SAPs and the Build up to the Rwandan Genocide

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This project evaluates the impact of structural adjustment programmes (SAPs) on the economy and subsequently social environment of pre-genocide Rwanda. The first research aim is to evaluate the development and characteristics of neoliberal theory and SAPs (Auerbach, 2007, pp.34-35). The cornerstones of neoliberal policies are the International Monetary Fund (IMF) and the World Bank and the origin and purpose of both institutions will be assessed (Rowden, 2009, pp.53-56). Arguments made by the IMF and the World Bank in favour of these programmes will be opposed by arguments made by advocates of the dependency theory and world system theory (Kelly, 2008, pp.320-321; Wallerstein, 1980, pp.66-69). The second research aim focuses on the causes and impacts of the SAPs on the Rwandan economy. The SAPs will be presented in a wider context which will include demands for democracy and a peace process between the Rwandan Government and the Rwandan Patriotic Front (RPF) (Andersen, 2000, pp.450-452).

The third aim provides the nexus between the SAPs imposed on Rwanda and ethnic mobilisation. The focus will be on two aspects of the Rwandan economy. First, the division of labour will be evaluated. This is essential as the SAPs were perceived as favouring the Tutsi dominated private sector (Storey, 1999, pp.53-55). Second, the issue of land scarcity and agricultural commercialisation will be assessed as Rwanda suffered a severe socio-economic imbalance (Uvin, 2001, pp.81-83). The conclusion will summarise that SAPs, in combination with demands for democratisation and peace negotiations, did not consider the implications of the reforms for the socio-economic and political environment. The disregard for the wider implications supported radical ideologies which were responsible for the genocide.

The structure of western capitalism was first evaluated by British philosophers and political economists in the seventeenth and eighteenth century (Peet, 2009, p.4). In the eighteenth century Adam Smith (1776), cited by Rothschild (1994, p.319), emphasised the “invisible hand of the market” which would enable growth by focusing on demand, competition and trade. This approach became known as classical liberalism. The early and mid-twentieth century was shaped by depression and war. Benefits of capitalism remained in the hands of the entrepreneurs and the employees demanded more rights and increased benefits in return for their labour (Peet, 2009, p.6). Keynes argued that governments have to intervene in the market in order to spread the benefits of market economies among all classes of society. This approach became known as the “New Deal” in the US and its policies were implemented from 1932 on (Niemi & Plante, 2011, p.414; Peet, 2009, p.6).

In 1944 the Allied countries met in Bretton Woods to discuss the post-war economic order (Rowden, p.2009, p.53). Their aim was to implement institutions which could finance the rebuilding of Europe and oversee international trade and finance to avoid a financial crisis in the future. Keynes is often accredited with the establishment of the IMF and World Bank. However, Keynes did not suggest the IMF and World Bank in the form the institutions were finally set up. He was rather focused on maintaining trade balances between states. The IMF was established to ensure a fixed exchange which tied currencies to the US Dollar and gold standard (Rowden, 2009, pp.55-56). The World Bank was to finance the reconstruction and development of the European economy. From the mid-1970s on Keynesianism was opposed by neoliberals who advocated the ideas of classical liberalism and argued in favour of privatisation of state-run enterprises and deregulation of the market (Peet, 2009, p.9; Palley, 2004, pp.1-2).

Palley argues that neoliberalism is based on the assumptions that factors of production, such as labour and capital, are automatically allocated in the most efficient way. Von Hayek, the most influential critic of Keynesianism, argued that the freedom of individuals to pursue their own ambitions and limited possibilities for governments to interfere in the market are essential for economic growth (Peet, 2009, pp.10-11). In the 1970s it became evident that Keynesianism was not able to solve problems of stagflation and businesses and corporations started to support neoliberal ideas of deregulation (Peet, 2009, p.12). Further, the ideological conflict during the Cold War period increased the support of neoliberal ideas. Individualism was associated with a free society. Collective action and limitations on the market were related to communism (Palley, 2004, p.3). The administrations of Thatcher and Reagan adopted neoliberal policies in the early 1980s and many Western governments followed suit (Auerbach, 2007, p.33). The IMF changed its purpose and was now tasked to support developing states by providing financial support in the form of loans (Wayenberge, Fine, Bayliss, 2011, p.6).

During the time of Keynesian policies, developed states tolerated and even encouraged state interventions in developing states (Babb, 2005, p.200). However, the emergence of neoliberalism led to a change in development policies. The key characteristics of neoliberal development policies were laid down in the Washington Consensus (Auerbach, 2007, p.37 in Roy, Denzau, Willett). The policies of the Washington Consensus demanded financial deficits which are not higher than affordable. Further, expenditures were supposed to focus on benefits, health, education and infrastructure. In addition tax collection had to be more efficient, trade had to be liberalised and controls for exchange rates had to be removed. State owned enterprises had to be privatised and incentives for foreign direct investments (FDI) had to be established (Auerbach, 2007, p.37).

During the 1970s many developing states were unable to service loans taken during the oil crisis in 1973/74 (Rowden, 2009, p.65). The IMF agreed to the restructuring of the debt if the debtor states implemented SAPs. Further, the IMF demanded that in the future multilateral and bilateral aid was only to be paid after the approval by the IMF. States which were unwilling to implement SAPs were threatened with the withdrawal of future support by the IMF and World Bank. Other donors, such as multilateral institutions, bilateral donors and private banks, followed the guidance by the IMF and denied financial support if the IMF advised against it (Rowden, 2009, pp.66-68). Critics, such as Lapeyre (2004), cited by (Rowden, 2009, p.66), opposed these measures and argued that SAPs lead to a loss of state autonomy. Fiscal policies were dictated by the IMF and World Bank and states were unable to choose their own development policies. However, Reagan and Thatcher made clear that market liberalisation was the only alternative and donor agencies, central banks and many developing states believed in neoliberal policies (Sachs, 2005, p.81; Rowden, 2009, pp.68-69). Further, many developing states adopted these measures in the hope of becoming members of the World Trade Organization and in order to attract FDI.

Neoliberal policies are opposed by advocates of the dependency theory and world system theory. During the decolonialisation process after World War II advocates of the modernization theory argued that all states follow the same path from poverty to modernization (Rowden, 2009, p.57). Due to poverty and slow or non-existent development towards the end of the 1960s it became clear that former colonies could not follow the development path which was taken by developed countries in the past. Dependency theory draws its ideas from Marxism and argues that the intrastate division between the proletariat and bourgeoisie equals the interstate relations between the core and the periphery (Kelly, 2008, p.320). Proponents of the dependency theory, for example Prebisch (1950) and Frank (1967), wrote that former colonies became economically and politically dependent on their former colonial powers. Subsequently, the dependence of periphery states on the core states is the main characteristics of the global economy.

These claims were further developed by Wallerstein (1980, pp.66-69) who supported the world systems theory and argued that the periphery is exploited by the core states of mainly North America and Europe. The world system theory claims that the global economy is characterised by a well developed core based on high technology and a highly skilled labour force which requires a periphery from which it can extract surplus (Chirot & Hall, 1982, p.85). Advocates of both theories argue that developing states have to resist a post-colonial system of trade and finance in which states of the periphery serve the role of commodity producer and provider of cheap labour. Otherwise the states of the periphery will not be able to move towards industrialisation and remain dependent on the states of the core (Rowden, 2009, p.57).

Harrison (2010, p.36) writes about the impact of neoliberal policies in Africa and argues that socio-economic recovery was not achieved to date. Harrison (2010, p.39) cites Chazan *et al.* (1999) who writes that by the end of 1980s thirty six states in Africa implemented SAPs and ten years later the economy of twenty nine African states were still shaped by adjustment programmes. Harrison (2010, p.39) describes SAPs as the "development orthodoxy for the continent". In some cases the SAPs considered country specific circumstances, but the key elements of all SAPs remained the same and mirrored the policies of the "Washington Consensus".

The implications of SAPs and demands which accompanied these became evident in Rwanda in the early 1990s. The Rwandan Genocide of 1994 during which 800,000 Tutsis and moderate Hutus were killed has been widely covered in the media and in academic work (Kamola, 2007, p.571; Magnarella, 2005, p.816). However, the implications of an economic crisis and subsequent reforms in the early 1990s were hardly mentioned (Chossudovsky, 1997, p.111). The post-colonial economy of Rwanda was dominated by coffee exports which made up eighty percent of the state's export earnings (Chossudovsky, 1997, p.114). In the early 1980s the supply of food per capita decreased due to environmental degradation and further population growth (World Bank, 1991a, p.v; Storey, 1999, pp.49-50). Furthermore, in 1986 the commodity prices for coffee started to decrease due to overproduction and Rwanda lost nearly two thirds of its revenue generated by coffee exports (Kamola, 2007, p.583). The GDP per capita fell by nearly 30 percent and poverty increased from 40 percent in 1985 to 53 percent in 1992 (Uvin, 1998, p.54; World Bank,1994, i). The civil war between the Hutu dominated government and exiled Tutsis in Uganda who established the RPF and attacked Rwanda from 1990 on further deteriorated the financial situation of Rwanda (Magnarella, 2005, p.812; Uvin, 1998, pp.55-56).

Financial resources were focused on the war effort and the displacement of large numbers of the population further decreased agricultural production. In order to maintain its expenditures the Rwandan Government had to increase its foreign debt significantly (Kamola, 2007, p.584; Prunier, 1995, p.159). Moreover, farmers were guaranteed by the government to receive a fixed amount for their coffee production. This amount was decreased by 20 percent in order to reduce government spending (Kamola, 2007, p.584). As a result many farmers replaced their cash crops with food crops as the sale of coffee did not cover the investments anymore.

In 1991 Rwanda received $90 million of loans from the World Bank (Uvin, 1998, p.58; Kamola, 2007, pp.583-585). In return the Rwandan Government had to agree to the implementation of SAPs. Fiscal discipline was expected, the government had to privatise large numbers of state owned enterprises and markets were to be liberalised. Despite the increasing socio-economic imbalance the World Bank recommended that the focus should be on cash crops rather than food crops in order to increase export earnings. The World Bank argued that the earnings could be used to purchase food – "once you have income you can buy food" (World Bank, 1991a, p.vi; p.xi). Coffee exports were supposed to be increased, *inter alia*, by a devaluation of the Rwandan Franc.

However, the devaluation led to an inflation of nearly 20 percent in 1992. According to the World Bank (1991b, p.4) the benefits of structural adjustment loans would include increased employment in the private sector. Moreover, the civil service was considered as ineffective and had to be reformed (World Bank, 1991b, p.16).) Fees for education, water supply and medical care were raised and sales tax was increased (Uvin, 1998, p.58; World Bank, 1991b, p.6). Despite these measures the Rwandan foreign debt increased further. Uvin (1998, p.59) argues that the SAPs are not responsible for the financial pressure on many Rwandans since the majority of them were never implemented. However, this argument is opposed by a report in which the World Bank (1997, p.12) claims that most of the reforms were indeed implemented by the Rwandan Government.

To assess the implications of the IMF and the World Bank in the build-up to the genocide it is essential to widen the scope of this evaluation. This is necessary in order to include the demands for democratisation and peace negotiations which were made in return for financial aid (Andersen, 2000, pp.447-450; Uvin, 1998, p.59). Andersen (2000, p.450) argues that the establishment of a democratic system is necessary to establish stability and to promote development. Nonetheless, it is of significant importance to choose the right timing in order to ensure political unity during the peace process. Opposing views during a peace process may destabilise the consolidation process. Due to the pressure of the IMF and World Bank a new Rwandan Government was formed in 1992 and the opposition parties increased their power (Adelman & Suhrke, 1996, cited by Andersen, 2000, p.449).

Radical parties, such as the "Coalition pour la Défense de la République" (CDR) and the "Mouvement Démocratique Républicain" (MRD), were established and openly presented their anti-Tutsi ideology. Both parties played a significant role in the spread of hate speech and the preparation and implementation of the genocide (Andersen, 2000, p.449). In addition, as part of the peace process the then-President of Rwanda Habyarimana agreed to a power sharing deal with the RPF. The CDR and MRD accused the government of not being determined enough to oppose the RPF and gained significant support amongst Hutu elites (Prunier, 1995, p.128). However, to meet the demands of the Rwandan Government and the donors at the same time proved to be an obstacle Habyarimana could not overcome. Andersen (2000, p.451) described the conditions made by international donors as "a match igniting the conflict".

In order to establish a link between the genocide and the SAPs it is necessary to assess these in the wider context of the Rwandan labour market and the resource scarcity which occurred in Rwanda (Storey, 1999, p.51; Uvin, 2001, pp.81-83). Middle and upper level positions in the public service and the military were only available to Hutus and due to government sponsored discrimination Tutsis focused mainly on the work in the private sector (Storey, 1999, p.51; Prunier, 1995, p.75). As part of the democratisation process a new liberal party emerged and the common perception was that this party was dominated by Tutsi businessmen. Hutu extremists claimed that Tutsis attempted to set up a commercial elite in Rwanda in order to redirect funds to the RPF (Storey, 1999, p.51). However, most of the businessmen in Rwanda were Hutu and the large majority of Tutsis had the same living standard as Hutus (Woodward, 1996, cited by Storey, 1999, p.52). The nexus between SAPs and the division of labour is, in the social context of pre-genocide Rwanda, to be found in hate speech which established perceptions rather than facts. As mentioned before, SAPs demanded increased support of the private sector and cuts for the public sector. Therefore, the perception was that Tutsis were favoured by the SAPs and many Hutu elites in the public sector feared to lose their employment and subsequently influence.

Uvin (2001, p.82) argues that resource scarcity can be assessed using the Malthusian argument according to which land scarcity and overpopulation lead to conflict or famine. This argument is supported by a statement made by the Ogata, the UN High Commissioner for Refugees (Berry & Berry, 1999, quoted in Uvin, 2001, p.82). Ogata argued that the conflict in Rwanda was based on a severe imbalance between the size of the population and available land. Land scarcity has to be considered in reference to the SAPs as the IMF and the World Bank demanded that the agricultural sector should focus on cash crops, e.g. coffee and tea, in order to increase revenues. The amount of food crops was to be reduced, but the decline in commodity prices did not create the revenues Rwanda hoped for. The statement: "once you have income you can buy food" (World Bank, 1991a, p.vi; p.xi) did not apply in Rwanda as income did not increase. Subsequently, the imbalance between the amount of food available and the population increased further (Magnarella, 2005, p.817).

Wood (2001, p.64) argues that especially in poorer states ethnicity plays a significant role in economic and social differentiation. Poverty, overpopulation, land scarcity, possible famine and competition for power offer fertile ground for the ideology of *Lebensraum.* This ideology is advanced by extremist forces in order to accumulate resources which are currently not available to their people. This ideology was implemented in Rwanda to describe Tutsis as invaders who are responsible for the socio-economic imbalance. Prunier (1995, p.160) writes that the combination of low coffee prices, the war and SAPs only further damaged an already weak economy and increased the financial pressure on many Rwandans.

The development policy of the industrialised states changed with the emergence of neoliberal policies. Neoliberals argued in favour of the liberalisation of markets and decreased influence of the government. Development policies became enshrined in the Washington Consensus which argues that SAPs would lead to economic stability. Government spending was to be reduced, privatisation of government owned enterprises was demanded and the currency was supposed to be devalued in order to increase exports. Advocates of the dependency theory and world system theory claimed that neoliberalism is not suitable to foster development, but instead increases the dependency of the periphery states on the core states. In the case of Rwanda it is evident that SAPs worsened the economic situation of Rwanda. Further, the SAPs had significant effects on the wider social and political environment. Demands for democratisation and peace negotiations led to the emergence of radical parties which took advantage of the fears of many Rwandans. People feared poverty, job loss and a famine in addition to a civil war. The causes of the genocide are multiple and no direct link can be established between the demands made by the IMF and World Bank and the genocide. However, in hindsight it is evident that demands for SAPs accompanied by demands for democratisation and peace agreements did not consider the wider political and social context. These factors helped to create an environment in which Hutu radicals found a significant number of Rwandans who supported their ideology which subsequently led to the genocide.

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