and hence ensured that *isambu*, with its *uburetwa* labour requirement for Hutu, was applied to the whole of the territory. They also made several other changes: by codifying it (in 1924) they increased the number of days to be worked; by encouraging the chiefs to become coffee entrepreneurs, they encouraged increased exploitation on the chief's coffee fields; they ensured that *ubuhake* clients, who were in a cattle-client relationship (usually with a Tutsi) took part in *uberetwa* in some regions; they made *uburetwa* the responsibility of all adult males (before it had been rotated between members of a lineage); and by imposing additional labour requirements (for reforestation, road construction, and cultivation of export crops). It should be noted that a) all Tutsi were exempt from these requirements; and that b) the chiefs who were imposing these requirements were exclusively Tutsi. While it has been estimated that the average Tutsi household (outside the royal circle or administrative class) may have had an annual income of only slightly more – perhaps 5% more - than the average Hutu, all Tutsi, no matter how poor, were exempt from these labour requirements (Kairaba 2002).

In 1929, the Belgians ordered that the three chiefly positions at provincial level (chief of the army, the chief of the land, and the chief of the cattle) be fused into one, who was almost always a Tutsi (Prunier 1995). In the 1950s, for example, on the eve of independence, and after several UN missions criticizing the levels of inequality in the country, all 45 *chefs de chefferies* were Tutsi, as were 544 out of a total of 559 sub-chiefs. In addition to the Tutsi dominance, these positions were dominated by two particular Tutsi clans (Uvin 1998). The Belgians apparently believed that fusing the three chiefly positions into one would benefit the Hutu majority; but in fact, the action led to the

creation of a position without peers, and without a system of appeal, which could easily be abused (Mamdani 2001).

In addition, some politically-powerful Tutsi took advantage of Belgian laws, which held that land under *ubukonde* was ‘vacant’, to control large amounts of Hutu land (the compensation that the law provided for was often minimal and provided little (Prunier 1995).

The Belgians sought to enhance the rights of individual farmers and land-users, by abolishing the *isambu-igikingi* and imposing constraints on the *ubukonde* and by proposing exclusive individual rights more akin to modern notions of ‘private property’. Another feature of this period was the spread of Christian missions, which claimed private property rights to land in many areas. This contributed to a situation in which users of *igikingi* land (which was mostly grazing land) who had a number of cows (and were therefore almost bound to be Tutsi) tried to obtain ‘private’ rights to what had, until then, been a kind of public resource (Nkurikinyimfura 1994 cited in Prunier 1995). This in turn altered the client-patron contracts governing access to land and labour relations, polarizing Tutsi-Hutu relationships and causing much resentment (Uvin 1998). Violent conflicts erupted between various actors including land users (‘clients’) on the one hand, and the land ‘owners’ (political authorities under the *mwami*, the lineage heads, and the church) on the other hand.

Through the so called ‘Social Revolution’ of 1959, the government claimed to have dismantled feudal structures and thus created a more equitable system of land ownership, but most commentators have noted that the new state elite lost no time in (mis-) using their power and influence to gain access to land as well as cheap agricultural labour. According to Prunier (1995), in the early 1960s, “the new *bourgmestres* were quickly picking up the old habits of ‘feudal’ rule and were creating their own Hutu clientele on the Tutsi model”. Some examples of abuse of government control over land include the logging of part of Gishwati forest (public land) in the north of the country, for a World

Bank-funded cattle-ranching project, the profits of which were allegedly siphoned off by corrupt members of the government and the Bank (Prunier 1995). By the 1980s, the process of land concentration accelerated, through unregistered land sales (Uvin 1998). Those buying land tended to be in commerce, government, or the aid industry, rather than full-time agriculture.

As civil servants became more and more wealthy, “the land available to ordinary cultivators actually diminished in some regions as local officials appropriated fields for development projects and as members of the urban elite bought out the poor, establishing themselves as absentee landlords”(Human Rights Watch 1999). Peasants, forced to sell land to cover subsistence costs (see below) found their former lands being purchased by progressively richer traders connected to the political regime, who often operated as absentee landlords. Some analysts have argued that this process of land concentration took place at least partly as a way for poor families to clear their debts (Storey 1996).

As documented earlier, land ownership in the country was radically disturbed by the political violence following the ‘social revolution’ of 1959 and the flight of many Tutsi, whose land was then allocated to other people. Subsequent legal efforts to manage the land issue were unsuccessful due to lack of political will at various levels, and a process began of accumulation of land by an elite, accompanied by the rise of a landless population. By 1984, approximately 15% of the landowners owned half of the land (Uvin 1998 citing National Agricultural Survey 1984). In the foregoing analysis the argument is that the seeds of conflict were dominantly and largely from land.

Another way of looking at the land tenure background is focussing on the legal and regulatory framework. In Rwanda land tenure, in colonial rule and now was governed by customary law and written law. The customary law recognised land rights obtained in one of three ways: by inheritance through the male line, from a chief, in return for tribute and by clearing new land to which no chief had laid claim.

The most dominant system was clientship, by which landless persons were obliged to seek patronage and usufruct land rights from local political chiefs described above as *ubuhake*. The written law was mainly on abolishing forced labour in 1949 and cattle clientship in 1954. A special provisional council in 1960 suspended private rights to pastureland. Although opposed by the King, it was signed by the Belgian Resident. Its Commission of Enquiry drew up two decrees related to cultivated land in the north-west, which later in October 1960 formed a single act on land issue in Ruhengeri and Gisenyi, whereby generally customary law was upheld and land redistributed between patrons and clients.

Belgian land tenure regulations were recognised as binding after independence by the Rwandan Constitution of 1962 (Article 108). They were summarised as follows: lands occupied by the original inhabitants were to remain in their possession. Secondly all unoccupied lands belonged to the state. Thirdly all sales or gifts of land to be approved by Minister of Agriculture and finally lands belonging to persons who were not original inhabitants had to be registered (ACTS 2004).

The overall situation was not changed generally by a 1976 law, which provided for a number of things. Firstly, all lands not appropriated according to written law belong to the state. Secondly, lands subject to customary law, or rights of occupation granted legally, cannot be sold without prior permission from the Minister responsible for lands and after the communal council has expressed an opinion on the transaction. Thirdly, the Minister can only grant such authorisation when (a) the seller has at least 2 ha remaining (b) the buyer does not possess more than 2 ha and finally contravention of the above provisions are punishable by a fine of 500-2000 francs and the loss of customary rights or rights occupation of the land (ACTS 2001).

Contentions and controversies apart, Reintsma (1981) noted three issues related to land tenure, which are of interest even today. First, is the shortage of land and fragmented holdings, mentioned above. He noted that the shortage of land gave rise to increase in the

number of land transactions notably in densely populated areas like Ruhengeri and Butare. Renting land for a number of years was also on the increase. Moreover the problem of land scarcity led to land fragmentation. Inheritance law provided that land would be subdivided among male heirs. When subdivision becomes too small, another plot must be cleared or bought. With increasing land scarcity, farmers have to go further a field to acquire new lands and holdings become more dispersed.

Second, a feature of post independence land tenure was migration. Land scarcity has given rise to considerable internal migration. People moved from overpopulated areas to areas previously under populated due to poor soils, lack of water supply, or tsetse infection (see Chapter 4). A good example is Bugesera region, whose population density was 20 persons per square kilometre in 1960 and rose to 120 persons per square kilometre in 1978(Reitsma 1981). Rural-urban migration may be in terms of people particularly the youth looking for a living in towns or probably due to shortage of land. Some migrants went to Zaire, Uganda and Tanzania in search of land. The figures of migration to Congo and East Africa were given in Chapter 4. A third feature of the land tenure system in Rwanda is also a form of migration "paysannats"

Paysannats were started in Rwanda in 1952 by Belgians as a scheme to alleviate the situation of land clients who had no security of tenure over the land they cultivated. Plots of about 2 ha were given to monogamous families. Boys over 18 could get their own plots(Reitsma 1981).

It was with this background that Rwanda plunged into genocide in 1994. The war and genocide brought in questions related to land, which have necessitated urgent action for land policy and land law.

When in July 1994, RPF liberated Rwanda almost 1 million people had been massacred. This meant many household heads or entire families were deceased. A couple of million refugees fled the country to Congo, Tanzania and elsewhere. Meanwhile, about 1.3

millions Rwandans, ‘the old case load’ returned to Rwanda after 30 or so years in Diaspora. In 1996 and 1997 several other millions of the 1994 refugees also returned home. All these dramatic changes had ramifications to land.

Van Hoyweghen (1998:) introduces the problem as follows:

‘the challenges which lie ahead for post-genocide Rwanda’s economic, social and political development are closely related through the issue of land. The pressure from a high rate of population growth, added to the paucity of economic opportunities outside the agricultural sector, is forcing people off the land and into poverty. Society is under extreme stress’...

It is not possible to get to the bottom of the problem. It is however worth noting that according to the Arusha Peace Accord no refugee who had spent more than 10 years outside Rwanda could have claim on land. The ‘old case load’ returnees were allowed to cultivate land on a temporary basis. The government in 1996 started grouped settlements ‘imidugudu’. They served as a temporary solution to shelter problems that had arisen, but their long-term capacity to release arable land and form a basis of new production and tenure relations leaves a lot to be desired. Ownership and tenure of land to these and the rest of the population are crucial for reintegration, reconciliation, peace and economic development. The issue as stated above is whether the so-called reform can deliver.

7.3.2 Current frame of a reform

There are a several elements of the land policy that are new in the context of Rwanda (Land Policy 2004). We mention here the most important. Firstly, all Rwandans will enjoy the same rights of access to land, implying no discrimination against women. Secondly, all land should be registered for security. The title will be tradable, but not in a way that fragments plots below 1 hectare. Thirdly, land use should be optimal. Fourthly, households will be encouraged to consolidate plots to ensure that each holding is not less

than 1 hectare¹³. Fifthly, land administration will be based on a reformed cadastral (registered title deeds) system. Sixthly, the system of land administration is under consideration. Seventhly, the rights of occupants of urban land will be recognised, on condition that they conform to established rules. Eighthly, urban master plans will be developed to encourage more economical use of space and finally, marshlands are in the state's private domain, and will be allocated to individuals on a concession by the MINITERE on condition of good management.

The draft Land Law specifies that: firstly people with customary holdings under 2 hectares, and those with customary holdings between 2 and 30 hectares where the owner has a project and a development plan, will be recognised as owners. Secondly, transfer of title deeds requires prior consent of all family members. Thirdly, a land tax will be imposed. Fourthly, undeveloped land reverts to the state's private domain after three years. Fifthly, holders of *ubukonde* land (originally distributed by the clan head), known as *abagererwa*, will have the same rights as other customary owners.

More detailed content and principles have been summarised (ACTS 2004). Firstly, the objective is to provide security of land tenure in order to promote investment in land, to establish an appropriate land allocation and land use through national and local level land use planning and development, to avoid land fragmentation and to promote land consolidation in order to enhance optimum production, to establish mechanisms which facilitate an optimum exploitation of land, targeting the social-economic development of the country through the development of land use and development guidelines at national and local levels and to orient land management towards more profitable and sustainable production, by making good choices among methods of land development which are appropriate to the nature of soils.

¹³ A ceiling of 50ha was dropped in the later version of the Land Policy without explanation

Other elements of the reform are to develop appropriate methods of land protection and conservation, such as terracing on slopes between 25% and 55% and agro forestry in cultivated plots; to avoid land degradation, to promote research as well as the education of the public on all aspects of land tenure, land management, and land markets, to strengthen discipline in land acquisition in order to control pressure on land, inappropriate development and any kind of land speculation, by creating a framework for the following: elaborating regulations and guidelines; involving local authorities and local NGOs in the process, and training technicians of the District land offices and the District and Sector land commissions and to involve and sensitise the population at all levels in order to ensure protection of the environment and good management of the land(Land Policy 2004).

The two proposals have already passed the level of government approval and by the time of writing this study they were being debated in the two houses of parliament. The crucial issue here is to argue that a dynamic land reform needs to address poverty and conflict. Let us consider the dual functions in light of the need to evolve a dynamic and comprehensive social policy mentioned above.

7.3.3 Why land reform for poverty reduction in Rwanda.

Land reform is an important tool for poverty reduction in general (Toulmin and Quan 2000). From our policy review in the Chapter 5 this is even more important in Rwanda.

One argument is found in the goals of Vision 2020. The Vision is the long-term projection of economic development that was explained earlier. The main presumption of the vision is that it may in reality be possible to attain the rapid economic growth that is badly required for poverty reduction. We even argued that it is not difficult to cut down the level of poverty by a half if statistics is what only matters (we called it targeting indicators). In content however the issue is how to devise policy interventions that can reduce poverty at the same time acting as a safety valve for income distribution. It is our argument that a land reform with a clear and comprehensive poverty reduction agenda

can do exactly that-redistribute income - in Rwanda. The reverse argument is that land reform by reducing potential levels of horizontal inequality, will diffuse the poverty-conflict cycle.

The main argument is supported by projections of Vision 2020 that 75% of the expected growth will be derived from agricultural growth. Vision 2020 is therefore intimately dependent on what happens to land. While there are other poverty reducing policies in place it is implicitly argued by this section that land reform should be given special priority.¹⁴

There are a number of specific arguments we can make. The overarching one is that the majority of Rwandan live in the rural areas and about 90% lives off agriculture for livelihood. In this regard the importance of land in combating poverty while at the same time safeguarding pro-poor growth policies is correctly argued by Quan (2000:32)

In rural areas land is a basic livelihood asset the principal form of natural capital from which people produce food and earn a livelihood. Access to land enables family labour to be put to productive use in farming generates a source of food and provides a supplementary source of livelihood for rural workers and urban poor. The grazing of livestock on extensive range lands is a basic livelihood activity for pastoralists and access to pasture land is also important to supplement the livelihood of arable farmers...land can be loaned, rented or sold in times of hardship and thereby provides some financial security. At the same time a heritable asset land is the basis for the wealth and livelihood security of future generations.

Economic analysis shows that the contribution of land to economic growth depends upon the security, duration and enforceability of property rights. These provide an incentive for agricultural investment and help develop markets to rent and sell land. This must be the spirit behind the current reforms in Rwanda. The type of formalisation of security of tenure is however still a subject of debate. Kenya has provided an example where titling

¹⁴ It would require another thesis to design and explain in detail how a proper agrarian reform can be undertaken in form and content. But for the stock of data and information on what is known on land and agriculture there is a good state of knowledge see MSU/MINAGRI Projects e.g. Food Security Research Project (FSRP), Department of Agricultural Statistics (DSA) and Soil Fertility Research

may not directly link to poverty reduction. Cameroon has been trying to devise methods of securing customary tenures (see Quan 2000: 33). The issue is however that the land reform being contemplated for Rwanda is that which will ensure economic growth while simultaneously based on egalitarian reforms. We shall refer to this later in relation to conflict resolution.

There is a unique position Rwanda finds itself now in terms of land reform. Palmer (2000) points out that some reforms in Africa have been top-down, bureaucratic statements that have little impact on problem solving. In some countries they follow appointment of experts or commissions and in some others a mixture of public discussions and bureaucratic decision-making. In mitigating conflict it is important that an all-inclusive land reform, as suggested below, be considered seriously.

Palmer (2000) in a different report notes that Rwanda is among few African countries that have not initiated a serious dialogue between the masses and government before evolving a policy. What we are aware of are casual workshops with one or two NGOs that are interested in land matters¹⁵.

But to reiterate again, land reform in Rwanda need a comprehensive approach that can challenge the land related problems and the resultant poverty as well a legacy of conflict that is intimately related to land. Our contention is that under close analysis the current proposed reforms may not meet the dual challenge of poverty reduction and conflict mitigation.

7.3.4 The poverty –conflict challenges of land reform in Rwanda

In this section we discuss a select number of issues that indicate the scepticisms that we raise with regard to the land reform described above. The aim of this analysis is to shed light on issues that a social policy analysis can address at a technical level. These are

¹⁵ Palmer, Robin is presently (2002) Land Policy Advisor for Africa in OXFAM GB an international NGO that has immensely facilitated the dialogue of land reform in Rwanda. For more detailed examination of the nature of the dialogue visit a website he manages www.oxfam.org/landrights

consolidation of land, access to land for the landless, land registration: different meanings of tenure security, abolition of customary systems, addressing inequalities in land ownership, villagization and land use and environmental protection. These are by no means the only important issues, and other sources provide information on other aspects of the policy.¹⁶

Consolidation is stated as objective number 3 of the land policy framework in Rwanda (Draft Land Policy 2004: 14). The PRSP also states that, “households will be encouraged to consolidate plots in order to ensure that each holding is not less than 1 hectare... this will be achieved by a family cultivating in common rather than fragmenting the plot through inheritance.” It is intended to address the “excessive partitioning of plots” (land fragmentation) and to promote their regrouping in order to bring about optimum production. As indicated earlier, the average total household land holding is about 0.76ha. HLCS (2004) notes in some areas the mean size of family holdings is particularly small – 0.36 ha in Butare and 0.5ha in Gikongoro.¹⁷ It is estimated that the average Rwandan household possesses 5 plots, though the figure is higher in some areas, such as Ruhengeri where the average is about 10.¹⁸ This is a result of several factors, including subdivision of household plots amongst sons through customary inheritance, and also sale and purchase of land– a household may sell a portion of land during a financial crisis, only to buy another plot from a different family when money becomes available. Land sharing arrangements, which differ from place to place, and the distribution of unoccupied land by the government, may also have contributed to this pattern (Marara and Takeuchi 2002).

These land parcels are typically located in different parts of the landscape: in general a household will actively try to access land in different eco-niches (e.g. valley bottoms and

¹⁶ See e.g. documents by LandNet Rwanda, MINTERE/DFID, and Oxfam GB, available online at http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/africa_east.htm

¹⁷ Of course, plot size cannot be looked at in isolation from other factors- such as soil fertility and availability of off-farm incomes.

¹⁸ Andre, C. 2003. “Custom, Contracts and Cadastres in North-West Rwanda,” in Tor A. Benjaminsen & Lund ,C.(eds.), *Securing Land Rights in Africa*. London: Frank Cass. Cited in Bledsoe, D. (2004)

at higher altitudes), in order to benefit from differences in rainfall availability and soil retention characteristics (Barasubrimanian and Egli 1986).

In simple terms, consolidation means putting together small plots with the aim of making them viable and more productive per unit of investment, through economies of scale. These need not change the amount of land controlled by individuals, and is therefore not necessarily an instrument for social justice (Zhou, 1999). The Draft Land Policy (2004; 19) instructs that, 'henceforth a clause forbidding the partitioning of land by inheritance or transfer among individual members will appear in the land law. The process of grouping plots for more economic use will be favoured and the regulation and purchase of land among inheritors will be established so as to render regrouping of plots effective''. In addition, if the Minister of Agriculture believes it to be necessary, he may advise on issues related to consolidation. This differs from the land law, which provides the Minister of Agriculture and Livestock Development to request the consolidation of smaller plots. It is one of the many areas in which the law and policy will need to be harmonised.

Land consolidation is not a new concept, and has been implemented in a number of countries, using different models, which differ in terms of the process involved, and also the extent of voluntarism or coercion of the affected community. 'Comprehensive' land consolidation includes the re-allocation of parcels together with a broad range of other measures to promote rural development (FAO 2003). Examples of such activities include village renewal, support to community-based agro-processing, construction of rural roads, construction and rehabilitation of irrigation and drainage systems, erosion control measures, environmental protection and improvements including the designation of nature reserves, and the creation of social infrastructure including sports grounds and other public facilities. Typically the government, in the form of a variety of line ministries, will be the main agency involved in design and implementation, but because of the extent of impacts on the local community, the participation of all community

members in decision-making is particularly important. However, as it is unlikely that all community-members would agree, a fair degree of legal compulsion is usually involved.

Other forms of consolidation are voluntary or individual types (FAO 2003). In voluntary consolidation schemes, unlike comprehensive schemes, all participants must agree fully with the proposed project. As a result, voluntary projects tend to be small, and voluntary consolidation tends to be best suited to address localised problems. Voluntary projects usually have fewer than ten participants but in some cases this number may be higher.

Individual consolidation involves the spontaneous consolidation of holdings, without the direct involvement of the state. However, the state may provide an enabling environment for consolidation by promoting instruments such as joint land use agreements, leasing and retirement schemes. Experience in a variety of countries has shown that entirely voluntary consolidation tends to be a “slow and unsatisfactory” process (Zhou, 1999). This is due to the difficulties of community collective action, which suggests that progress would be particularly slow in communities where social bonds are weak or strained.

There remains a lack of clarity about the mechanisms to be employed to ensure that consolidation occurs - the PRSP states that households will be ‘encouraged’; and the policy states that, “one needs to carry out the regrouping of plots”. MINITERE personnel suggest that land consolidation will be focused on encouraging increased production, through formation of adjacent plots with similar crops. According to policy-makers, this means that, “nobody will lose their plot”. Farmers will be encouraged to adopt cash crops including tea, coffee, flower, and rice, in large mono-cropped areas, but each person will have the possibility to register his/her plot separately (MINITERRE 2004 cited in ACTS 2004)).

However, by linking the process to villagization, the policy suggests that it will be a type of comprehensive consolidation process. As argued elsewhere (Van Huyweghen 1998), it

is far from clear whether further large-scale villagization will be possible in Rwanda, due to lack of funding. The government is absolutely resolute that it remains a central pillar of policy. This impasse is likely to severely cripple the implementation of the land policy.

There are a number of other pertinent questions related to consolidation in the Rwanda context. First, and most importantly, the policy fails to state how consolidation will bring significant improvements. Possible ways include various forms of economies of scale; mechanisation; associations which are better able to invest in inputs and negotiate with middlemen, etc. However, none of these will bring a miraculous increase in returns: indeed, researchers have argued, based on empirical data from Rwanda, that “land consolidation policies are unlikely to increase land productivity significantly (Braler 1992).

In a well thought out and dynamic policy analysis some figures based on research, to explain the theory behind the policy would be important. It is far from clear whether fragmentation is necessarily always a negative phenomenon. As with most issues, it depends to some extent on the scale at which one wants to examine it. At the scale of the household, there are often benefits in terms of crop diversification and risk management represented by each plot’s specific characteristics of fertility, water retention, accessibility, altitude, and form of tenancy (Waller 1996). The negative aspects of fragmentation (such as distance from the homestead) may be offset by these benefits, as well as better spacing of labour throughout the year, due to different labour demands of different crops planted in different microclimates and soils. Also, fragmentation is a result of household management of land as an asset: plots are sold during hard times, and other plots are bought when money becomes available. Some researchers have concluded that all in all, the private benefits of plot fragmentation are probably at least as large as the private costs (Blarer 1992). The policy intends to facilitate the further development of land markets: however, much of the activity in the informal land markets that currently exist involves plots smaller than 1 ha.

Secondly, the policy suggests that consolidation will result in some people losing their lands: the policy states that, “not every one will own a registered plot, given the existing pattern of scattered housing, however, those who miss out will be compensated.” There are a number of important issues. The amount of compensation that will be offered is of course a crucial factor. Currently, Rwandan law only allows for compensation for investments on the land (such as buildings and crops), but the draft Expropriation Law allows for land to be valued in order for appropriate compensation to be calculated (Bledsoe 1994). It is important that valuation is based not just on ‘productive value’ (i.e. the value of goods that the land could potentially produce) but also on market value. If compensation is calculated appropriately and paid on time, there remains the question of what alternatives are open to those made landless. It is unlikely that the money will be sufficient to purchase land of 1 ha or more, as those whose land is expropriated through consolidation will presumably have owned less than 1 ha.

The government would prefer that they invest in non-farm activities, but many peasant households will find the move from smallholder agriculture to small enterprise challenging. If land expropriation affects a number of households simultaneously in the same area, the market may also be flooded with people looking to invest in small businesses. Households will need support on the technical aspects of setting up a business, and there is a very real risk that if the policy results in a large number of expropriations, the result will be an unmanaged influx of households to urban areas, and a growth in the urban underclass.

Thirdly, the minimum plot size of 1ha may be questionable. With the majority of the population owning less than this, and surviving through off-farm and non-agricultural activities, it may well be better to aim for a smaller mean plot size. The 1 ha minimum figure, which also appears in the legislation on inheritance, does not appear to be based

on a full scientific study.¹⁹ Indeed, even the Policy itself considers 0.75ha to be a viable minimum for a household to fulfil its nutritional requirements. Several studies have indicated that productivity per ha is significantly higher in small plots due to higher levels of investment (in labour, inputs, and conservation investments), but insufficient research has been done to estimate at what point, increased intensification fails to compensate for reduced plots size.²⁰ In some ways, this 1 ha rule-of-thumb has come to be received wisdom in the land reform debate; this illustrates the power of a ‘sound-bite’ in policy debates.

This question is far from academic. Because 73-77% of households own less than 1 ha of land, for consolidation to achieve a minimum holding of 1 ha, over half a million households would have to give up their plots, but would receive compensation, according to the policy (the question remains whether the government could afford to pay adequate compensation). This huge number of people, representing almost a third of the entire population, would have difficulty finding alternative forms of subsistence.²¹ The likely result would be an influx of this group to towns, and hence a large unemployed or underemployed and extremely poor urban population. This would not bode well for the future of the country.

The 1-hectare figure is also significant, because it is partly on this basis that widespread land-redistribution has been ruled out. The idea of land redistribution may seem inappropriate in a country as land-scarce as Rwanda, and indeed would be a huge task, with great social, political, and technical challenges. Some might argue however, that principles enshrined in the constitution and the policy (which talks of the “guarantee of right to land” and promises “just and fair access” to land) support the idea of redistribution. Specialists estimate that by redistributing land from the land rich (those with

¹⁹ The figure of 0.9 ha is given in the original land policy ‘blueprint’, Barriere (1997), but without a lot of scientific justification.

²⁰ Kelly, V., Mpyisi, E., Shingiro, E., Nyarwaya, J. B. (2001). *Agricultural Intensification in Rwanda: an Elusive Goal*. MINAGRI

²¹ The total number of households in the country is about 1,440,000.

more than 1 ha) to the land poor (primarily those with less than 0.5 ha), the mean land holding would increase to 0.91 ha.²² However, a simple distribution from the land reserve to the land poor would be much simpler, and less conflictual. There are probably about 400,000 ha of land available for redistribution: including some 33,000 ha of unexploited marshlands. If this were redistributed to those with less than 1 ha (and primarily to those with less than 0.5 ha) then the mean land holding for those with less than 1 ha would rise to 0.83 ha. Of course, re-distribution would not solve the 'second generation' problem: unless the rules governing the inheritance of land were strictly followed, this land would quickly become fragmented amongst the sons and daughters of the current generation.

Fourthly, encouraging farmers to concentrate on monocropping of cash crops, in the absence of strong mechanisms for market support and possibly some form of price regulation, will be contrary to the patterns seen today. Coffee farmers, for example, are increasingly turning to intercropping, especially of beans and bananas. Questioned in 2003, a quarter of farmers said they planned to reduce the number of coffee trees on their plot, introducing intercropping instead.²³ Moreover, monocropping will have to involve highly effective soil and water erosion measures, as row cropping of crops will lead to increased rates of soil erosion when compared to the inter-cropped fields commonly seen today.²⁴

Consolidation is seen as a way to create conditions for commercialisation and intensification of agriculture. Plans for regional specialisation of agriculture were first outlined by government in the 1970s, but have yet to be implemented. In 1998, for example, a Thematic Consultation on Food Security recommended that Rwanda be categorised into three zones for planning purposes:

²² Those with 1-2 ha currently, would lose 0.25 ha, while those with more than 2 ha would lose 1 ha. This calculation is intended merely as an indication of possibilities, not necessarily as an ideal solution.

²³ Loveridge, S. with Nyarwaya, J.B and Shingiro, E. (2003) *Decaffeinated? Situation, Trends and Prospects for Smallholder Coffee Production in Rwanda*. Minagri, Kigali

²⁴ Chemonics International Inc. (2002) *Rwanda: Quality and Environmental Management Incentives for Agricultural Trade*. USAID.

- The plateau area of Central and Western Rwanda: food production with careful land preservation
- Central and Eastern areas: high potential for increased production, e.g. through exploitation of wetlands
- Peri-urban areas: intensive livestock and vegetable production to be encouraged.²⁵

The agricultural policy will support intensification in agriculture only if a number of other services are delivered more efficiently. Particularly important is the availability of inputs especially fertilisers, seeds, technology and changes in the methods of agricultural production.

It can also be expected that only a small segment of the population, those with the most land and the best access to markets, will move towards increased commercialisation. The most likely source of commercialisation in agriculture is within the export sector. It is however estimated that 90% of Rwandan exports are produced on 7% of agricultural land. In terms of population, it will be practised by less than a third of the farming population (cited by Waller. 1996).

The PRSP identifies expansion of rice, maize, potatoes, soya and beans, which will presumably dominate the ‘master plans’ mentioned in the land policy. However, Rwanda has historically suffered from periods of severe and widespread food insecurity. If farmers are encouraged to introduce mono-cropping of cash crops, to the detriment of more drought-resistant crops, there may be a negative effect on food security. The question should be asked, what safety nets would be put in place in case of widespread crop failure.

²⁵ Republic of Rwanda (1998) *Thematic Consultation on Food Security*. Ministry of Agriculture, Livestock, Environment and Rural Development. A World Bank study from 1994 prefers a five-region categorisation, comprising 1) the high plateau (where currently beans, bananas, sorghum, coffee, sweet potatoes, cassava, maize, and other crops are grown), 2) Kagera piedmont (which is suitable for drought-resistant sorghum and cassava), 3) Kivu lakeshore (similar crops to number 1) 4) Central Congo-Nile divide (where millet, potatoes, maize, and tea are typically grown) and 5) Volcanic highlands (intensive agriculture, little grazing). See Gillespie, S. (1989)

Finally, if consolidation is to be a voluntary and spontaneous, it is unlikely to happen very quickly – if at all. It is suggested that in Rwanda consolidation can be through farmers associations and cooperatives (see e.g. Liversage 2003). But as mentioned above the cooperative sector and associations are fairly weak and sometimes affected by corruption. Also, given the current number of land related disputes within families, which have arguably increased since the passage of the Inheritance law, it is yet to be seen whether consolidation can occur at the extended family level, as envisaged by policy-makers.²⁶

If the targets set out in the Vision 2020 document are to be achieved, it seems clear that the process will involve some degree of compulsion by the government. This is not impossible, in light of the tactics used (mostly based on decisions taken by local level administrators) in the villagization programme in the late 1990s. This will raise the danger that peasants will lose control over their land-based livelihood strategies, which will compromise the incentives for efficient utilisation of the plots. Local elites may gain the bulk of the benefits from a process that is likely to be uneven, due to the difficulties of objectively valuing land (according to soil quality, position, etc). Even if the decisions made are technically appropriate, the very act of compulsory consolidation may be a source of discontent, partly because of the traditional ‘attachment to the land’ felt by Rwandan peasants, and because it will go against much of the democratic, participatory language of the government. The District and Provincial Land Commissions are charged (in the Land Policy) with ensuring effective implementation of the resettlement policy, and hence their composition, technical capacity and accountability to local people will be an important factor in ensuring that the exercise does not add to social tensions.

The situation is difficult, however, as a more spontaneous process will be difficult to integrate into a strategy for broader rural transformation (including infrastructure

²⁶ This argument is found in the PRSP and MINITERE officials also support it.

development, marketing systems, and investment in non-farm activities) that is necessary if Rwanda is going to overcome the agricultural constraints that currently make the future look bleak. Without such a comprehensive strategy – the details of which are lacking from documents such as vision 2020 and PRSP – the necessary but difficult decisions cannot be made: for example, regarding selection of cash-crops, and trade-offs between enhancing small-holder agriculture and facilitating big agri-business investment. The solution would seem to rest in the quality of relationships between different stakeholders, in order to achieve an iterative learning process, which is responsive to various micro-and macro-economic factors. Systems should be put in place for the effective coordination of various line Ministries, District land commissions, donors, and civil society groups, who will play a particularly important role in facilitating information exchange between such institutions.

A second issue that is crucial to the poverty conflict trap debate is that of access to land by the landless. The Land Policy, in its section on the historical background to the land issue, notes that many people were landless even prior to the civil war and the events of 1994. As has been documented elsewhere, many people have become landless through distress sales of land, or sheer land scarcity within a family, resulting in some sons being unable to inherit land (Andre and Platteau 1995). Other forms of landless including those depending on renting or sharecropping need to be addressed. Women, particularly widowed, divorced or single women, are also vulnerable to landlessness. The government has noted this elsewhere (Poverty Profile 2002).

However, the policy defines the landless specifically as ‘old case’ refugees who have returned: Rwandans who fled the country in 1959 or later and stayed outside the country for more than 10 years.²⁷ No other type of landless person is mentioned.

²⁷ Section 5.1.2.3 of the draft land policy.

The Policy's solution to the problem of landlessness is redistribution of Private and Public State land, including non-occupied, escheated and unexploited reserves. According to experts, there may be around 330,000 ha of arable land available for distribution. Without full details of the numbers of landless people, it is difficult to assess whether this will be sufficient. The government estimates the number of 'old case' refugees as about 1 million. However, a large (but unknown) proportion has benefited from land sharing, and hence has access to land. Others are in salaried employment; however, as noted by researchers, salaries are often insufficient to cater for the needs of a household and a plot is often necessary to supplement incomes (Van Hoyweghen 1999). If we use a very approximate figure of 15% of the total population, which would include not just the 'old case' refugees but others, we can estimate that 1,224,000 people may be landless (Bledsoe 2004). Clearly, the land reserve will be insufficient to address the needs of so many.

It is apparent that if land reserve will be reserved only for the 'old case' refugees, then this definition and the approach to the solution will appear biased towards one social group (as indicated previously, the 'old case' refugees are almost exclusively Tutsi). It is true that this group is genuinely a major victim of the land problem in Rwanda. Analysts have noted that the '10 year rule' and the provision for villagisation in the Arusha Accords seem to violate the property and housing rights of the 'old case' refugees, under international law.²⁸ The rights of the 'old case' refugees has already become one of the most visibly controversial aspects of the policy.²⁹ However, the issue of landlessness is much wider than this, and will continue to expand as relative land scarcity increases. The policy is silent on how, and by who, the land reserve will be allocated: firm criteria need to be set in place and a balance needs to be struck between centralized authority over the process (which would have the drawback of insufficient detailed knowledge of local situations) and local authority, for example, through the District land commissions (which would risk bias through personal links with those affected).

²⁸ See for example Jones, L. (undated)

²⁹ See Busingo, S. (2004)

The policy also states that in addition to the 'old case' refugees, land from the reserve will be given to, "those who place an application for it, having a consistent plan of development." This may provide an in-road for other landless people to apply: but this will depend on the definition of "a consistent plan of development." If this is interpreted as a business-plan for cash-crop production, for example, then the landless are unlikely to be able to produce such a plan. It would be unjust if those with economic means were given priority to access the land reserve over those who are most in need of land. This would be a source of tension in future.

It is also perhaps surprising, given the importance of 'environmental scarcity' narratives in the policy, and the conversion of huge parts of protected areas that took place during the 1980s and 1990s, that the policy states that: "Should the redistribution of land be necessary, the government will dispose of any protected reserve, to provide land for any larger, landless community." This clause comes in the context of policy on villagisation. The remaining areas of protected land have important functions as watersheds and habitat for significant wildlife (including the endangered mountain gorilla, in the case of the Parc des Volcans), which can bring in foreign exchange from tourism in future. It would seem unwise to sacrifice more protected land.

Overall, there is a need to redefine the issue of landlessness. There are those, influenced by the customary structure of social capital in Rwanda, who state that there is virtually no real landlessness in Rwanda (Blarel 2001, Takeuchi and Marara 2000). However, it is indisputable that social capital is under great pressure, due not only to the population displacements, trauma and death caused by violence, but also due to the scarcity of communal land, which could previously be utilized to address disputes (Andre and Plateau 1995). It is imperative to establish the extent, rate of growth, and the nature of landlessness in Rwanda, and the coping strategies arising from it. The policy perhaps requires a timeframe for distribution of the 'land reserve', as the number of landless people will continue to grow in the future. A fuller exploration of the phenomenon would

inform a holistic and comprehensive policy on landlessness, with an accountable system and clear criteria for allocation, which will not lead to social tensions and would hence mitigate a latent source of future conflict.

Another crucial issue is that of land registration. The issue of registration of land rights illustrates two things: firstly, the need for working definitions of 'land tenure security' which reflect realities on the ground; and secondly, the importance of popular perception, with the associated dangers of misinterpretation.

As mentioned above, the capacity for land registration is currently below demand, especially in terms of urban demand. In urban areas municipal authorities are responsible for registering land. Only Kigali Municipality currently has a truly effective system. Registration of land across the country, and the creation of a modernized land cadastre will be a major feature of the new land policy (Draft Land Policy 2004; 16). Although land will continue to be owned by the state, land tenure security will be achieved through the acquisition of leases, of between 3 and 99 years duration (Draft Land Policy 2004).

This is based on the assumption that 'tenure security' is a priority for Rwandan farmers. Numerous studies and consultations have indicated that indeed it is: but the question is, security from what, and from whom? In line with many institutions – particularly the World Bank, for example – MINITERE originally perceived 'land tenure security' as means for farmers to access credit, through formal title. However, it remains to be seen whether small rural parcels of land of less than 1 ha will actually be viewed by financial institutions as viable forms of collateral. Also, as pointed out by Blarel (2001), land tenure security cannot be measured objectively but, as a production of social and psychological processes, exists in the minds of the farmers.

Experience demonstrates that what most farmers want is security from land disputes – which typically involve members of the family, neighbouring households, or agents of the state (Bledsoe 2004). For example, research in Kibungo has revealed that local

administrators are most often identified as the source of problems – or the ‘culprit’ in land disputes.³⁰ In particular, those involved in land sharing require some guarantee for their land rights. This need not necessarily be a formal title deed; the main requirement is a symbol of mutual agreement, between the claimant, the surrounding community, and the state, that the rights to a particular plot will be respected. Therefore, tension over land – arising from the *ad hoc* nature of land sharing, for example, as well as general social tensions – has to be reduced in order to improve tenure security (Van Huyweghen 1999).

From this perspective, the land policy, which gives the government the right to cancel the long-term leases of farmers who do not use it in conformity with the law, may actually undermine land tenure security if the policy is not elucidated further, and disseminated at the local level. A key danger is that this clause, which is linked to legal obligations to maintain land productivity, land ‘protection’ and land use in accordance to master plans, is abused by local leaders in order to dispossess people and benefit others.

The Government of Rwanda has re-conceptualized its notion of registration in pragmatic ways, though not necessarily because of the reasons above. The original plan was for every plot in the country to be surveyed and registered: however, it is practically impossible for all households to have plots registered in the near future; as there are over 1.5 million plots.³¹ It was also stated that the landowners would pay for the registration process. Some stakeholders have therefore been concerned that those with access to money and with influence may be able to claim rights at the expense of the marginalized. The policy states clearly that cadastral costs and costs of registration will be borne by the tenants (Draft Land Policy 2004; 19), though this has been re-defined, within MINITERE and in consultation with independent specialists, as a dual system.

³⁰ Forthcoming study by National University of Rwanda (2004) Centre for Conflict Management

³¹ By means of comparison, the registration process that has been taking place in Kenya for five decades now has required more than 50 years in order to register 1.5 million parcels by the fixed boundary method.

The ‘formal’ or ‘national’ system will be based on full cost-recovery, will utilize standard and accurate surveying equipment, and will cater to those willing to invest in titles in order to gain bank loans and have a very high level of security, to enable high levels of capital investment. The ‘informal’ or ‘local’ system will use less expensive mapping methods – aerial photography (at a resolution that is affordable, but shows plot boundaries such as lines of trees) or participatory community-mapping, which is already completed in some areas (under the *ubudehe* programme) have both been suggested.³²

There are clear perceptions of uncertainty on what the land registration process, along with the consolidation exercise, might entail for the poor (ACTS 2004). The 1 ha minimum, the compulsory nature of registration, the principle of cost-recovery for registration, and the policy’s statement that “Not every Rwandan can possess a plot of land for agriculture or livestock” have led to fears that those with land holdings smaller than 1 ha, or unable to afford the fees, would not be able to register, and would be forced to give up land for consolidation.³³

A fourth and very crucial focus of our analysis is that of addressing inequalities in land ownership. Inequality in land ownership is a complex issue, but only two aspects will be mentioned here: *firstly*, inequality in the size of plots held by different land owners (e.g. as estimated by the GINI coefficient); and *secondly*, gender imbalances in land access.

The extent of inequality in access to land has been noted previously in this chapter. The quarter of the population, who own more than 1 ha/household, own almost 60% of the entire land holdings in the country. The 16.8% who own less than 0.25 ha /household, own just 3.3% of the total. To put it another way, the quarter of the population with the largest land holdings, own about ten times more land than households within the lowest land-owning quartile. Unlike some other countries, inequality is not really a ‘regional’

³² The *ubudehe* programme, funded by the EU, is a process of participatory community mapping, problem analysis, and prioritisation of development needs. Approximately 40 out of 106 districts have been covered.

³³ The Land Law states that “all land owners are required to register their land”

issue, as the situation is fairly uniform across the country. The policy notes the “increasing hold of the urban elite over rural land” – but provides no explicit means to counteract this tendency.

There are two major policy and legal instruments in the Policy and Law, which could address inequalities in land ownership. The first is consolidation, discussed above. The second is a maximum land ceiling. The maximum land ceiling is also a component of the PRSP, which sets the maximum at 50ha. In an earlier draft version of the land Policy, this minimum was set at 30 ha. However, in the latest version of the policy, the maximum ceiling has been dropped altogether. This is interesting, in light of the fact that some political connected individuals have acquired, over the last few years large land holdings or more for coffee and cattle production.³⁴ Also, as stated above, returning ‘old case’ refugees in Umutara and Kibungo provinces received large chunks of land for pastoralism: the maximum area allocated for grazing was 100 hectares³⁵. The land was further subdivided in 1996 and 1997, but it seems that many large plots still remain in the hands of single households (Bledsoe 2004). As mentioned previously, the churches also have huge amounts of land, which it seems will remain untouched by the planned land reform.

The government of Rwanda has been very active in addressing historical imbalances in gender relations. Women constitute 54% of the population and more than 30% of all households are headed by women (RDI 2002).³⁶ Rwanda is a largely patrilineal society where sons, but not daughters, may inherit land. A widow cannot take over the full rights to the household land: she can make use of the land as long as she stays with the husband’s family, and her sons will take over the land when they reach the age of

³⁴ The draft land policy also mentions “the increasing hold of the urban elite over rural land”, though details of plot sizes are not provided.

³⁵ At the time of writing government weekly Imvaho No 157 reports of serious misunderstanding in Kigarama, a district in Kibungo about the redistribution of grazing land.

³⁶ The oft-quoted figure of a 70:30 gender balance after the genocide was revised downwards after 1996. Hamilton, H. (2000) *Rwanda's Women: the key to reconstruction*. Journal of Humanitarian Assistance.

majority; or if she has no sons, the brothers of her late husband could take over the land. Custom did provide safety nets for women such as *urwibutso*³⁷, *inkuri*³⁸, *intekeshwa*³⁹ and *ingaligali*⁴⁰. However, evidence suggests that these are now largely inoperable, because of land scarcity (Pottier 2002).

Many analyses do not consider gender issues to be highly significant in the generation or reproduction of violent conflict, because of a perception that women are ‘peacemakers’ and war is inherently a male dominion. However, if poverty is seen as a root cause of conflict in Rwanda, as elsewhere, then the deprivation suffered by female-headed households, for example, will be particularly significant. Children in landless female-headed households are likely to join the ranks of those seeking casual labour in the towns, a social category that played a significant, if unorganised, role in the genocide (Prunier 1995).

In order to address gender inequities in access to land, legislation was passed in 1999 which states that male and female children have equal rights to inherit their parent’s property, both prior to, and after, the death of a parent.⁴¹ However, there remain a number of obstacles to effective implementation of the law.

Firstly, the law only applies to married women: those in long-term unmarried relationships (who are numerous) are not covered. Many couples do not get legally married because of the expense, while polygamous households (which exist mostly in the Northwest, an area mostly populated by Hutu) are not legally recognised.⁴²

³⁷ Under this tradition, a father would give land as a gift to his daughter.

³⁸ Under this tradition, found in Ruhengeri, a father would give a daughter land as a gift when she gave birth.

³⁹ Under this tradition, a father could give a daughter land as a farewell gift on getting married.

⁴⁰ Under this tradition, the chief in charge of land would give land to women who were abandoned by their husbands.

⁴¹ Law to Supplement Book 1 of the Civil Code and to Institute Part 5 Regarding Matrimonial Regimes, Liberalities, and Successions. A concise summary and critique of the law is found in Kairaba, A. (2002)

⁴² Children of polygamous marriages will also be excluded from legal inheritance rights. Burnet, J. (2001)

Secondly, the land law stipulates that women can inherit land as guided by the inheritance law; while the inheritance law provides that the land law will spell how women can also inherit land. This does not clarify the position.

There are also customary barriers to implementation, with many men believing that the law is unjust as women will then be able to benefit from land from two sources: her parents, and her husband.⁴³ Even some women believe that only a woman who is single or separated from her husband should claim land through inheritance, because of the extent of land scarcity.⁴⁴

Access to land for women is often dependent on subjective community perceptions of their 'virtue', as judged against ideals of female behaviour. In addition to customary norms, Christian narratives have also been influential in shaping local perceptions of the secondary status of women (Burnett 2001 and Pottier 2002). In some cases, female survivors have been stigmatised due to alleged or actual sexual relations (including rape) between them and those who hid them or helped them to escape the genocide; the situation is particularly traumatising for them.⁴⁵

There is evidence already that some women are retroactively claiming their rights, which were denied in past inheritance cases (ACTS 2004). The same administrators also state that with the extra pressure on the land represented by the entry of women as legitimate inheritors of family land, the ban on sub-division of plots smaller than 2 hectares will be impossible to enforce. Finally, while awareness of the law amongst officials is high, it seems that a large proportion of the general population may not be fully aware of the provisions of the law (Burnett 2001).

⁴³ As stated above, widows are not always able to keep their former husband's land after his death, due to pressure from his relatives. See Burnet, J. (2001) and Pottier, J. (2002) In addition to customary norms, Christian narratives have also been influential in shaping local perceptions of the secondary status of women. See Burnet, J. (2001)

⁴⁴ Burnet, J. (2001)

⁴⁵ Many women who have been raped are no longer seen as eligible for marriage. Hamilton, H. (2000)

Clearly, gender-based inequalities cannot be wiped out in a day. Customary attitudes and the pragmatic approaches of local administrators – who often combine statutory and customary law in their decisions - will determine how the law is implemented. In order for the inheritance law to be effective, the ‘top-down’ mindset which sometimes dominates the policy-making arena will have to be tempered by awareness of local realities. Monitoring of the implementation of the law, by researchers who have experience in gender issues and are aware of the Rwandan gender ‘narratives’ (including the effects of the war and genocide on these), will be essential in order for it to have a positive impact.

As already mentioned, a fifth source of problem may be related to villagization. Planned villages, known in Rwanda as grouped settlements, or in Kinyarwanda as ‘imidugudu’, were initially constructed almost entirely through the financial and logistical support of donors and international NGOs, as housing was urgently needed for the hundreds of thousands of returnees and internally displaced people in the country in the years following the 1994 genocide.⁴⁶ Secondary justifications included the improved security that grouped settlements provided for the inhabitants. It was therefore explicitly seen by donors as an ‘emergency’ policy. However, in December of 1996 the Government launched its villagisation policy, stating that, “the ultimate objective of the government is to enable the entire rural population to live in grouped settlements”.⁴⁷ Indeed, in early 1997, the government directed that construction of any house outside of the *imidugudu*, by any Rwandan whether or not a returnee, was forbidden. Had it not been for the official argument that resettling Rwandans was an exceptional, ‘emergency’ measure, the compulsion used to ensure that households moved into the villages would certainly be judged unconstitutional. The constitution provides that every Rwandan has the right to go anywhere and settle anywhere (Article 23).

⁴⁶ One million Rwandans were internally displaced during 1994 while 1.4 million people returned from Zaire, Tanzania and Burundi in 1996-1997, and about 650,000 were internally displaced in the NW of the country during the insurgency in 1997.

⁴⁷ Republic of Rwanda (2001) *Brookings Initiative in Rwanda: Land and Human Settlements*, MINITERE

Some observers have noted that villagization is ambiguous in both its aims and its effects.⁴⁸ What is certain is that, like many other government initiatives, it demonstrates the amount of faith that policy-makers have in the ‘power of planning’.

Vision 2020 states that by the year 2020, the majority of the rural population will be villagised. The draft land policy is clear that it is going to be a mode of using and managing rural areas⁴⁹, based on a justification of land scarcity. Section 5.6.3. States that, ‘villagization is the one and only method allowing for utilisation and proper management of land considering the scarcity of land’. Except for a policy statement on choosing of sites the policy is mute on other issues, such as infrastructure development and sources of funding. The overall financial costs of such a radical programme needs to be estimated. Currently only a small segment of the population lives in villages. With the exception of Kibungo and Umutara (each with 92% of the people living in the grouped villages) and Ruhengeri (with 52.5%) the rest of the country has extremely low rates of settling in the villages. The national average would appear to be around a quarter of the population; but only around 4% of those living outside of these three provinces have been villagised.⁵⁰ (figures for 1999 cited by Marara and Takeuchi 2000). Donors have been unwilling to fund the programme since the late 1990s.

Villagisation is also related in the Policy to consolidation: “Regrouping of land in rural areas needs regrouping of plots.... New method of regrouping partitioned and dispersed land ensuring the permanence of larger and more regular plots as well as the possibility of a more independent exploitation”(Draft Land Policy 2004). There are two burning questions: first, whether the new drastic changes will be able to answer most of the land issues raised with regard to Rwanda; and second, whether they will be implementable.

⁴⁸ Jackson, S. (undated)

⁴⁹ This is a follow up of the Kigali Plan 1997 Villagisation -Phase II

⁵⁰ Byumba has a rate of 4.2%, Kigali Rural 3.0%, Gisenyi 13%, Kibuye 2.3%, Cyangugu 1.4%, Gikongoro 1.2% and Butare 2.8% Data used is % of government ordinary budget or GDP see Table)

If villagisation is to be attempted, it will have to avoid the problems that have dogged earlier attempts. Decision-makers should make sure that services are available and that particular sites are not reserved for certain categories of Rwandans – e.g. genocide survivors, ‘old case’ refugees, the elderly, or particular ethnic groups (Von Huyweghen 1999; Jones 2003) which weakens community social ‘safety nets’ and risks a perception of biased treatment for particular groups. The sites need to clearly release fertile land and those whose lands were used for the settlements should be compensated. The process should be participatory; and coercion should not be used.⁵¹ Also, villagisation should avoid breaches of traditional norms of privacy (an enclosure or *urugo* should be built, which may be difficult if the area allotted is limited).

The Government of Rwanda has argued that the villagisation policy is one answer to food insecurity, as well as land scarcity. It is argued that by situating houses close to one another, cooperation will be facilitated and improved agricultural productivity will result. However, there exists little firm evidence to suggest that this is the case. Senior agricultural specialists at the University of Rwanda state that in general, it seems that productivity in *imidugudu* has actually declined. Similar experiments in other countries in Africa, such as Tanzania, Ethiopia and Mozambique, have also had disappointing results⁵².

Land Commissions are charged by the policy to oversee the grouped settlement policy. In order to do this properly, the composition of the land commissions – or the sub-committees that will probably be established for this purpose – will have to demonstrate the appropriate mix of local participation. This should include members of those ‘voiceless’ sections of society who are most easily marginalized (such as the poor, the elderly, and vulnerable women) as well as those with greater technical and planning abilities. The draft Land Law leaves the details of membership and the mission of the

⁵¹ A hot debate followed reports, which alleged that that government was forcing people into villages, with government supporters citing the importance of security concerns in the process. See Human Rights Watch (2001) *Uprooting the Rural Poor in Rwanda*. Washington, DC

⁵² see Christy Logan(1999)

National Land Commission to be defined by presidential decree, while MINITERE will set the mission, program, and membership for the provincial and district land commissions.

In Chapter 4 we indicated that environment is also a problem area. This is another issue that appears in the land policy. It is closely related to land use, allocation, and environmental protection

The policy cites the lack of ‘specialisation’ as an obstacle to effective land management, with reference to the appropriate choice of crops relative to soil type, altitude, and regional location. In response to this, the policy argues that, “the rational utilisation and proper management of national land resources should be based on master plans”. It is true that as mentioned above, transformation of the rural sector is indeed crucial if Rwanda is to avoid a rural food security crisis and improve economically. However, the predominance of master plans, in the absence of robust multi-sectoral systems for popular consultation and participation in decision making, could undermine the livelihood strategies which have allowed Rwandan peasants to make a living on their small plots. These include strategies to improve soil fertility, reduce the risk of total crop failure by the cultivation of a variety of crops, and to reduce the risk of impoverishment through a collapse in cash crop prices, by simultaneously cultivating food crops. A single household in the south of Rwanda will typically grow as many as 14 different crops in 50 different rotations with the view of maintaining fertility of the soil.⁵³ Fruit trees are very important (where the climate allows, hence particularly in the south) including papaya, avocado, guava, jackfruit, mango, passion fruit, and others. Other trees are grown for timber, firewood, or shade; and leaves and twigs are often used as compost. Banana is normally intercropped with beans, groundnut, and maize during the long and short rains seasons; and also with sorghum during the long rains season. Woodlots, where they exist,

⁵³ Waller (1996)

are intercropped with food crops. The rational nature of these diversified cropping patterns should not be ignored by policy-makers.

It is also unclear whether the master plans will have been formulated with the full participation of all the relevant government ministries and departments. For example, decisions on land use cannot be made in isolation from plans for marketing of produce, investment in agricultural processing infrastructure, road construction, and other aspects of rural development. The PRSP, one of the main frameworks for national development, does not provide a full rural development strategy. It does provide direction on priorities for the agriculture sector (such as expansion of the crops noted above) but does not make the links between human settlement patterns, private investment, and public infrastructure priorities, including investment in 'social services' such as health clinics and schools. The idea of 'rural development poles', which has been discussed at various times since independence, is yet to be fully elucidated.

The management of marshlands is an important issue. It is estimated that there are 165,000 ha of marshland in Rwanda, of which about 98,000 hectares are utilised. By the late 1990s, the marshes had come to provide about a fifth of the national food production.⁵⁴ Currently, the marshes are managed by local administrators, who allow households to use marshes for a fee, often on leases of 3-5 years.⁵⁵ According to interviews, the poorest households are often allowed to cultivate free-of-charge; though in the past, such arrangements have depended on the recipient providing a 'sweetener' such as a gift of banana beer or other incentive.⁵⁶

In some cases, the sustainability of the marshland hydrological regimes may be at risk. Hence, the draft Land Policy says that the state will impose the cultivation of particular

⁵⁴ Van de Gisiem, N. and Andreini, M. (1997) Legal Quagmires: Wetland use and Development in Rwanda and Zimbabwe, in *Law and Anthropology. International Law book for Legal Anthropology*. No 9; cited in Pottier, J. (2002)

⁵⁵ Jack, M. and Hitimana, N. (2002) *Natural Products Assessment Report: Potential for Economic Growth and Trade in Rwanda*. ASNAPP.

⁵⁶ Pottier, J (2002)

crops, depending on the location of the region. Large-scale commercial activities are likely to be prioritised. It is for example instructive to remember that MINAGRI, not MINITERE, is responsible for the inventory of classified wetlands. This would seem to indicate the prioritization of ‘development’ rather than ‘conservation’; unless this is done in a sensitive way, the changes to marsh management could have a serious impact on livelihoods, particularly of the poorest.

The government aims to encourage agro-industrial investment and give priority to ‘professional’ farmers with development plans for the land. Issues such as terms of labour and transparency of land allocation will be important. A case in point concerns a foreign private investor who in the late 1990s secured a right to exploit a part of marshlands in the Nyabarongo valley for sugar cane plantation.⁵⁷ This resulted in several peasants losing their access to marshland. Discontent led to confrontation, and some farmers set fire to the sugarcane crop, before the government intervened in the dispute.

Marshlands and protected areas are potential areas for competition and conflict in land scarce Rwanda, and some local administrators may resist or ‘adapt’ new policies in order to continue to enjoy the social benefits – and possibly the ‘sweeteners’ mentioned above – associated with the power over marsh management. It has been a ‘lucrative business’ in the past, and may remain so.⁵⁸ The trade-off between ecological sustainability and agricultural productivity must also be managed within government, and indeed there has been disagreement between the two Ministries over the scientific calculations involved in modelling water flow regimes.⁵⁹ Marshes are fragile ecosystems and effective management is crucial in order to safeguard environmental services such as water filtration, infiltration into groundwater, and regulation of water flows.

⁵⁷ The incident was widely reported in the Rwandan press at the time.

⁵⁸ Pottier, J. (2002)

⁵⁹ Based on interviews made in , Kigali, March 2003.

In sum therefore it is visible that land has been very important in the politics and economics of Rwanda. That the government has contemplated a land reform is an important step in the right direction. Our analysis shows also that land reform should be an important element of a comprehensive social policy. But the degree of reform envisaged in the current legislation and policy cannot adequately answer the sources of conflict and poverty based on Rwanda. Land scarcity and conflict based on land is widespread and still active. The possibility of making an economic miracle out of land in Rwanda as it is now is riddled by a lot of problems. Consolidation, land markets, villagisation, land use and management and commercialisation of agriculture are not as easy as they are just stated. Careful analysis needs to be done.

There is a need to use land as a means of promoting growth and redistribution in Rwanda. However, there is also a need to promote simultaneously non –farm activities to absorb the large numbers of people expected to be thrown out of agriculture. For those who will be lucky to have land, inequalities based on access and distribution need to be controlled. The whole point is that land having been a big source of conflict in Rwanda, may be a source of future conflict as well. We can conclude that any effort that will not involve land, but in a more dynamic manner than present reforms, cannot break the ‘poverty-conflict trap’.

7.4 A UNIVERSAL INCOME GRANT AS A LONG - TERM SOCIAL POLICY STRATEGY

A poverty conflict trap of Rwanda can be challenged by a long-term universal income strategy. The following arguments are advanced. Firstly, a grant targeted by an increase in indirect tax can effectively challenge deep and widespread poverty. Secondly, under the conditions of possible growth analysed under the Rwanda Poverty Reduction a long-term universal income strategy can deal with the likely consequences of inequality. Thirdly, a universal income can be a good absorber of any group biases from poverty policies that may follow from Vision 2020 analysed earlier

The granting of cash transfers is a common form of public expenditure in welfare states and in the better off middle-income countries like South Africa. It thus may look absurd to advance an argument for such a social assistance scheme for an essentially poor country like Rwanda. There are a number of important justifications in this regard;

First, in-kind transfers that many developed countries have been used to, are nothing but indirect cash transfers as has been noted by Kanbur and Besley (1988). If one kilogram of *mealie meal* was offered at a price of RWF 75 because of a government subsidy instead of RWF 100 which would have been the actual market price then in fact a subsidy of 25 is as good as cash transfer if market conditions are such that a poor consumer can exchange such a kilo elsewhere for the latter market price. Therefore if a poor family consumes on average 100 kilogrammes of *mealie meal* a month it is like giving him a cash transfer of RWF 2500.

A second point is related to the first. The cash equivalent has never been an alternative in my opinion because of problems related to administration (delivery costs) of grants and targeting efficiency. The biggest fear of giving out transfers in cash to developing countries may have little to do with quantity of money but with the cost of delivering such a transfer especially if it would be like a means tested transfer. The alternative is the fear that a universal transfer would be a lot of cash, which a poor country cannot afford as well as a wastage and inefficiency in terms of spillovers to non-poor groups of the population.

Thirdly, cash are issued to the poor in Rwanda today. This is through the Ubudehe project mentioned above. However the money is tied to specific agreed project. While we propose an income grant as any cash transfer, it is our opinion later that, the extremely poor can be advised on how the grant can be used to solve their most elemental problems.

Related to the previous argument is the use of aid. Most external assistance is offered with the aim of assisting countries facing high levels of poverty. With an independent body in charge of poverty reduction and social policy, funds will be released that can be used to target poverty more directly. In other words, as simulations indicate later, it would be possible to supplement, funds from taxation with some from foreign aid.

This section advances the argument that a universal approach is better in meeting the requirements of targeting the poverty through people, is redistributive and capable of meeting the challenges posed by the ‘poverty-conflict trap’. A universal targeting approach using a tax reduces the poverty gap better than other approaches (Creedy 1990). Using Le Roux’s (2002) work for South Africa and Namibia we show that an indirect tax like VAT and tax on luxury goods, the scheme can be affordable and dramatically progressive in a country even as poor as Rwanda⁶⁰.

However, comparing the case of South Africa and Rwanda we note that Le Roux’s model is more relevant now in South Africa where the levels of inequality are relatively higher allowing higher order deciles to finance lower and poorer deciles of the population⁶¹. But preliminary calculations show that this approach makes sense in Rwanda especially with regard to the ‘poverty conflict trap’ we mentioned and in view of the ‘perceived’ ethnic income inequality that can arise from accelerated economic growth in the economy. The grant approach can smooth the expected growth in inequalities and can lead to more balanced income redistribution as we discussed in Chapter 6. Ultimately, the income grants can provide both a single answer to economic and political problems related to poverty that have been hitherto analysed.

⁶⁰ On a more radical tone Kariuki, J(2003) Basic Income Grant for Africa, suggests that the extravagance and misuse of aid by African elites could be cured if that money was distributed to the poor as a basic income grant. Ours is a lit bit more moderate suggesting a less antagonistic universal grant that can be moderated by expenditure patterns.

⁶¹ In fact Le Roux shows that the top quintile in South Africa can finance the whole amount of the grant. See Pieter Le Roux (2002)

We thus propose a long run and planned phasing in of this scheme preferably over a period of over 15 years alongside the Vision 2020. Since this is an analytical work, 15 years is just an assumption. At a technical level it may be necessary to accept another planning frame. The arguments for Rwanda are similar to those identified elsewhere⁶².

Firstly a grant with a tax has the capacity to reach the poor from the top and yet guard against stigma, non-take up or targeting errors discussed earlier on.

Secondly by giving a grant to everyone the political opposition by the non-poor is minimised. The main problem of many such welfare schemes is that the taxpayers develop reticence to paying taxes for poverty reduction.

Thirdly there are ample advantages of using cash rather than in-kind transfers; giving poor people leverage, they can be cost-effective, they maintain markets and consumer discretion, they provide entitlement and purchasing power for vulnerable groups, thus leaving the physical supply of the right food at the right time to the private sector, they can be lower administrative costs, they can have multiplier effects on incomes of the poor and finally there is generally less loss through leakage and corruption⁶³. Let us now focus our attention on the Rwandan context.

One major finding was that the levels of targeting efficiency in sectors related to poverty are currently scandalously low. Take an example of education. For a RFW 100 disbursed by the government for primary education 95 go to pay salaries to teachers who in Rwanda are notably not poor. The remaining 5 is what is effectively shared among the poor and non poor. Besides, the absolute amounts in the first place are exceptionally very little. What it means is that the bulk of government allocation to education is very little in relation to the requirements of the poor in Rwanda. The bulk of government expenditure

⁶² see BIG Financing Group(2004) 'Breaking the poverty trap' Financing a basic income grant in South Africa

⁶³ see e.g. Thurow ,J.(2004)

finances higher-level bureaucracy. This is also applicable to health, infrastructure and other services. Of course, the poor do benefit indirectly from this expenditures to the extent that the bureaucrats being employed deliver the required educational or health services to the poor.

At the same time it is now common policy that more resources or at least substantial amounts continue to be allocated to social sectors. Apparently pro poor actions such as “ring fencing” social services need not challenge poverty among the poor of Rwanda. The observation is a strong corroboration of the scepticism of “top down interventions” raised elsewhere in the thesis.

Another observation with regard to the ways of life of poor groups in the Rwandan countryside is acute shortage of the smallest amount of cash⁶⁴. At national level, it has been admitted Rwanda has fundamental bottlenecks in the financial sector and rural credit and savings schemes⁶⁵. This is a problem in itself. At a simple level there is acute shortage of liquid assets especially in rural areas. In one of the national surveys a woman explained how she had to borrow simple implements like a hand hoe (PRT 2002). It was also found that some of the reasons for children abandoning school were failure to obtain little cash for school charges and buying materials such as a school uniform. These are real findings in a situation where substantial resources are being directed to sectors like education⁶⁶.

A major character of poverty in Rwanda was found to be weak households. One character of weak households is dislocation of family structures whereby a family is headed by a woman or a child. In more stable families intra household distribution of resources is usually skewed against some members of the household especially children, girls and

⁶⁴ Less than 40% of agricultural produce is marketed. Given abysmally low prices the peasants are given little cash is obtained. Usual accounts reveal that produce is marketed to solve a specific problem that requires cash to be solved.

⁶⁵ See PRSP (2002)

⁶⁶ PRT(2002)

women⁶⁷. A policy intervention that reaches the individual and not the household or the sector is clearly justified in these circumstances. It has to be a policy that empowers weaker groups that are more vulnerable in the population.

Various studies have indicated that in the period before the war there was widespread unemployment and underemployment⁶⁸. It was indicated that troops of unemployed and under employed youth and landless peasants were easily enticed to join the militias because by being promised jobs⁶⁹. In the absence of a dependable employment creation strategy, a policy to mitigate sources of dissent, conflict can result in new forms of poverty like those we find in Rwanda.

Ethnic distributions of income, differentiation, access to power and wealth have often been bypassed in discourses on Rwanda. Yet it has become apparent, despite abolishing ethnic differentiation officially, that perceptions of ethnic differences are still rife in Rwanda⁷⁰. Since there has been a strong correlation between ethnic (-real and perceived differences) and conflict and poverty, it is prudent that we give priority to policies that are neutral to ethnicism. A universal grant does not know any ethnic differences. Taxes will take more from the rich without identifying which group they belong to.

The argument is supported significantly by our worries about growing inequality in Rwanda. We have predicted that the current poverty strategy will not necessarily be pro-poor. There is a real likelihood of increased income inequality between the richest and poor⁷¹. Such a phenomenon, it was observed, may be unavoidable where there is an urgent need for accelerated economic growth. Given the weaknesses of the 'trickle down'

⁶⁷ see Poverty Profile for Rwanda(2002), UNICEF(1998)

⁶⁸ see Clay, Kampayana and Kayitsinga(1989) Inequality and the emergence of non-farm employment

⁶⁹ see e.g. Prunier(1995),Pottier(1997)

⁷⁰ It is interesting to note that the only attempt to link ethnicity to income distribution referred to in this study is only one by Austin Gareth(1996)

⁷¹ Vision 2020 predicts a declining Gini-coefficient over the next 20 years but the bases for such predictions are not clear

processes and possibility of ‘tunnel effect’ it is argued that in the medium to long term scenarios Rwanda will urgently need some redistribution in favour of poor groups⁷².

The foregoing conclusion does not mean with a political will and economic determination, and administrative support from donors to develop modern systems to deliver the grant cost effectively, it is not possible today. There are two arguments in this regard. Besides targeting inefficiency many postcolonial states spend a lot of money on luxuries and goods for the middle and high-income class. The cynical accounts even argue that since 1960s after independence many an African government have engaged in stupendous looting of their own economies (Nabudere 2002). A simple argument is; if a strong state can enhance efficiency and uproot corruption, is it not possible to get a grant that can reduce some ratio of the poverty gap?

A second argument is on donor fatigue. Many poor countries have been receiving aid for several decades now. The concern that has often arisen is that aid seems to have not helped these countries substantially. Indeed every donor is interested in seeing how the money given is spent. It is thus imaginable that with an assurance that assistance will be used to target poverty so directly, effectively and affordably then donors may be willing to support a small grant⁷³.

Indeed the problem may not be with the desirability or not of a grant for poverty reduction. The debates are usually around the quantities availability and delivery

⁷² Of course there has always a need to clarify the exact use of these two loose economic terms. A ‘trickle’ is a small flow from above in small quantities. We are not told whether the trickle gets down or splashes and is dissipated in the air. ‘Tunnel effect’ is usually a reference that a driver on one of two lanes in a tunnel may let those on the fast lane go first before himself turning into the lane and cross the tunnel. In this sense all the social groups are at the same footing initially but take different growth paths. Others take a tunnel effect as letting some people go through the tunnel and then arrange for the passage of those who were left on the other side of a tunnel. The latter example is used in showing that some after crossing the tunnel forget about those who were left on the other side.

⁷³ See simulation by Le Roux (2002) on Rwanda if some foreign aid was to be transferred to a universal grant.

mechanisms of resources. In the following sections we use simple simulations to examine the operationalisation of such a targeting strategy in Rwanda.

The effectiveness of a basic income grant with a tax depends largely on how skewed is the income/consumption distribution. In Rwanda this is reflected by the consumption patterns given by quintiles.

Table 7.1 Mean expenditure per adult equivalent by expenditure quintile

Quintile	Level of expenditure on consumption	Average consumption
1 st quintile	< 29,716	21,106
2 nd quintile	29,716 – 43,870	36,544
3 rd quintile	43,871 – 63,582	53,211
4 th quintile	63,583 – 98,515	78,633
5 th quintile	more than 98,515	200,462

Source: HCLS 2002;18 Poverty Profile 2002;XI

Each quintile is equivalent to 20% of the households A second difference is that of sizes of households by quintiles. The differences are as depicted in the Table 7.2 below.

Table 7.2 Average size of households by quintiles

Quintile	Average size of household
1 st	6.63
2 nd	5.85
3 rd	5.15
4 th	4.44
5 th	3.49
Total	4.95

Source: HCLS 2002:Annexes128ff

The estimates are based on a 2002 population estimate of 8.3 million and approximately 1,676,768 households

7.3.1 The benefit cost of a universal grant of RWF 900 in Rwanda

Table 7.3 A Universal Grant of RWF 900 with VAT in Rwanda

Quintile	Average cons per AE	Exp per AE	Vatable exp	Annual grant	Additional VAT	VATon net grant	Total VAT	Net benefit
1	<29716	21106	0.85	10800	2244	2219	4463	6337
2	29716-43870	36544	0.85	10800	3886	1793	5679	5121
3	43871-63582	53211	0.9	10800	5991	1320	7312	3488
4	63583-98515	78633	0.95	10800	9345		9345	1455
5	>98515	200462	0.95	10800	23824		23824	-13024

Source: Own calculations.

The estimates are for a universal grant of RWF 900 per AE or an equivalent of \$2 a month per person. It is clear from the table of estimates that VAT increases, combined with a grant, is fair option. The rich pay more VAT because of higher expenditure while the poor pay less VAT because they spend less. However, the poor usually spend a higher proportion of their income, and hence a VAT increase by itself is regressive. However, this regressivity disappears when it is combined with a fixed grant. The net result is that the 70% of the poorest people are all better off, and the poorest benefits most (see Table 7.3). It can then be seen here that from comparing the flows of net benefits the richest quintile does not finance entirely the grant⁷⁴. and that some of those in the second richest quintile also have to help finance the grant. This is because the gradient of inequality in Rwanda is not steep now.

One way of handling this financing problem is to revisit the amounts of the grant, the coefficients and the rates of charges of VAT and excise tax. But before we try another simulation let us look closely at the model in terms of manipulation. Arguments are provided further below.

⁷⁴ For South Africa Le Roux (2002) has shown that it is possible to finance the grant from the richest decile. Of course this reflects the fact that the levels of inequality are very high in South Africa than in almost all the countries in Africa. Of course it would be possible to calculate a rate of VAT that would do the same in Rwanda but that would be over burdening the non-poor. In this regard we assume a case of sourcing finance from elsewhere such as from donors

The model can be worked simply from a common spreadsheet like Excel. Column 1 through three is data entries that can be obtained from ordinary household survey. For the moment we have used adult equivalent but Le Roux has shown how important it is to calculate benefit on individuals⁷⁵. We shall take that into account in the next simulation. Column 4 is very important with regard to the progressive nature of VAT when combined with a grant.

The annual grant was obtained by multiplying the monthly grant by 12 months. In calculating additional VAT the spread sheet functions become handy. Excel is for example designed to produce results if correct entries are made in the formulae. In this case it is arranging the cells such that the column is a product of the average consumption times the coefficient called variable consumption, times the rate of increase in the VAT times the rate of increase in other duties.

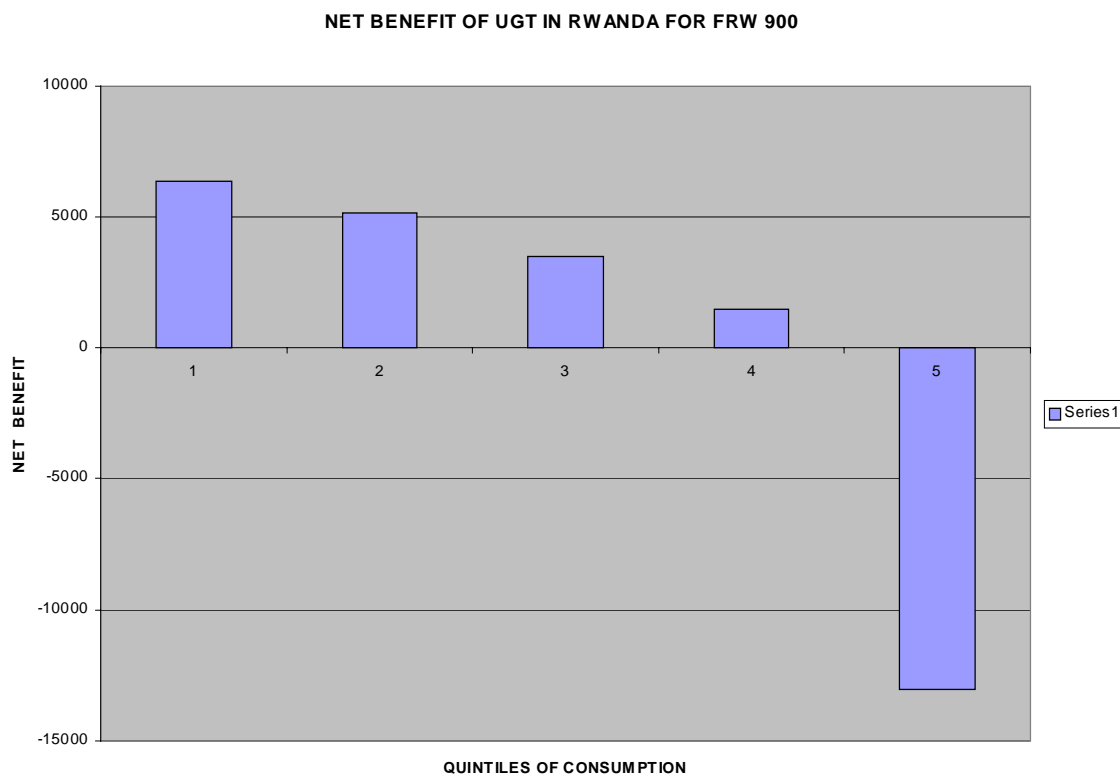
What is worth noting is that with a specific cell increase in VAT (say 7.3%), one for the fixed grant and another representing a fixed rise in excise tax (say 1/3 increase) then the spread sheet makes simulation easy. It is possible for example to check by trial and error entries in the cells for grants or rates of increase in VAT, that given a type of distribution of consumption/income can clear benefits to the rich and the poor. In other words a net redistribution, which in policy terms would result not only in a progressive impact but also in the rich financing the grant.

Subsequently column 7 or VAT on the grant is a product of the annual grant minus the additional VAT times the co-efficient then the product of this is multiplied by the current rate on VAT adding on the increase in VAT designed to raise the grant times the co-efficient for the excise tax. Without the use of the spreadsheet this would take a while. Finally the last two columns are easy to get. Total VAT is sum of additional VAT and

⁷⁵ It is supported by theory on the measurement of poverty and the point was also made in Chapter 2. Ravallion was pointing out how poverty estimates using households cannot capture intra household distribution. There should be more who have noticed this problem including advocates of gender equity.

VAT on net grant. Net benefit in the last column is the difference between the grant and the total VAT. It is clear then that the net benefit for the rich is negative. Meaning the impact of VAT increases combined with a grant is progressive. The net impact is the same as one would have with a negative expenditure tax as was pointed out by Le Roux. (2003).

Figure 7.3 Net Benefit of UGT



From here we make a few more improvements for a better and realistic simulation. Presenting the first estimate on a chart, it will be clear that the tax paid by the rich does not account for all the benefits of the poorer quintiles.

In the next simulation we use a lower grant and use individuals instead of adult equivalent to see whether we can have a grant profile that can have a visible impact on the poor. The estimates are based on RWF 450 or at least a dollar (2001) for an individual. More estimates of the population groups become necessary now.

Table 7.4: Simulation for a grant of RWF 450 per person

Quintile	cons expend	exp per person RWF	Vatable exp	grant	add vat	vat on net grant	total vat	net benefit
1 st	<29716	21084	0.55	5400	1174	654	1828	3572
2 nd	29716-43870	36555	0.55	5400	2036	520	2556	2844
3 rd	43871-63582	53207	0.55	5400	2964	377	3340	2060
4 ^t	63583-98515	78646	0.7	5400	5575		5575	-175
5 th	>98515	216897	0.9	5400	19768		19768	-14368

Source: Own calculations

Table 7.5: Simulation for a grant of RWF 450 per person2

Quintile	households 000s	Size of hh	Popn	vat paid mill	total benefit	Net cost	
1 st	335	6.6	2223	4064	12006	-7942	
2 nd	335	5.9	1962	5015	10594	-5579	
3 rd	335	5.2	1727	5769	9326	-3557	17078
4 ^t	335	4.4	1489	8301	8040	261	17077
5 th	335	3.5	1170	23137	6320	16816	
	1677	5	8300				

Source: Own calculations

Now with this new simulation it is possible to see the progressive nature of the VAT when combined with a grant. It is also visible that the net benefits clear the net costs, meaning that the richer groups can ideally finance the grant. Again this becomes even clearer via the chart in Figure 7.4.

The question that has arisen with Rwanda is affordability. Le Roux shows with regard to South Africa that initial `burden` of a grant in South Africa can be scaled down if other grants like the child grant are subtracted from the amounts. In fact the amount required for a grant of RWF 100 is shown to be affordable.

In the case of Rwanda the figures reveal a difficulty in financing. The tax base is still narrow. Our simulation was based on the current level of tax collections. See table 7.6

Figure 7.2 Net benefit of a grant for RWF 450

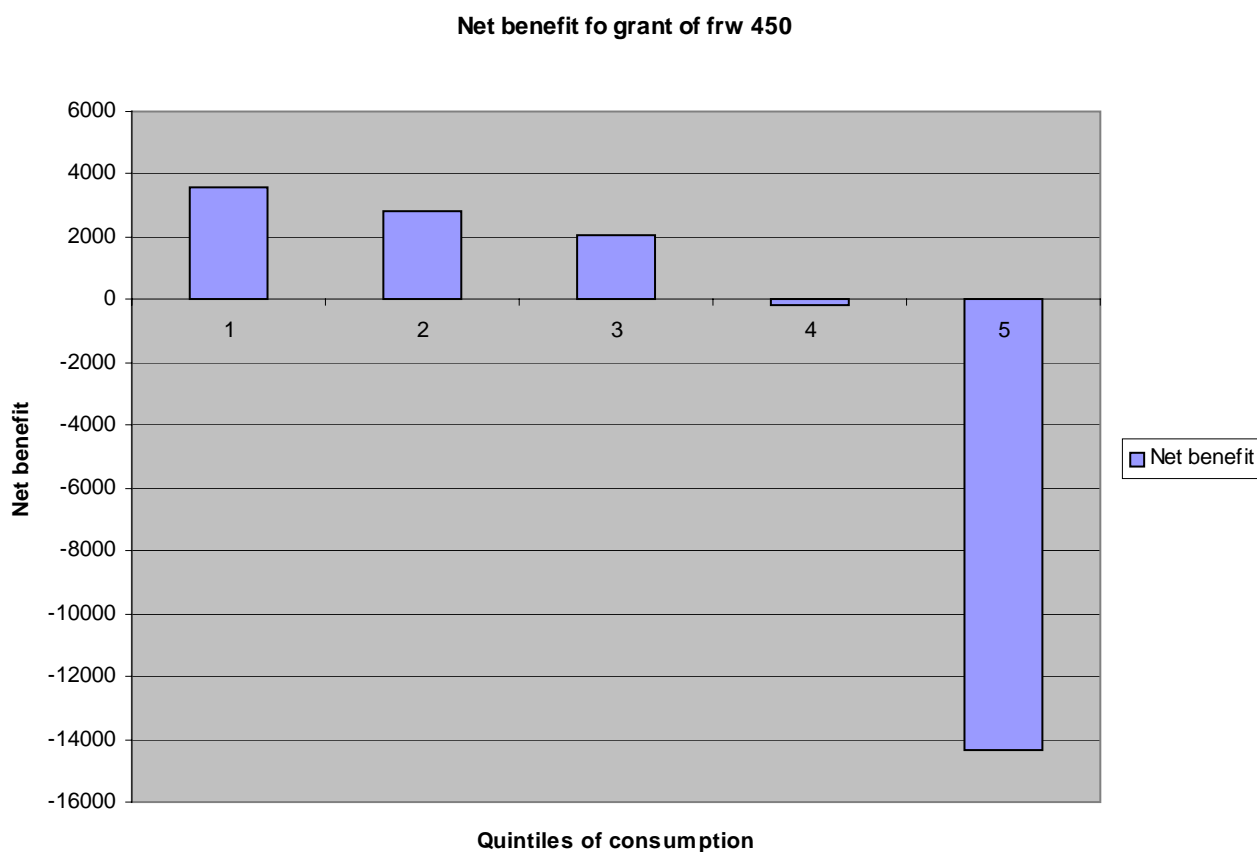


Table 7.6 : Revenue sources in Rwanda

Total tax revenue	RFW 76,880,000,000	Rand 1,537,600,000
VAT	16,000,000,000	320,000,000
beer	7,300,000,000	146,000,000
soft drinks	2,300,000,000	46,000,000
Fuel	8,600,000,000	172,000,000
Cigarettes	1,700,000,000	3,400,000
Vehicles	560,000,000	112,000,000
Type of vehicles	60,000,000	1,200,000
wines and spirits	300,000,000	50,000,000

Source: RRA website www.rra.gov.rw

From the simulations the tax returns per quintile were estimated to be as follows⁷⁶;

7.7: Estimate of VAT tax returns in millions of RWF⁷⁷

Quintile	Tax returns
1	4641
2	7100
3	9097
4	14755
5	41124
	76717

Source: Own estimates

As can be seen also the share of VAT in total taxes is still small⁷⁸. This is one of the reasons this tax may be phased in over the next 15 or so years for this and other reasons but not for its incidence on poor groups. Let us then turn to this discussion by starting from the beginning again.

7.4.2 Is VAT combined with a income grant progressive and affordable?

Firstly as noted (see Le Roux 2002) expenditure taxes are not easy to administer. Secondly for Rwanda with a majority in the traditional and rural economy a direct income tax would not be appropriate. Now as Le Roux argues, indirect tax is to the most appropriate source of financing. Another good source he identifies is taxing luxury goods.

At a very elementary level the grant can be financed by an increase in VAT and sin taxes (taxes on alcohol and cigarettes) assuming the administrative costs constant. But before coming back and relaxing some of these assumptions let us consider its incidence on different consumption quintiles.

⁷⁶ Note that the figures are directly computable from the spreadsheet.

⁷⁷ These are estimated from the model on the spread sheet

⁷⁸ VAT is one year old having started in 2001. Rwanda Revenue Authority created after 1995 is charged with broadening the tax base and enhancing efficiency in tax collection

The first counter argument that comes to mind is that VAT is a regressive indirect tax. One counter argument is that it need not be. There is a general belief that the poor spend more relative to the rich. This is usually in terms of the share of their income on such things like food. Another sense is the belief that the poor do not save. In absolute terms the rich spend more on goods that are vatable. Indeed in Rwanda the majority of the poor will not spend the grant on food since most of it is 'auto consumed'. –foodstuffs grown, harvested, and consumed without passing through the market⁷⁹.

Even if the rich finance the grant from their savings it will still have the same effect because after all they will pay the VAT when they are spending anyway. In fact this is where VAT becomes progressive. In other words VAT as such is not progressive, but VAT plus the grant is. It is inconceivable that the incidence of tax is the same and homogenous such that the grant will be recouped from each person as an indirect tax. Le Roux (2002) estimates a coefficient of vatable expenditure as of 0.85 and 0.95 for the first six deciles and top three deciles in South Africa respectively. He further shows that actually a universal grant can be financed by the top quintile because they in effect receive a grant but also spend more than they receive akin to the Friedman's negative income tax. We would suggest a difference of say 0.65 or even lower for the first three quintiles and 0.95 for the bottom two quintiles for Rwanda where most of the people are peasants who are likely to spend less on vatable goods since they supply most of their provisions from their farms.

But there is a very big contrast that must be noted. VAT in Rwanda is not the biggest source of income as was noted above and from the chart. Le Roux has suggested use of sin taxes. Since they are a substantial source of revenue they are goods consumed by the non-poor then there is no problem to the redistribution strategy. Who owns vehicles and pay for petrol? Definitely it is the non-poor. The second counter argument will be

⁷⁹ We normally assume the Household Budget Survey estimates are as nearly correct as possible.

whether it is fair to make drinkers of alcohol and smokers bear the burden? The answer could be economic or social.

First economics is not about how rational people spend. It is not about morals. A consumer is expected to spend his/her consumer rationally. Some people believe a big part of poor`s expenditure goes on alcohol and tobacco⁸⁰. We need empirical evidence but tentatively one would argue that the structure of expenditure in Rwanda is contrary to this speculation. For instance there are quite mute but informed opinion that Rwandans have affinity to alcohol⁸¹. But the issue is which type. The rural dwellers and especially the poor have their own type of banana wine and home grown tobacco. Those drinking factory lagers and factory cigarettes are in fact non-poor if not so rich.

But even so what? Our opinion is that if the grant is given per capita, then the children and their mothers will be Ms Clean living green while the Rwandan male who frequents the pub is Mr. Tough guy (see Le Roux 2002). If he finds it `prudent!` to spend the grant on alcohol at least the rest of the household need not be affected. The poor with means to avoid destitution but opts for fickleness is not within the realm of economic reasoning.

This is a completely new idea in a Rwandan economic setting. The next section we further analyse explore its feasibility.

7.4.3 Further discussion with regard to Rwanda

A universal grant makes sense if the cost of administration is minimal. The cost in terms of stigma related to means tested targeting is avoided. In this regard the problem of take up associated with means testing will be avoided. Means tests are very costly to deliver and can easily breed corruption. Means tests are also costly in political terms. The

⁸⁰ It should be recalled that this is also a perception non-poor tend to hold with regard to behaviour and causes of poverty...alcoholism, extravagance, improvidence, fatalism etc

⁸¹ see example Muller`s concluding sentences on his paper on Rwanda where he notes circles(perhaps academic) that believe banana wine should be abolished in Rwanda as a poverty reducing action!

reticence of the rich in financing the poor is known in the most advanced welfare systems.

A major argument advanced at the beginning is the issue of ethnic balance⁸². In the period after independence the Hutu dominated the military and top political super structure. After 1973 a clique of Hutu leaders from one area dominated these, excluding not only the Tutsi, but also other Hutu and especially those from the South. But it is on record that before genocide in Rwanda in 1994 some people believed the Tutsi had relative economic advantage. It was believed that they had secured a sound financial base in commerce, international NGOs and academia. It is regarded as a perception that was probably not correct. However it had some impact on the events that followed.

After genocide the same issue is being raised. The Tutsi are being regarded as having the upper hand in politics and power (see e.g. Willum 2002⁸³). They may be perceived or politically motivated feelings, but ethnic feelings or interpretation will take a while to disappear. Claims real or perceived of income distribution across ethnic groups (see e.g. Austin 1996) or generated by policy changes (see Storey 1997) will not be overcome the poverty-conflict trap. It is then plausible to state that a universal grant is simply attractive since it will not know any ethnic identity. A wealthy Tutsi or Hutu will finance a grant against destitution through spending more of his income to benefit either a Hutu or Tutsi who is destitute receiving an equal amount of the grant but paying back less via VAT or luxury expenditure taxes.

The strongest argument in the same vein is in fact not ethnic. As the economic growth rate of Rwanda is accelerated there is a high probability that a substantial degree of inequality may be generated. An emergent middle class is immanent in Rwanda today.

⁸² In past decades ethnic balance was euphemism of suppressing Tutsi such in education so consideration is perhaps a better term

⁸³ Reference to Bjorn Willum (2002) does not mean we share his views against the current regime in Rwanda. While we cherish objective analysis biased work marred with prejudice against some or a group of people.

The universal grant will if administered with a tax reduce the gap between classes. Since it does not focus on the head count index it is can substantially reduce the poverty gap(see e.g. Creedy 1999). As seen, a universal grant is the best if the intervention is directed towards minimising the poverty gap as opposed to the sheer number of the poor. The most important argument for the thesis is that government expenditure and intervention does not reach poor groups. A universal grant does not only reach the group but is more affordable than a means tested grant. An alternative in developing country in developing countries is a subsidy. Kanbur and Besley have shown how a subsidy is like a cash grant, but is also costly to administer in that you have to identify the poor groups geographically or by types of commodities – an exercise that is prone to all types of errors of targeting discussed elsewhere. Micro credit is also known to be costly at the beginning and has been noted to benefit even the non-poor as well. Public works have been tried in Rwanda but they have often ended up being abused politically⁸⁴.

Let us also repeat an argument that was made earlier on in introducing this issue in Rwanda by noting a universal grant is much and at the same time little. In relation to the budget raising a grant is difficult and costly. There are several ways to moderate this. The estimate amount is hardly 6% of the total government budget in 2001 or about 1.1% of GDP. In fact we never argued for a transfer that completely eradicates poverty. It would be ambitious and unaffordable.

The second part of the argument above is that it is little. What can one do with RWF 450 or an equivalent of 1 dollar a month (not a day)? It is little in absolute terms but not so in effective terms. In a typical rural setting the amount consolidated by say a care giver for children can buy the hoe mentioned and can afford RWF 300 lack of which allegedly makes some children abandon school. It can be assumed that at least in an average family of Rwandans of 4.95 at least some RFW 2000 can be received per month. These are financial economies of scale. What may be a fair criticism is that for a destitute family

⁸⁴ see also Chapter 6

with children the grant can have these economies of scale and will be almost useless or a pittance to a lonely old woman or disabled. Even the distribution costs may exceed the benefit if we consider distance to the bank, bank charges and labour costs. For the moment this is understandable but if Rwanda can adopt it when it is most timely, certainly there will be, then, like in any other country other forms of social insurance, assistance or in a word another type of grant specific to the old or infirm.

Now is the point where one can answer why a grant of RWF 450 not 600 or 900? In a word it should be as low as possible to be affordable in the first place but also to maintain balances in the economy. It was a non-arbitrary guesstimate, which cannot create a disincentive to work. A monthly grant of RWF 450 a month cannot make some one stop looking for a job.

For rural women this can be a powerful source of capital. Instead of being a disincentive to work, the grant can be a source of micro credit capital. This time micro credit akin to the Grameen would not need assistance from donors to take off and acquire the critical mass of large numbers⁸⁵. Women pooling together resources are part of social capital that men in Rwanda have failed to imitate. With RWF 450 a month each 100 women in one sector /village of Rwanda can start income generating projects (e.g. poultry farm for say RWF 45,000 if they forgo pocketing their grants say for only three months).

What about dependency? We have already seen how government expenditure has failed to reach the poor. A grant will make the poor less dependent on the government on almost everything.

Another favourable argument for Rwanda is that VAT is recently established. Its revenue is still exceptionally narrow. As tax collection becomes more and more efficient the less

⁸⁵ The much acclaimed Grameen Bank was kicked started by aid from Nordic countries before it started enjoying economics of large numbers

will be the burden. In fact Le Roux points out in this regard that with growing efficiency in tax collection more revenue can be ensured by refraining from other tax increases.

Delivery costs? Le Roux suggests widespread use of electronic banking and payment through a smart card. This is an important facility for efficient delivery. It is a facility, which is limited to one bank in Rwanda, but it can be expected that others will follow suit in the near future. But above all the geography of Rwanda is also favourable. Every district has a People's Bank. From one border to another across the countryside does not take more than 5 hours. Except for the hilly terrain the distance from most villages to a bank is not far. As for the cost of delivery for small units of the grant the family members can be encouraged to consolidate their grants and if possible the system may tie them to providing for school amenities or health insurance for the poorer families.

It may encourage higher birth rate. Surely not at \$1 a month? A poor family may find it prudent to get more children. This is a short-term reasoning. There is evidence to show that the more primary education becomes accessible to poor groups the less do they prefer to have many children. But like in South Africa, with experience of cash transfers, it is possible to have a ceiling such as a maximum of 4 recipients in each household. In this regard it cannot exceed RWF 2000 (assuming there are other forms of grants in place-for it to be universal).

Even then would this convince a Minister of Finance to offer a grant for poverty reduction in Rwanda? Definitely not. It is still unrealistic in Rwanda. Unlike in South Africa the issue of income inequality is not so serious and the other one on ethnicity is perhaps more political than economics. Rwanda is still a poor country. How would this proposal look like in two to three decades? This can shed light on why this proposal can act as a pillar of a comprehensive social policy.

7.4.5 Extending the simulation

The country is Rwanda and the year is 2020⁸⁶. An economic vision planned for has generally been realised. Poverty by head count has been halved to 30 per cent of the population. But as expected the poor now look poorer than before relative to the richer groups. Inequality widened and a small but very well off class has been created. Economists are assessing that the economic growth of Rwanda, was after all not pro poor. Agriculture continued to stagnate except for the few potato and coffee growers in the north and west.

Rwanda has generally remained stable. But perceived ethnic differentiations in income are rife. Some say the economy has benefited more the Hutu in the north of the country who had better access to fertiliser. Others believe there is a small class of Tutsi petit bourgeoisie which is exceptionally very rich and which ripped off the economy as it grew. But often this is closely linked to politics and in election years. Otherwise the poorest are both Tutsi and Hutu and the richer are both Tutsi and Hutu. In any case now following success stories of BIG in South Africa developmental economists have been winning support for a similar social grant. But many figures have changed.

Population doubled and is 16 million Rwandans but the economy grew tremendously. GDP is slightly over US \$16 billion since on average per capita GDP is approaching \$1000. Tax revenue has been increased because of an expanded base and efficiency in collection. In fact VAT tax rate has since declined to 14 % the lowest rate for the last 15 years. Tax revenue is about 40% of GDP and government expenditure is slightly more than 35 %. So the question is towards how and not why social grants should be given.

A few things instituted have made the possibility easy to implement. For along time poverty was a word used to get support of the IFIs under the now famous new Bretton

⁸⁶ See Meth, C (2002) on how to describe a scenario of a basic income grant in South Africa. A simple approach but loaded with rock steady arguments for BIG in South Africa in the near future

woods paradigm. It has enabled Rwanda get finance for economic growth but has proved itself not only neo liberal but grossly inegalitarian. At least now the government has acknowledged that extreme poverty is a social problem in itself and has accepted to formulate a comprehensive social policy that includes poverty reduction. An independent national commission on poverty with offices in every province and commune has been started by act of parliament. Its principal activity is to fight against poverty, inequality, effects of HIV/AIDS and conflict resolution. Its other departments are almost as was suggested earlier.

Some twenty years ago only one bank in Rwanda had a system of electronic banking. But now smart cards are as popular with men as they are with housewives and widows. There being a telecentre even in the remotest commune of Rwanda, thanks to ICT master plan grants can be distributed almost without major delivery costs. For the destitute the grants are paid directly to the school except for what remains after school fees to make sure all kids go to school. It is treasonable to receive a grant and fail to send a child to primary school

The statistics as said have improved

Population	16 million Rwandans
Number of poor	4.8 million people
GDP (RWF 2002 prices)	9,000 billion
Tax revenues (40% of GDP)	3,600 billion
VAT (approx. 10% of all taxes)	360 billion
Social grant (approx 5% VAT)	18 billion

From the simple arithmetic the government has estimated that they can raise a universal grant by raising VAT by 5%. In fact from the earliest estimate based on 2002 prices further financing could come from sin and fuel taxes making the whole exercise progressive. In fact VAT has developed in efficiency that the entire grant can be raised from a 5 % rise in VAT. Indeed the government is comfortable that the fund can be raised

by allowing no further decrease in VAT rate for sometime equivalent to a slide down of 5 points expected from using more modern tax collection techniques.

From this fund the commissioner has realised that he can actually give every poor adult RWF 450 per month in 2002 prices. But some study has shown that money today is not of the same value tomorrow even if there was no inflation. After a debate and even if the number of the poor has since declined he concedes giving a universal grant of 450⁸⁷ per person. He commissions studies to see the short term and long term impact on the economy.

This part of the policy framework, regarding universal targeting, was dictated by the inertia of the thesis. Persistently there was evidence of high level of target inefficiency by the government. There was further evidence that other forms of interventions have not shown positive signals. Indeed Rwanda seems to have poverty related to political conflict than public finance. An obvious finding since it is clear now that poverty is a multifaceted phenomenon.

At a technical level challenging poverty through the head count index was flout with problems. It is insensitive to depth of poverty. A poverty gap measure is better as demonstrated earlier. If one is interested in the general welfare then a transfer with a tax may be better.

We then turned to Rwanda used Le Roux's model to show that an indirect tax VAT and taxing luxury goods can be progressive and provide finance for a grant very affordably. We showed that there are a lot of advantages that a grant of this kind can offer to Rwanda besides offering an ethic balance mechanism via indirect income equalisation and poverty reduction. Figures on Rwanda showed two major findings.

⁸⁷ This is just hypothetical. Yes the number of the poor is smaller and therefore there is a larger number of the poor. The economy will have grown tremendously such that 450 is just conservative to conclude our debate. In reality a different and higher figure would certainly be more reasonable depending on the degree of inequality that will have developed. Food for thought for social policy consultants.

The structure of income inequality is not sharp so the grant cannot be financed from a narrow stratum of the rich deciles. Moreover the economy of Rwanda is still poor, inefficient and revenue base narrow although some taut arithmetic augured well with all the arguments.

Ultimately the findings are very important to our policy framework. Firstly we noted that there could be expected substantial amounts of inequality in Rwanda after some one or two decades. That would be the raw material for reproducing the poverty-conflict cycle. So this scheme will be useful especially given our concern of possible ethnic interpretation of income distribution and its historical impact on stability and poverty. Secondly poverty discourses have been short term and disjoint. If a grant is not affordable for because of economic and political costs now it is definitely still valid tomorrow unless studies that should be continuous show other wise. The futuristic but simplistic scenario creation acted as a justification for a more rigorous inquiry.

7.5 CONCLUSION

There are many interventions the world over that can be proposed against poverty. In this chapter we advanced only two major ones and some institutional reform. We proposed that they act as pillars. It is then possible to have one or more interventions. This can be debated. The issue at stake however was proposing elements of a policy that were dynamic enough to challenge high levels of poverty and mitigate future conflict. This is what we called diffusing the poverty-conflict trap. This is the basis of the two propositions.

Firstly land is so much the economic base of the majority of the poor such that major reform in the sector can benefit the majority of the poor. Secondly land was so closely related to conflict in Rwanda such that resolving problems that may arise in it would mitigate a large number of possible future conflicts. However land reform as is currently

conceived seem to lack this capacity. The proposal is too evolve a more dynamic form of reform with coordination and as a part of a more comprehensive social policy. Moreover it should be conceived as a part of a more long-term desire to stimulate growth and remove the scourge of poverty in Rwanda.

But land reform alone does not seem adequate. The conditions of land in Rwanda are such that more people will have to depend less on land in future. There is also the high possibility of inequality growing even if the proposed reform was implemented. The proposed universal grant can address the long-term aspirations of redistribution and face the challenges of conflict. The approach can avoid possible sectarian feelings between the poor and non-poor and among ethnic groups.

CHAPTER 8

CONCLUSION

8.1 INTRODUCTION

In this chapter the crucial questions are: what did we find out? Do we now understand the nature and dynamics of poverty in Rwanda? Do we know the weaknesses of the present poverty reduction policies in Rwanda today? Are the policy interventions proposed versatile enough to challenge the poverty as we analysed it? These are challenging questions that have to be answered as a way of conclusion.

Firstly, we provide an overview that gives a summary of the entire study. Secondly we make a brief evaluation of the main hypothesis and its constituents as they were presented in Chapter 1. We conclude this Chapter by summarising some of the recommendations.

8.2 CONCLUDING SUMMARY

Policy analysis is not only a new approach with regard to Rwanda, but it is also difficult to carry out. Firstly, policy involving social science debates concerning poverty will necessarily face opposition of an epistemic, methodological and political nature. This cannot be avoided in the case of such a sensitive issue dealing with poverty where different interpretations and policy prescriptions are available.

Secondly, is the availability and suitability of data. Primary data based on surveys are quite limited because they are very expensive to implement. In some cases where they are available they do not satisfy the need for comprehensive analysis of a study like that of poverty. Thirdly, our analysis of poverty, although it departs from economic concepts, it has assembled evidence from other fields particularly history, politics, sociology and

political science. Through this multi-disciplinary approach this study was located in Development Studies, the area to which it belongs.

This study entailed a policy analysis at three levels. The first had to do with the definition of the poverty problem. An emphasis was on the theoretical location and evolution of interventions into poverty and lessons that we can draw at Third World level and Rwanda in particular. There was no attempt to reinvent the wheel or develop a new theory. We believe that out there are practices and policies that Rwanda can learn from. We had to delve through existing knowledge and practices to assess which may shape our analysis and search for a better understanding of poverty in Rwanda and for an appropriate policy package of interventions.

The second level of analysis was looking at Rwanda more closely and analysing the nature, character and dynamics of poverty. The argument is that the closer to understanding the nature of poverty we are, the nearer to getting the most effective policy we shall also be. This analysis was based on the presumption that there has been a distortion of interpretation of poverty in Rwanda. It has been regarded as some statistical phenomena or as a structural mal-performance of sectors. The problem is that the failure to understand the dynamics of poverty in Rwanda had a very negative influence on policy. Poverty reduction should be about targeting people, not sectors and indicators.

The third level of analysis was an assessment and suggestion of a set of propositions that take into account shortcomings of current efforts. The challenge has been to look for a policy package that can break the poverty-conflict trap identified with Rwandan poverty.

A second important part of the study was identification of methodological tools and methods. We noted that definitions of poverty become a methodological issue, when they have implications for poverty reduction policies. The measurement of poverty is also important for policy implementation. A measure you choose will reflect the type and quality of outcomes of policy you will get. Using the head count index may be

convenient, but the index cannot truly reflect the distribution of poverty below the poverty line. Choosing a targeting approach and measuring targeting efficiency are also important in evaluating the current policy framework and recommending an alternative.

The theoretical background demonstrates that evolution and philosophy of poor relief and poverty reduction have varied over time. In the time of Antiquity, particularly during the Roman Empire, relief was common. But we assemble data to show that the aims behind the interventions were more inclined to politics, to power and prestige. During the transition from Antiquity to the end of the Middle Ages we note the role of the church. The church was at that stage similar to the state. Poor relief was a form of charity. There were various forms of charity, some of which could be seen to be purely religious. The aim of these types of charity was to be righteous before God.

From the Middle Ages to the emergence of the modern welfare state is a process of increasing responsibility of the state. However, during this period we also saw that the intervention into poverty relief or reduction was dictated by civil disorder, riots and the need to put down agitation that were resulting from increasing levels of poverty. From the time of the Poor Laws in Great Britain in 16th Century to the emergence of modern welfare systems such as the Beveridge Plan in 1942, the state took a more formal role in poor relief. However, again there is evidence that the aim of the interventions were to regulate the poverty instead of eradicating it.

The modern welfare schemes are characterised by debates about what is appropriate: universal welfare schemes or targeted and mean tested assistance to those who are poor. Similarly there are debates on how much assistance should be given and what effect would it have on the incentives to work. Current debates have shaped the different schools of thought that have emerged in the field of welfare and social policy. These are grouped as conservative, neo-liberal, and social democratic. There are extensions to these 'worlds' of welfare and social policy regimes that are very important to this study. The analysis is related to the Third World as well.

It is in this regard; that we clearly identify the differences in interpretations among scholars. What is important for policy formulation for a developing economy is to assemble lessons that may belong to different schools. Likewise it is noted that over time and across the many welfare schemes and policy regimes, poverty appears to vary. It is however possible to conclude from case studies that there is no single model that is ideal. At the same time there is no single approach that can be said to be completely irrelevant to developing countries policies. Some good lessons may be drawn from neo-liberal, social democratic or liberal approaches. The most important observation is to identify the type of linkage they may have to poverty and intervention into poverty.

Rwanda's poverty should not be regarded as unique from other forms in other parts of the world. However, the contextual nature of poverty in Rwanda must be understood. There is a weak link between poverty and conflict at a level of cause and effect. However, Rwanda has been caught in a 'poverty-conflict trap'. This can be traced over the last four decades. Poverty reduction policy initiatives need to address this special character (Chapter 4).

It is for a similar reason that the depth and multifaceted nature of poverty in Rwanda requires a dynamic approach. Poverty in Rwanda is shown to be characterised by weak households, poor basic social services, spatial variations, underdeveloped land use and agriculture, gender related poverty as well as widening levels of inequality. As can be seen below an analysis of the current policy framework shows a number of general weaknesses and failure to target the type of poverty we have identified to be characteristic of Rwanda (Chapter 5).

In the policy prescription part we make a number of propositions (Chapter 6). These are of course subject to further analysis. The reason is that the first is a set of interventions, presented as propositions, but which are policy interventions that exist today. Safety nets and raising social sector expenditures are analysed with regard to the poverty challenges

that we identified in Rwanda. Safety nets are important to deal with widespread and deep poverty and consideration of ethnicity is related to the conflictual element of the Rwandan poverty. Targeting expenditure to social services accommodates a human development approach. More closely, it is a proposition related to targeting people instead of sectors or indicators.

But there are more direct propositions in Chapter 7. An institutional frame for a dynamic social policy is a core proposal. The problem of confusing poverty reduction and budget allocation is taken care of. The number of non-economic issues that distil to poverty discourses can be accommodated by a comprehensive social policy that has been given an institutional frame. Land reform is intimately linked to the majority of the poor and to the central source of conflict. It is also proposed as a pillar to policy. A universal income grant handles the long-term aspects of poverty, answers the demerits of selective targeting and dampens the possibilities of inegalitarian consequences of growth – oriented policies.

8.3 VALIDATION OF THE HYPOTHESES

That poverty in Rwanda is deep and widespread was not difficult to show. What was important to note was that besides being multifaceted it has links to a political and economic background of conflict. However, over these secondary qualifiers of poverty some remarks need to be made.

The Malthusian trap argument is not difficult to test against high population growth rates and declining production of food in Rwanda. The only scepticism is the usual deterministic and prophetic nature of Malthusianism. Another important remark is that the cause and effect of the Malthusian explanation to conflict is weak. We could also argue that its linkage to genocide must not be overstretched. However the role of economic factors in conflict and the poverty cycle needs to be emphasised.

The role of land and the environment in poverty and conflict can also be regarded as part of Neo Malthusianism. However bundling them together may obscure the importance of individual factors in linking poverty and conflict and the resulting cycle. The data on land and environment taken separately show graphically that they are precarious and should explain why the poverty trap exists. But the magnitude of the crime of genocide is such that it cannot simply be explained in terms of vectors of causes and conflict.

Political exclusion and bad economic governance should make the poverty-conflict cycle easier to understand. Data was provided to show that these are part of an explanation of poverty in Rwanda. One important remark to make, is the tendency to truncate the cycle because of genocide. In other words because, genocide happened in Rwanda and because it may not happen again, it is the end of the cycle. Not at all. Conflict is not always violent and criminal like genocide. Non-violent crimes, conflicts involving Rwanda in the regions, social tension and latent conflict in society related to resources, politics and poverty make a poverty-conflict cycle more present in Rwanda even now.

The salient characteristics of poverty conformed to the hypothesis, but some qualifications in specific instances are important. That poverty in Rwanda is linked to weak households find explanation in the legacy of genocide. More data can be assembled to further research and prove the corollary hypothesis. The argument that poverty in Rwanda is a correlate of poor access to basic services is tricky to assess as we argue. To correlate expansion or contraction of expenditure on the social sector as well as making assumptions about policies being pro-poor or not is shown to be a fallacy. The major reason is that the social expenditure, as demonstrated by figures, often does not reach or benefit the poor.

The gender character of poverty is real, but may be sometimes exaggerated. Specifically, proportionally more girls than boys are enrolled in primary schools. Recent steps by the government have boosted the gender component of policy in Rwanda. Likewise the spatial bias of poverty was expected to be high, given the evidence of political and

economic exclusions of some regions in the past. However, contrary to commonly held belief, levels of inequality might be widening in Rwanda. In all these cases more closely planned studies may provide better tests to the hypotheses.

At statistical level a number of conclusions were reached. Poverty statistics may be under estimating poverty conditions in Rwanda. The decline of poverty indices of the head count below the poverty line from 77% to 60% may not be a direct consequence of coherent poverty reduction strategies, but the effect of rehabilitating the economy after the genocide. Measures of depth and severity of poverty in Rwanda reflect an entrenched form of poverty with substantial segments of the poor far under the poverty line. Past and current data show the argument that poverty is deep to be true, especially in the rural areas.

The targeting efficiency is extremely very low. In education and health it may be as low as 5%. An analysis of the cross over time show that it may take up to 100 years for every Rwandan to cross the poverty line. The current value of what it would require to make the poor cross the poverty line is hefty, but possibly affordable if only a part of poverty was to be targeted in more quantitative terms.

Vision 2020 and the PRSP provide what most scholars may take as a poverty reduction policy. It can be argued that ,they are some of the best documents in the region. However, they are essentially neo-liberal in orientation and their participatory components may not address enough the poverty-conflict trap. The decentralisation policy in which they are entrenched may not deliver with regard to poverty as expected. While the neo-liberal approach and the desire to attain high rates of growth may not be avoidable, it would be important, and this can be concluded, to design a dynamic social policy that can take care of the multiple nature of poverty and policy responses.

8.4 RECOMMENDATIONS

It is clear from the last chapter that the following would be recommendable for Rwanda

- 1) A detailed institutional framework for Rwanda that may be designed to cater for the rest of the recommendations suggested;
- 2) A basket of safety nets that can address the various faces and levels of poverty in Rwanda including the divisionism that poverty has carried from a legacy of ethnic tensions;
- 3) Targeted expenditure that can foster growth, target people and promote human development;
- 4) A progressive land reform that can address both poverty and conflict while answering issues of land and question of rural poverty;
- 5) A universal income grant implemented progressively and financed by an increase in indirect taxation (e.g. VAT) along with the long-term aspirations of Vision 2020.

This study has made a modest albeit important contribution to our understanding of poverty and policy in Rwanda. We have established that, while many studies have recognised the existence of poverty along side conflict, none had attempted to establish the linkage in a multidisciplinary manner. We have identified a ‘poverty-conflict trap’ in Rwanda. We have shown that this trap is a function of a long process that does not end with the genocide in 1994.

The study has also shown that current policy is ill defined institutionally and technically to target poverty effectively. Policy in Rwanda has been targeting sectors and indicators, not poor groups. Policy has focussed on the structural problems of poverty bypassing the organic role of conflict. It is the failure of understanding and taking into consideration of the feedback mechanisms between poverty and conflict that misinforms policy in

Rwanda. We contend that unless the poverty conflict trap is analysed and targeted poverty cannot be effectively challenged. What we propose as pillars for poverty alleviation, a comprehensive social security policy, land reform and a universal income grant targeted by indirect taxes, should be a core part of a much wider endeavour to understand and therefore control the dynamics of poverty and policy in Rwanda.

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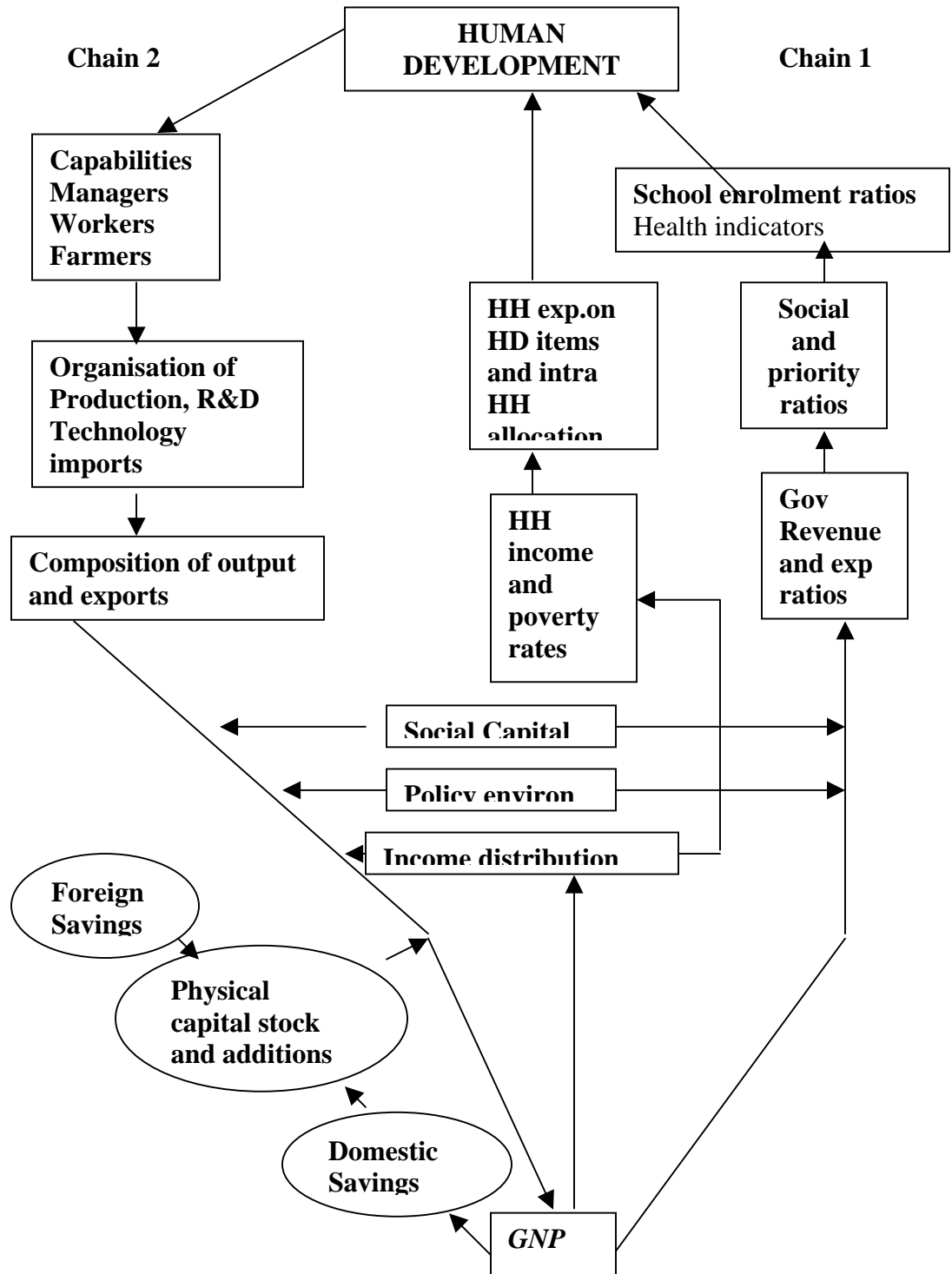
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APPENDIX 1: TRIAL CALCULATIONS ON A UNIVERSAL GRANT IN RWANDA(Excel file available from author

		1/3 increase	7.30%		450	1			
		1.39			0				
vat paid	Rwanda 200	Expenditure per person			Per person impact				
	\$!=Fr450	Frw		Annual Grant	Additional Vat etc	Vat on net grant	Total Vat	Net benefit	
4641	1	<29,716	21,084	0.55	5400	1174	654	1828	3572
7100	2	9716-4387	36,555	0.55	5400	2036	520	2556	2844
9097	3	3871-6358	53,207	0.55	5400	2964	377	3340	2060
14755	4	3583-9851	78,646	0.7	5400	5575		5575	-175
41124	5	>98515	216,897	0.9	5400	19768		19768	-14368
76717									
76880									
		Vat	18%		Tax Fr billion				
		Mineral Wat	10%						
		Soft Drinks	49%			91	20		
		Local beer	40%			92	21.9		
		Beer	57%			93	22.7		
		Wines & liqu	70%			94	5.8		
		Petroleum Prod	37%			95	10.3		
		Cigarettes	60%			96	39.2		
						97	54.3		
			10%			98	62.7		
						99	62.3		
						2000	65.3		
						2001	79		

APPENDIX 2: HUMAN DEVELOPMENT-ECONOMIC GROWTH CYCLE



Source: Ranis, Stewart and Ramirez

APPENDIX 3: ORIGINAL DATA ON A LOS ANGELES STUDY SHOWING A POVERTY TRAP

Monthly Gross Wages(\$)	Net Monthly Family Spendable Income(\$)	Increase in Spendable Income	Defacto Marginal Tax(%)
0	1261	N/A	N/A
100	1304	43	57
200	1341	37	63
300	1366	25	75
400	1391	25	75
500	1419	28	72
600	1429	10	90
700	1423	-5	105
800	1418	-5	105
900	1420	2	98
1000	1432	12	89
1100	1253	-178	278
1200	1215	-39	139
1300	1217	2	98
1400	1296	39	61
1500	1294	38	62
1600	1330	37	63

APPENDIX 4: ESTIMATES OF POVERTY GAP UNDER DIFFERENT CONDITIONS IN RWANDA

1. Rural –Urban Estimates

	Share of popn.	Share of poor	No. of poor (mi)	z	P1	Minimum financial cost(mi.frw)
Extreme poverty - rural	89.5%	0.458	3.525226	45,000	0.279	44,259.21
Total poverty - rural	89.5%	0.657	5.056929	64,000	0.279	90,296.52
Extreme - Kigali City	7.4%	0.045	0.028638	45,000	0.010	12.85
-urban others	3.0%	0.098	0.025284	45,000	0.021	23.89
Total - Kigali City	7.4%	0.123	0.078277	64,000	0.032	160.31
-urban others	3.0%	0.194	0.258	64,000	0.057	941.184

2. Gender - Extreme poverty

	Share of the popn	incidence	popn (2000est)	No of poor	P1	Minimum financial cost
National Male	46.8	0.3508	3,901	991,703	11.41	7,241,811,987
National female	53.2	0.4350	4,442	1,468,694	16.06	15,603,405,056

3) Regional Simulations- Extreme poverty z= 45,000 Rfrw

	Share of total popn%	Incidence of poverty	n	P1	Minimum financial cost
Butare	8.24	0.520	368,493	0.184	3,051,122,040
Byumba	9.47	0.446	363,231	0.158	2,582,572,410
Cyangugu	7.57	0.460	299,469	0.180	2,425,698,900
Gikongoro	6.34	0.568	309,696	0.223	3,107,799,360
Gisenyi	9.55	0.347	284,991	0.091	1,167,038,145
Gitarama	10.51	0.345	311,832	0.105	1,473,406,200
Kibungo	8.21	0.319	225,233	0.093	942,600,105
Kibuye	5.73	0.483	238,013	0.153	1,638,719,505
Kigali Ngali	11.38	0.528	516,743	0.206	4,790,207,610
Ruhengeri	11.65	0.523	523,994	0.181	4,267,931,130
Umutara	3.92	0.328	110,575	0.121	602,080,875

4.Regional Simulations- Total Poverty z=64,000 RFrw

	Share of total popn	Incidence of poverty	n	P1	Minimum financial cost
Butare	8.24	0.320	226,765	0.320	3,265,416,000
Byumba	9.47	0.275	223,966	0.275	2,771,579,250
Cyangugu	7.57	0.290	188,796	0.290	2,463,787,800
Gikongoro	6.34	0.359	195,741	0.359	3,162,195,855
Gisenyi	9.55	0.195	160,154	0.195	1,405,351,350
Gitarama	10.51	0.205	185,291	0.205	1,709,309,475
Kibungo	8.21	0.187	132,033	0.187	1,111,057,695
Kibuye	5.73	0.288	141,921	0.288	1,839,296,160
Kigali Ngali	11.38	0.331	323,943	0.331	4,825,130,985
Ruhengeri	11.65	0.312	312,593	0.312	4,388,805,720
Umutara	3.92	0.210	70,795	0.210	669,012,750

5.Types of occupations Total poverty z=64,000

	Share of the popn*	Incidence of poverty	N or number of poor	P1	Minimum financial cost
Public sector	1.9	0.117	191,178	0.031	385,249,152
Para public sector	0.5	0.203	8,729	0.096	44,692,480
Formal private	2.0	0.199	34,228	0.080	175,247,360
Informal private-agric	3.4	0.731	213,744	0.369	5,047,778,304
Informal private-non farm	5.6	0.195	93,912	0.077	462,798,336
Own account agriculture	80.8	0.674	4,683,491	0.282	8,452,764,568
Non farm self	5.1	0.244	107,018	0.091	623,272,832
Not working	0.6	0.419	21,620	0.208	287,805,440
Total	100	0.603		0.254	

*This share is that of total number of households. It is assumed to be consistent for the entire population. Household poverty being for all members.