Rwanda: Growth, Structural Transformation, and Diversification

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Overview

Rwanda has grown rapidly in the last two decades, with enormous benefits for poverty reduction and quality of life...

Four features stand-out: the state-led nature of the recovery, the degree of structural transformation, the role of ODA, and recently the focus on niche markets.

Rwanda has inverted the historical pattern of structural transformation – as labor moved out of agriculture not into manufacturing but into construction and services. Only now it is beginning to focus on manufacturing.
Rwanda’s post-genocide economic performance has been stellar… unimaginable in 1995

Figure 1: Rwanda GDP Growth 1981-2015

Source: World Development Indicators, World Bank online

Growth 1981-1993 = 1.5%
Growth 1995-2015 = 8%
Rwanda is catching up with other high performers in the region

Source: IGC staff based on WITS, WDI, and UNCTAD data
More than 1 million out of poverty

Life expectancy: from 49 years in 2000 to 55 years in 2011

Literacy rates (aged 15 to 24): from 48% in 2000 to 84% in 2011

…with impressive improvements in social conditions
As one illustration, take a look at what Rwanda is doing in prevention and treatment of AIDS, as recounted in this PBS report:


...or in developing local high(er) tech entrepreneurship...:

Investment has been financed by foreign savings, mainly ODA

Investment as a percentage of GDP

Data source: IMF, Financial Access Survey and World Bank, World Development Indicators.

Note: In the left graph, HP equals 15 and 14. In the right graph, HP=5 and LICs=8.
Labor is moving from agriculture to services and industry but so far little into manufacturing.
Structural transformation…labor movement and diversification away from agriculture

Figure 2.6 Agriculture is declining as a share of total employment
(category of main employment as a share of total employment, 2001-2006-2011)

Source: EICV1, 2, and 3


Figure 2.18 Farmers are diversifying by taking up additional jobs
(share of farmers with secondary job outside agriculture and share of workers with a non-agricultural job, 2006-2011)

Source: EICV, 2006; 2011
Issues going forward... the need to expand exports

Some diversification has occurred... ...but exports are still low

Adding value to commodities
- Coffee, tea, minerals
- Labor-intensive manufacturing
- Textiles
- ICT
- Call centers; software
- Horticulture
- Cut flowers
- Tourism
- MICE
The mobile revolution: mobile subscriptions are soaring

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<th>Country</th>
<th>2005</th>
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<tr>
<td>Burundi</td>
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Conclusions...

- Rapid growth has occurred because of a unique combination of leadership, good policy, an activist government and steady movement of labor into high productivity jobs in industry and services.

- Development finance was crucial – both in amounts and more importantly sound public investments.

- Growth in the medium term will depend on increasing domestic private savings and investment, mobilizing new foreign savings and technology (particularly FDI), and generating new sources of exports.
Thank You
Growth in Labor Productivity

- Growth in productivity = 3.9%
- Growth in labor force = 4%

Intersectoral shifts account for greatest portion of increases in labor productivity

Figure 1.47 Inter-sectoral shift is the main source of labor productivity increase (% contribution to increase in labor productivity)

- Inter-sectoral shift: 90%
- Capital labor ratio: 51%
- Total factor productivity: -41%