

tepaV

The Economic Policy Research Foundation of Turkey

How post conflict Rwanda moved forward?

Development process in Rwanda and Sub-Saharan Africa from the view of Turkey

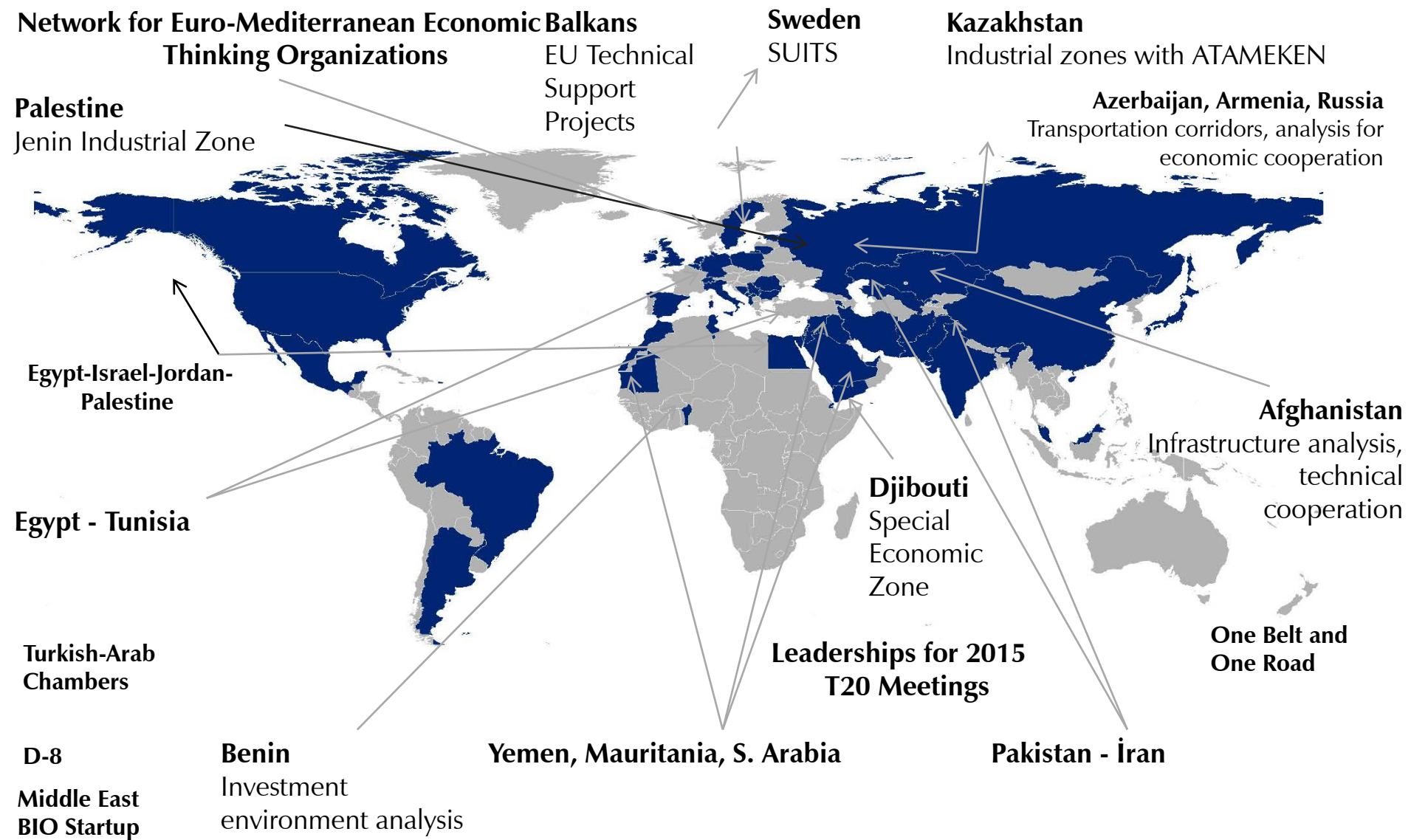
Ayşegül DÜŞÜNDERE

May 31, 2019

What is TEPAV?

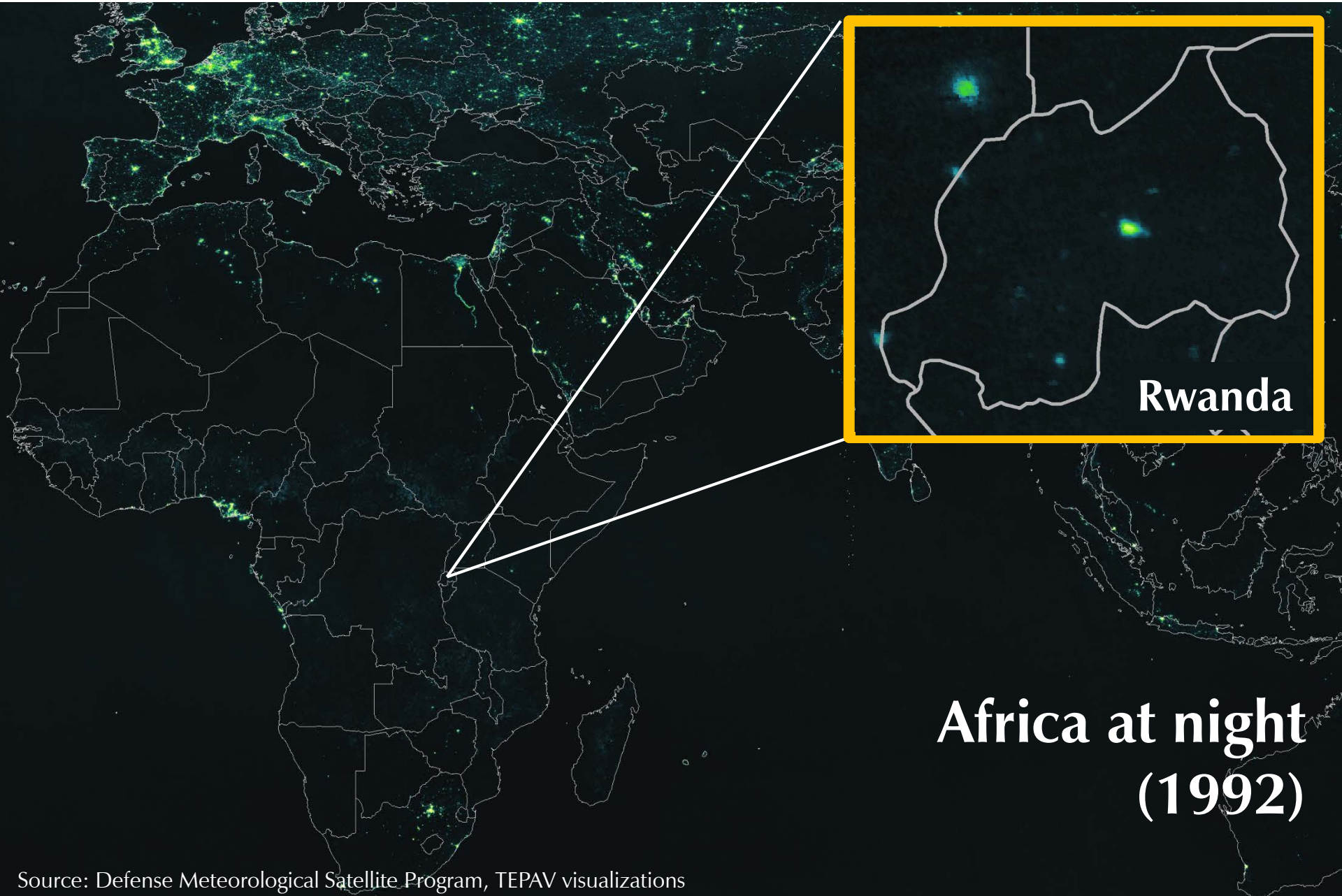
- The Economic Policy Research Foundation of Turkey
 - A private, nonpartisan, nonprofit think tank devoted to independent research and project implementation
- Established in 2004, with the support of the Union of Chambers and Commodity Exchanges of Turkey (TOBB)
 - Funding sources increasingly diversified
- Think-and-do-tank in Ankara
 - Focus on economic policy: Innovation Studies/Area Studies/Cities/Macroeconomic Studies
 - To be cited as a significant reference body with unquestionable academic credibility
 - To participate as an objective reference body rather than taking side in policy debates on the agenda

TEPAV in the world



Framework

- Conflict disrupts development
 - Ending conflict can bring tremendous progress
 - Ending conflict and a unified vision for economic transformation
- Where is Rwanda and Sub-Saharan Africa now?
 - Rwanda as a beacon of rising prosperity in the continent?
 - High growth accompanied with an ongoing urbanization trend with a forward-looking vision
 - Development agenda and the role of China?
- How can Turkey and African countries cooperate?
 - Let's find the complementarities between our nations



**Africa at night
(1992)**



Africa at night (2017)



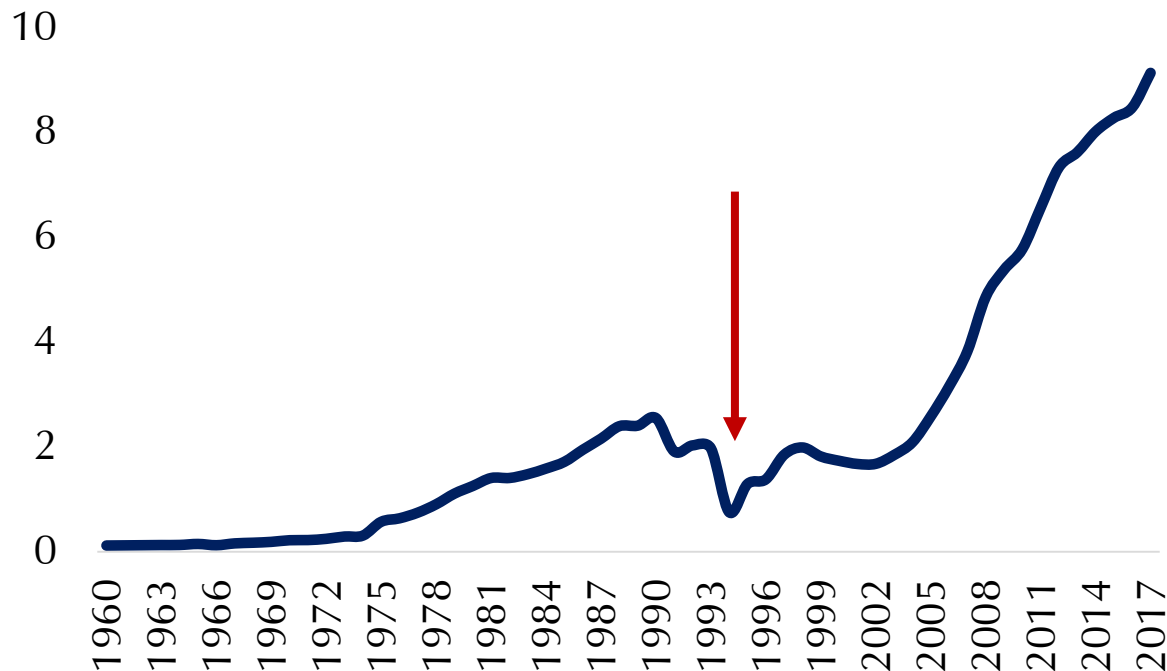
**Rwanda at night
(2017)**

After a dramatic downturn in 1994, economic jumping of Rwanda has escalated in 2000s

It is an inclusive growth: Gini coefficient dropping from 0.52 in 2005 to 0.44 in 2016

GDP of Rwanda, billion USD \$, 1960-2017

- *The Gini index* is a simple measure of the distribution of income across income percentiles in a population.
- A higher Gini index indicates greater inequality, with high income individuals receiving much larger percentages of the total income of the population.

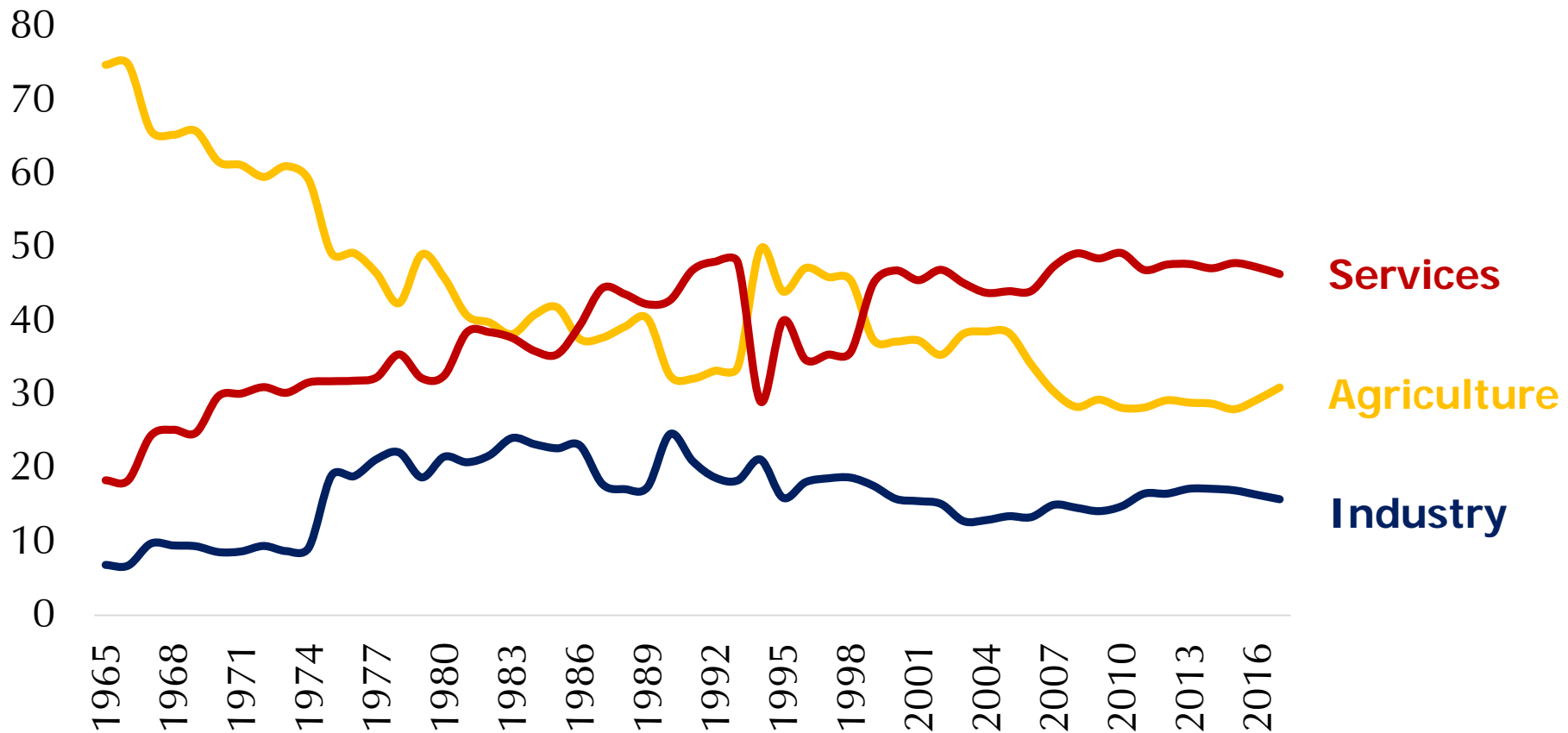


National Strategies of Rwanda

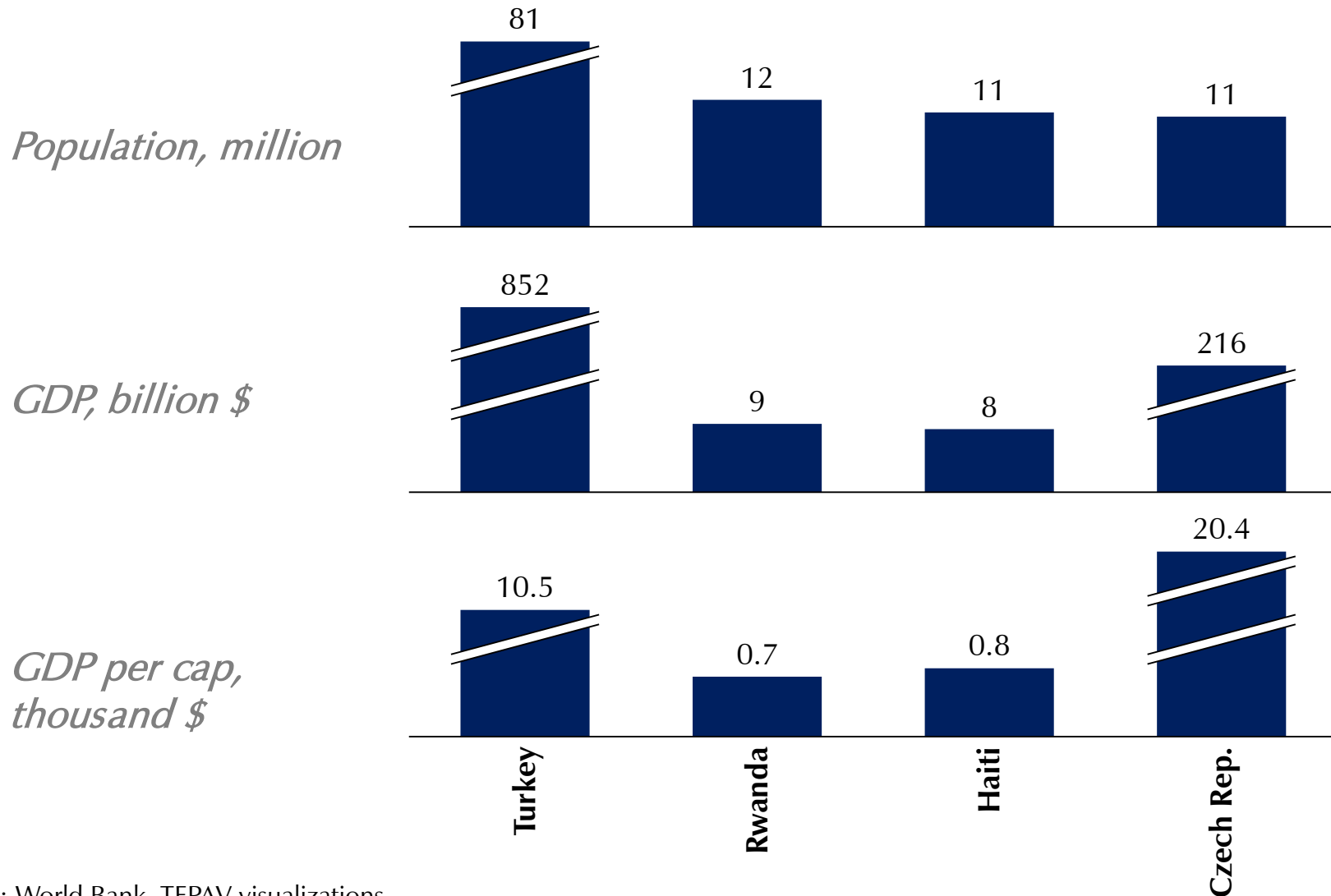
- Vision 2020
- The economic development and poverty reduction strategies (EDPRS I and II)
- The National Export Strategy (NES) II,
- The Private Sector Development Strategy (PSDS)
- The Domestic Market Recapturing Strategy (DMRS)

Services is the leading sector behind the rise in Rwanda's GDP

Percentage of sectors in GDP, Rwanda, billion USD \$, 1965-2017



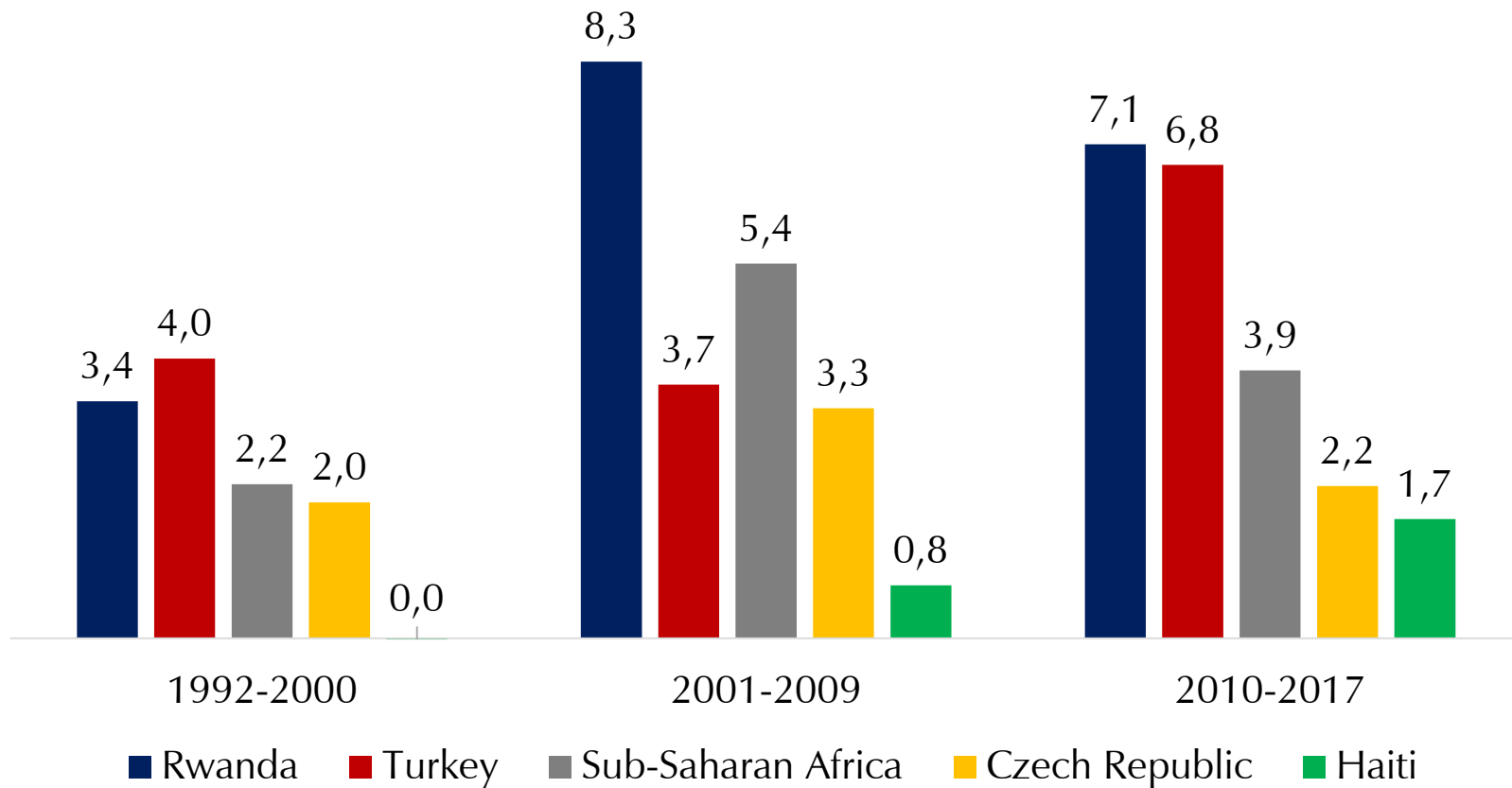
Data for benchmark countries, 2017



Rwanda's growth performance is much better than the region

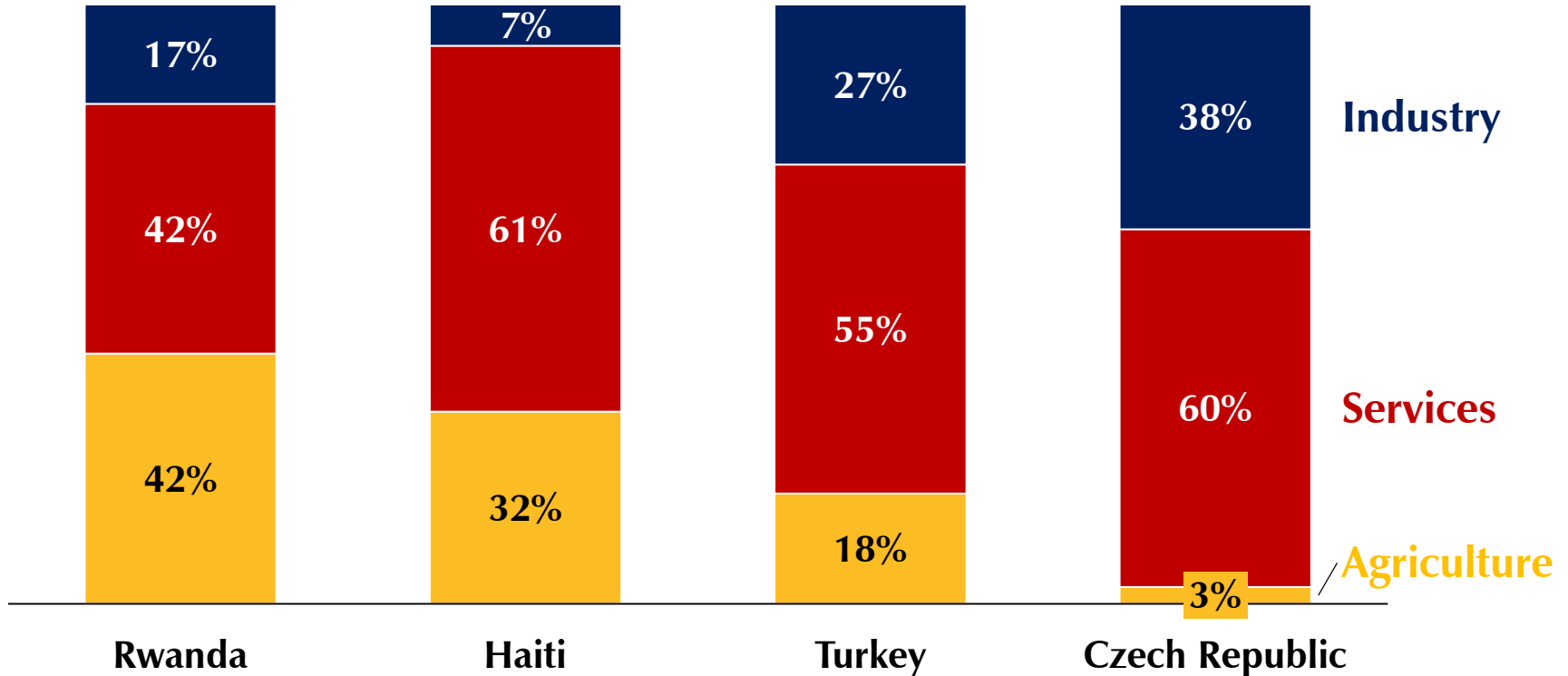
Two stories for benchmark countries considering population Czech Rep.,
population and income level Haiti

Annual average growth rate of GDP, Rwanda and benchmark countries, %, 1992-2017



Still, 42 percent of the labor force is employed in the agriculture sector
Yet this performance cannot be reflected in the GDP

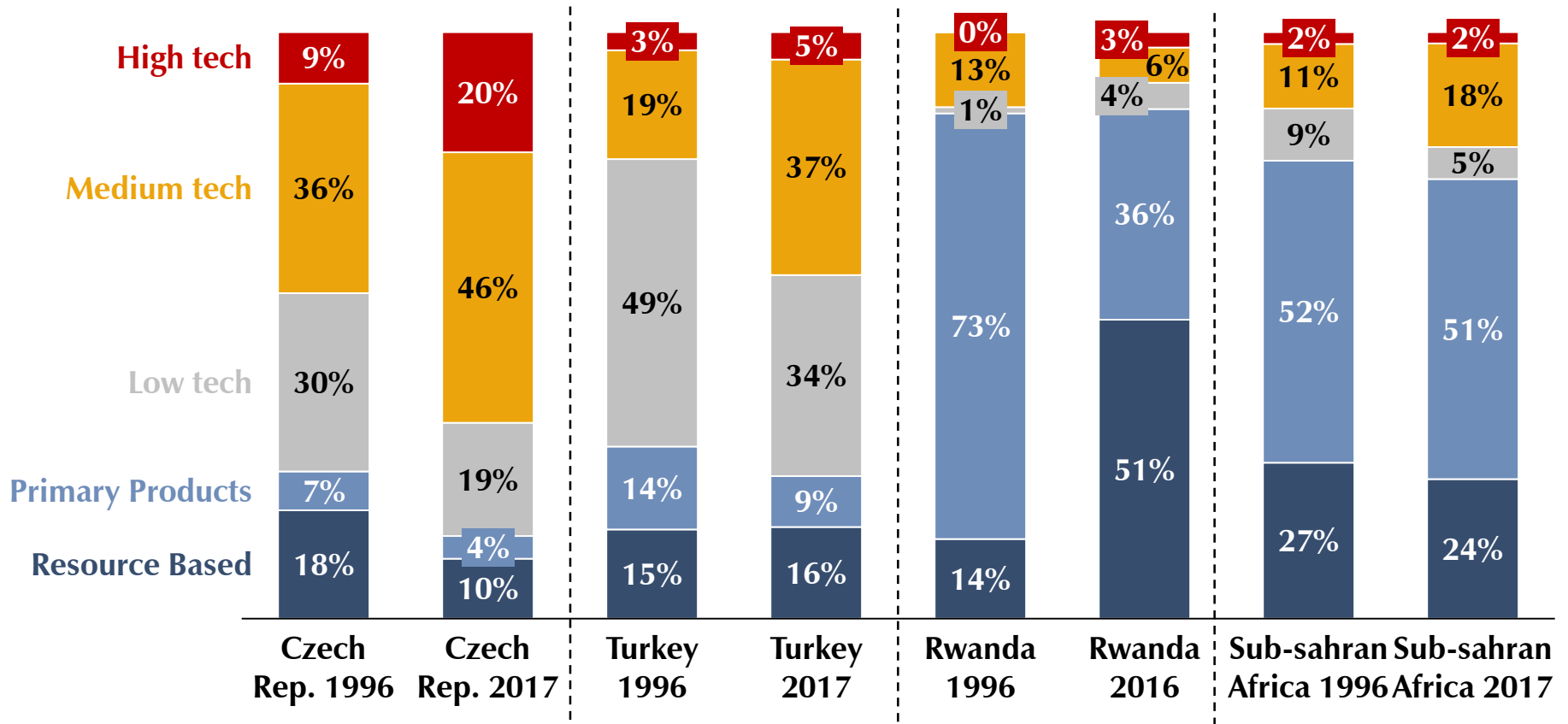
Employment breakdown by sectors, 2018



Source: ILO, TEPAV calculations

Note: Latest available data for Rwanda and Haiti are 2017 and 2012, respectively.

Technology breakdown of exports, 1996-2017



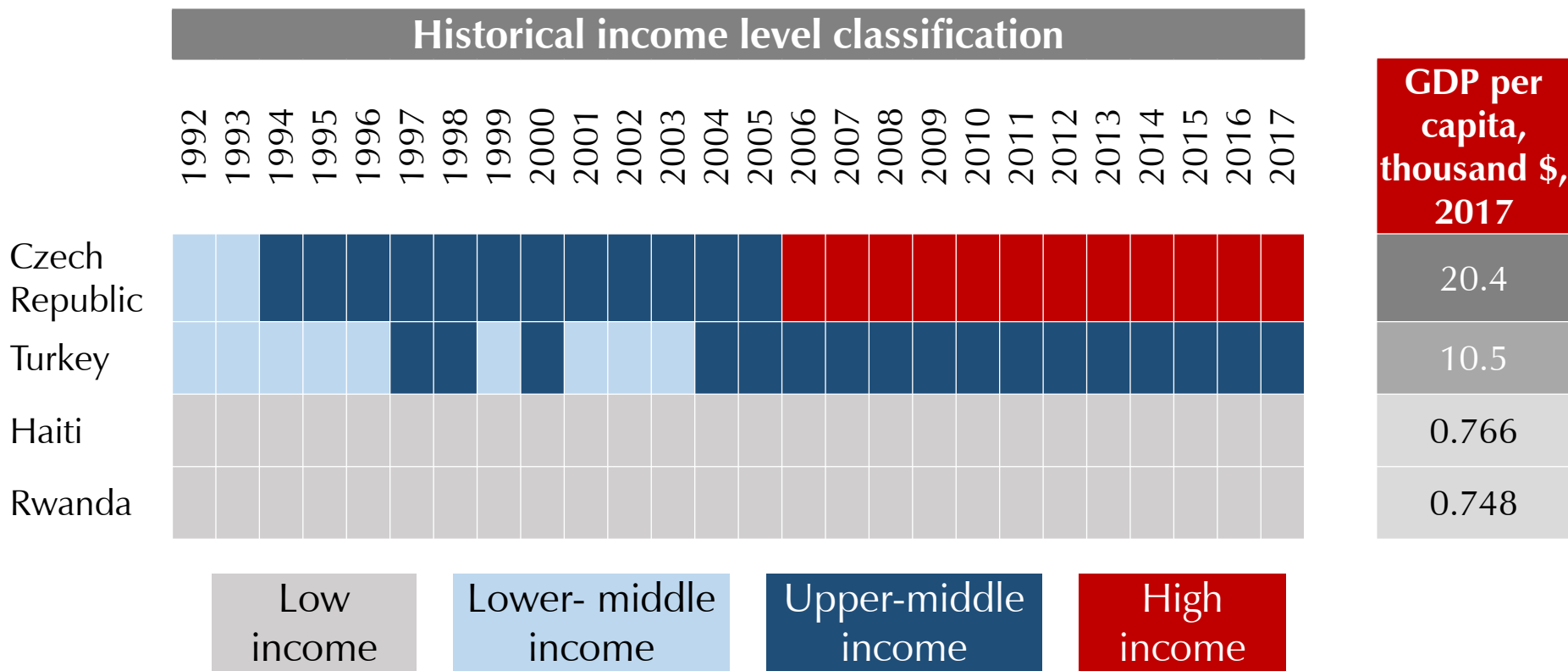
Source: UN Comtrade, Lall (2000), TEPAV calculations

Note: Latest available data for Rwanda is 2016.

Note: For Sub-Saharan African countries, the oldest and latest available data have been used.

Yet, Rwanda has been a lower income country

Income group of Rwanda and benchmark countries over years, 1992-2017



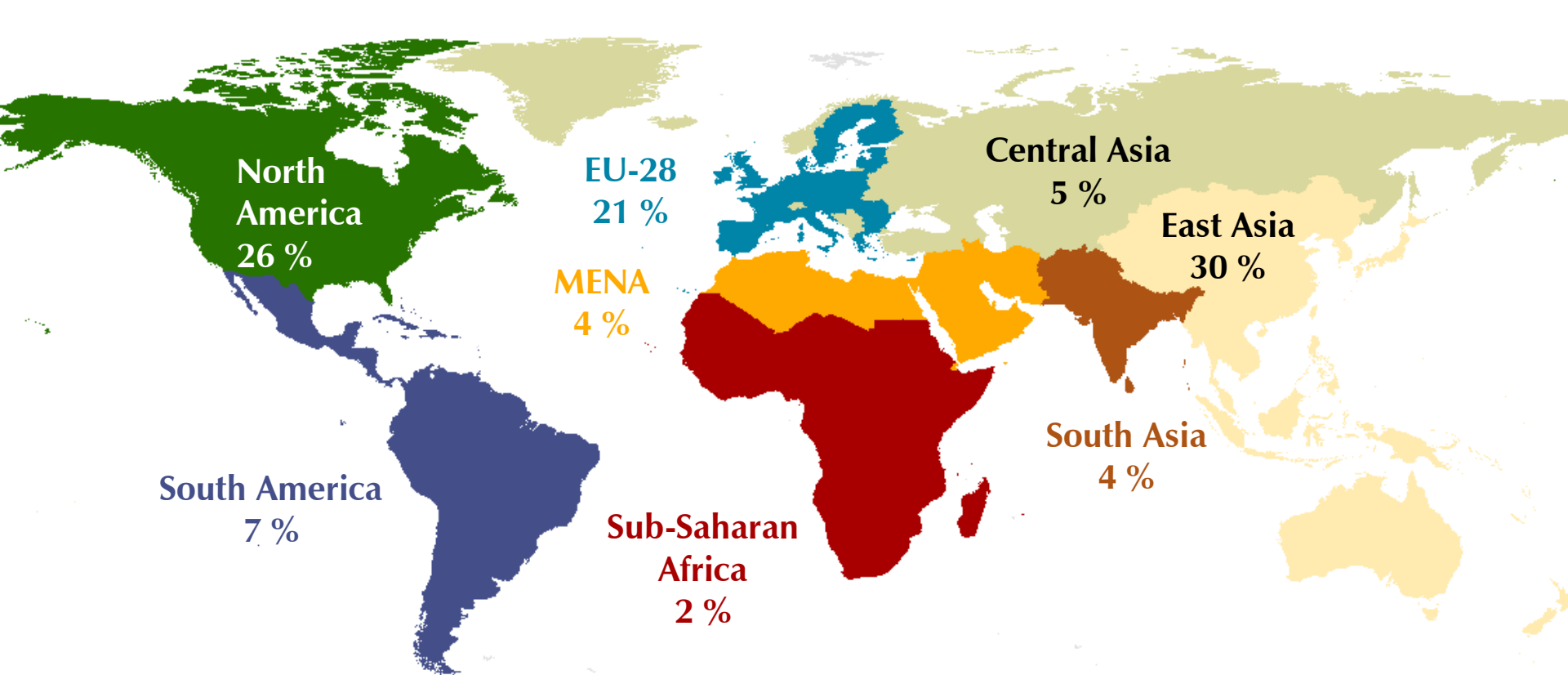
Source: World Bank, TEPAV visualizations

Note: Four income groupings (low, lower-middle, upper-middle, and high) are measured using gross national income (GNI) per capita in USD dollars - converted from local currency using the World Bank Atlas method. Stand-alone GDP per capita statistics are in terms of current USD dollars.

The region is far below its potential

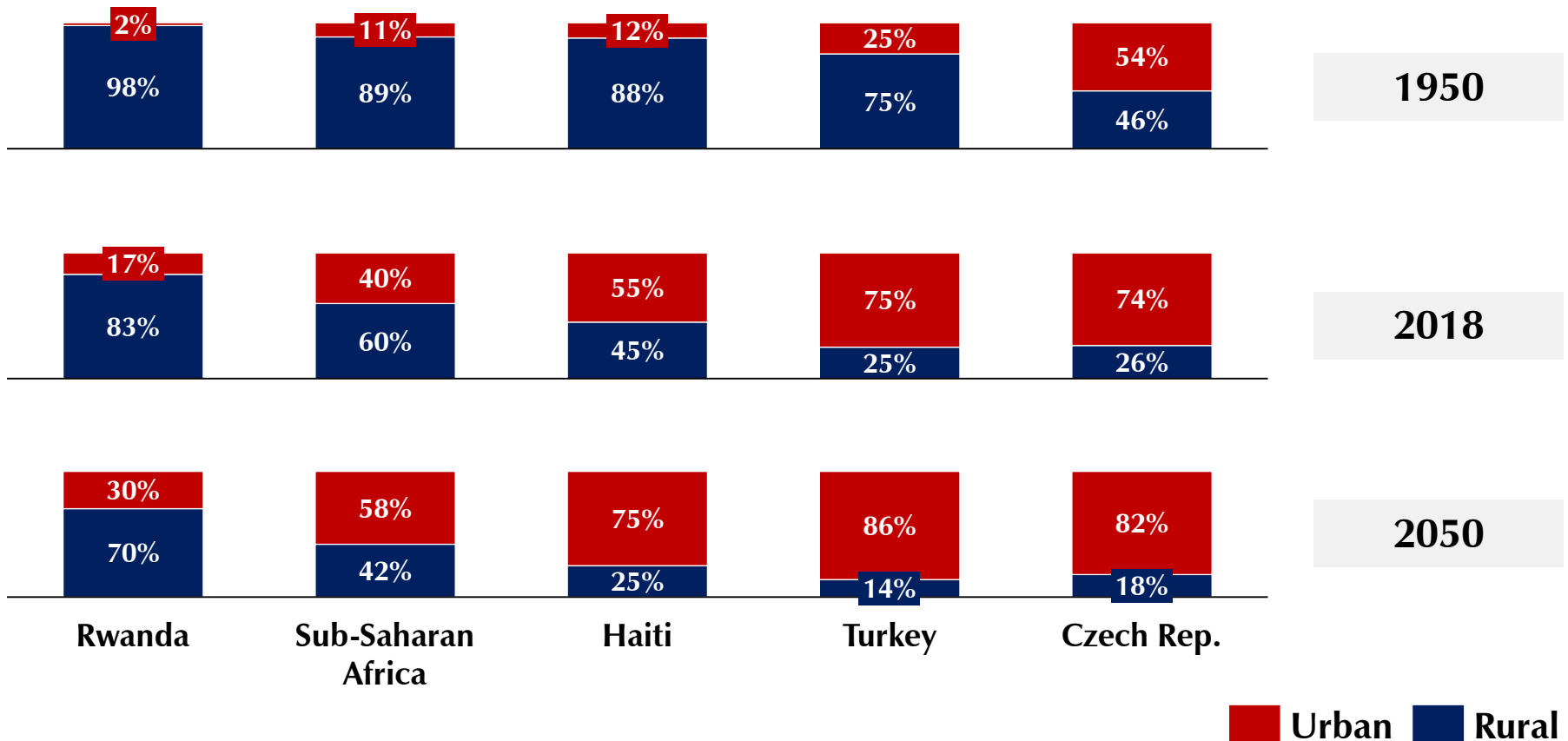
While Sub-Saharan population as % of world population counts 14 percent, GDP as % of world GDP counts 2 percent

GDP as % of world GDP, 2017



The rise in the share of urban areas is substantial

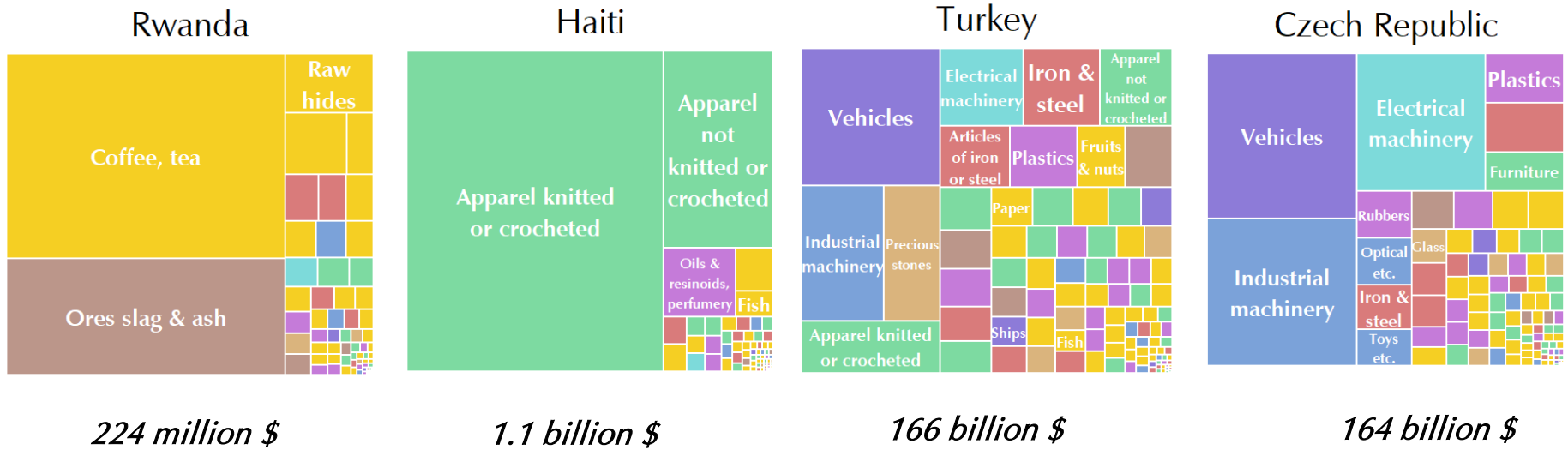
Share of rural and urban population, 1950-2018-2050



Source: UN World Urbanization Prospects 2018, TEPAV visualizations

Low-level exports with a high concentration

Export breakdown of benchmark countries, 2017



Top 3 export partners of Rwanda count almost half of the of its total exports and imports

Top ten export and import partners of Rwanda, 2017

Export

Rank	Partner	Volume, million \$	Share in total export, %
1	USA	43.1	19.3
2	Pakistan	34.0	15.2
3	China	28.8	12.9
4	Kenya	15.7	7.0
5	Malaysia	14.4	6.4
6	UK	13.0	5.8
7	Uganda	9.4	4.2
8	Germany	7.6	3.4
9	Belg.-Lux.	7.0	3.1
10	Burundi	6.5	2.9
40	Turkey	0.1	0.1

Rwanda's rank is 146/205 among Turkey's export partners

Import

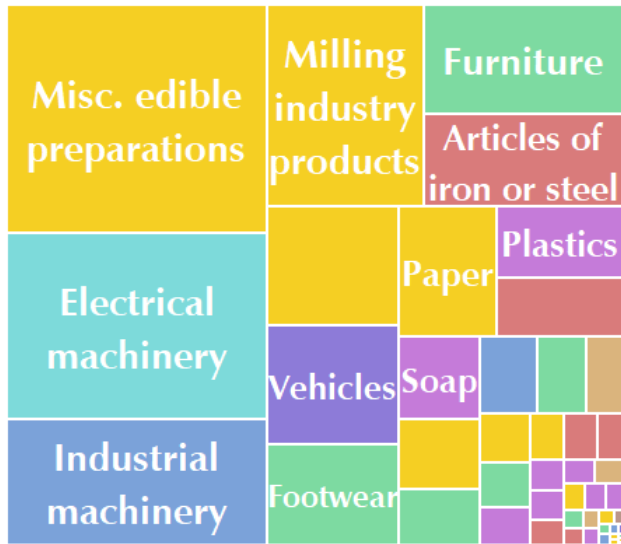
Rank	Partner	Volume, million \$	Share in total import, %
1	Uganda	171.1	15.4
2	Kenya	165.4	14.8
3	China	127.8	11.5
4	India	89.0	8.0
5	S. Korea	71.4	6.4
6	Belg.-Lux.	60.2	5.4
7	Tanzania	57.1	5.1
8	Germany	44.6	4.0
9	Hong-Kong	41.0	3.7
10	Zambia	33.7	3.0
13	Turkey	21.3	1.9

Rwanda's rank is 173/201 among Turkey's import partners

Limited amount of exports with a diversified export linkage

Export breakdown of bilateral trade between Turkey and Rwanda, 2017

Turkey's exports to Rwanda



21 million \$

Rwanda's exports to Turkey



122 K \$

Vegetables, food, wood

Minerals

Chemicals and plastics

Machinery

Other



Textiles and furniture

Stone and glass

Metals

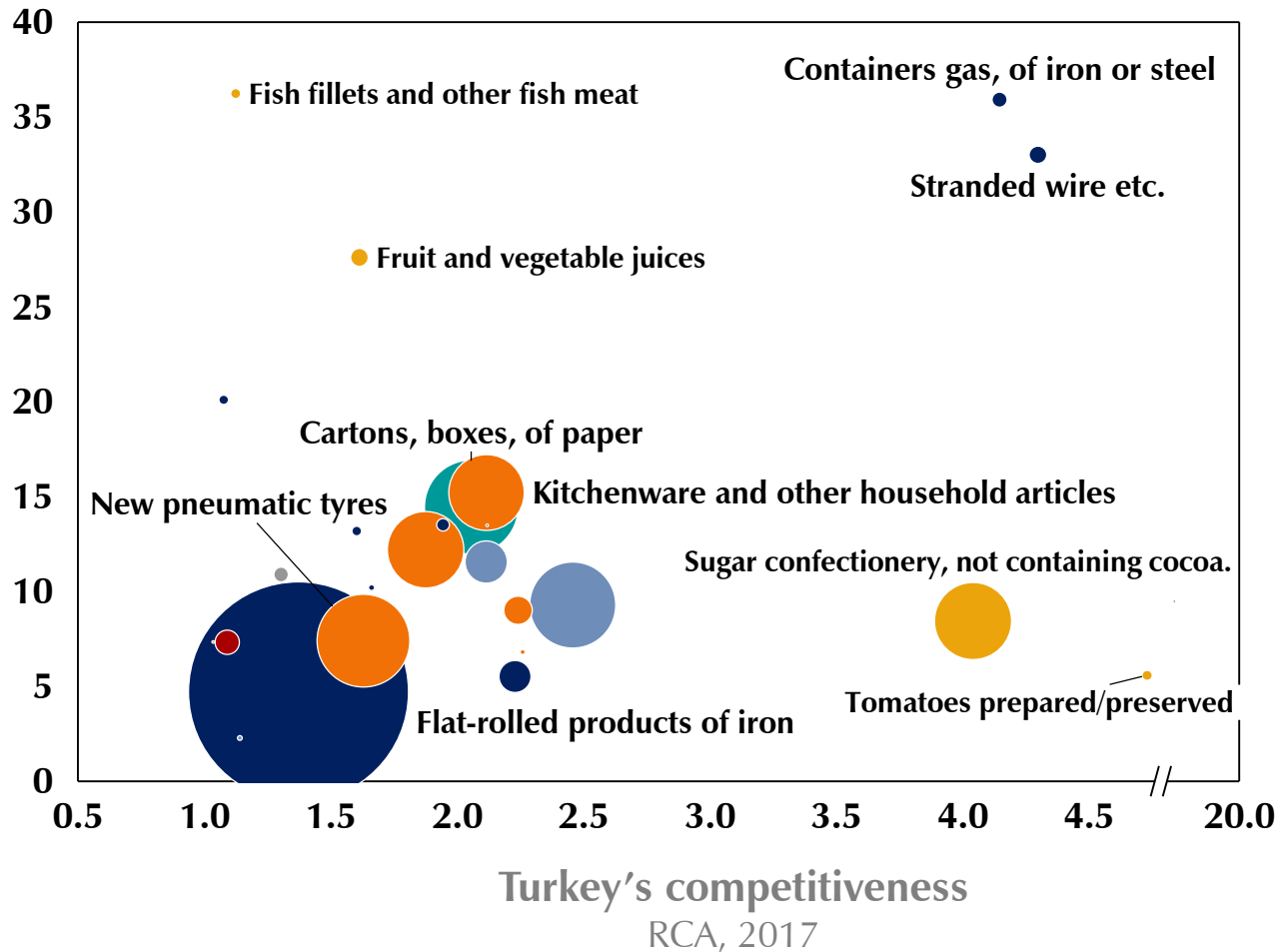
Vehicles

Electronics

It is possible to find our complementarities by analyzing our strengths

Growth rate of Rwanda's import

CAGR, %, 2007-2017



Bubble sizes represent Rwanda's import volume, 2017



Major sectors breakdown

- Food
- Chemicals
- Plastics
- Wood
- Metals
- Machinery, electronics
- Instruments, furniture, others

An investment linkage is already there

Africa's share in total Chinese investments is 20 percent but the share of Rwanda in Chinese investments to Africa is 0.03 percent.

FDI inflows into Rwanda, billion USD \$, cumulative, 2003-2019 March

Sectors

	FDI inflows, billion \$
Coal, Oil and Natural Gas	3.45
Real Estate	1.00
Communications	0.56
Financial Services	0.47
Hotels & Tourism	0.40
Chemicals	0.32
Metals	0.29
Alternative/Renewable Energy	0.21
Building & Construction Materials	0.17
Food & Tobacco	0.16
Total	7.63

Countries

	FDI inflows, billion \$
Kenya	2.03
Turkey	1.51
Finland	0.86
UK	0.43
Tunisia	0.32
UAE	0.32
South Africa	0.26
Uganda	0.25
Morocco	0.24
India	0.22

Global Competitiveness Index, G-20 and Rwanda, rankings, 2017

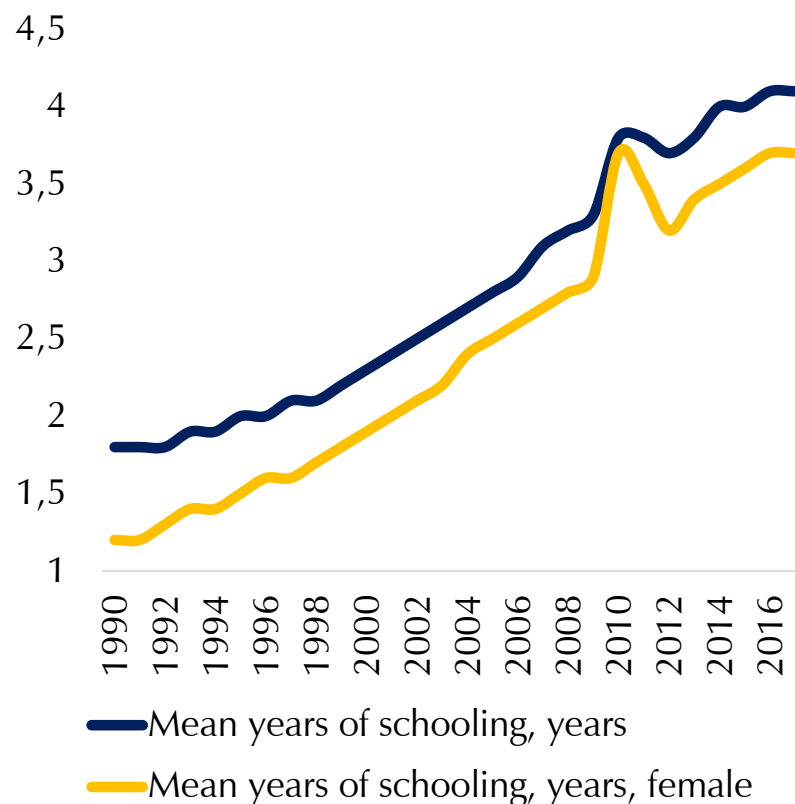
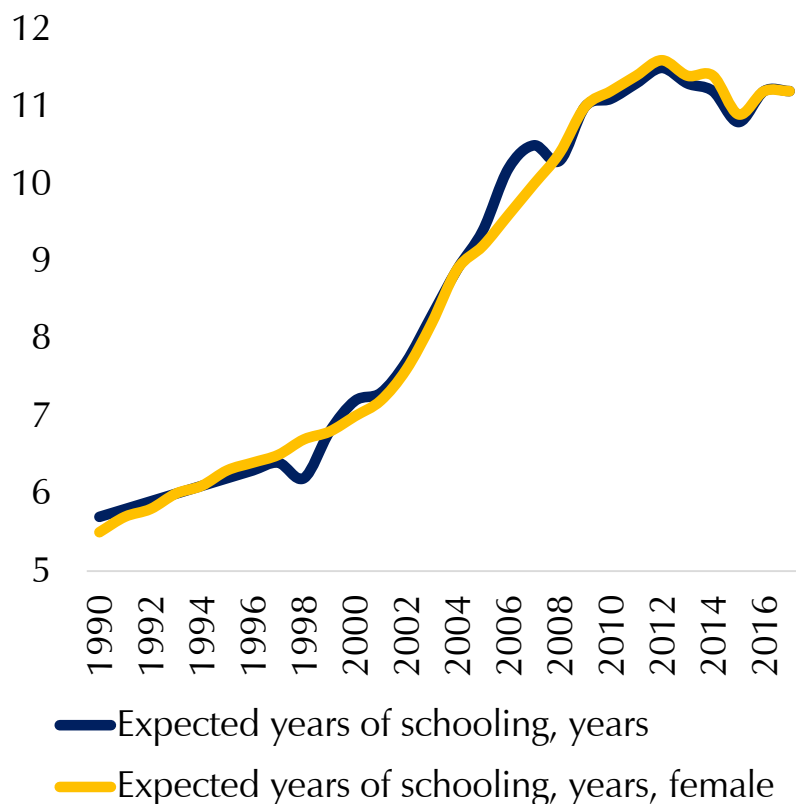
	Overall	Institutions	Infrastructure	Macro-economic environment	Health and primary education	Higher education and training	Goods market efficiency	Labor market efficiency	Financial market development	Techno. readiness	Market size	Business sophist.	Innovation
Rwanda	58	16	98	92	98	113	37	8	34	101	123	61	44
US	2	20	9	83	29	3	7	3	2	6	2	2	2
Germany	5	21	10	12	13	15	11	14	12	8	5	5	5
UK	8	12	11	68	17	20	10	6	13	4	7	7	12
Japan	9	17	4	93	7	23	13	22	20	15	4	3	8
Canada	14	15	16	47	8	13	18	7	7	23	16	23	23
Australia	21	18	28	27	12	9	28	28	6	27	22	28	27
France	22	31	7	63	24	22	36	56	33	21	8	16	17
S. Korea	26	58	8	2	28	25	24	73	74	29	13	26	18
China	27	41	46	17	40	47	46	38	48	73	1	33	28
S. Arabia	30	26	29	58	51	43	42	80	56	44	15	34	40
Indonesia	36	47	52	26	94	64	43	96	37	80	9	32	31
Russia	38	83	35	53	54	32	80	60	107	57	6	71	49
India	40	39	66	80	91	75	56	75	42	107	3	39	29
Italy	43	95	27	96	25	41	60	116	126	41	12	25	34
Mexico	51	123	62	43	76	80	70	105	36	71	11	49	56
Turkey	53	71	53	50	84	48	53	127	80	62	14	67	69
S. Africa	61	76	61	82	121	85	54	93	44	54	30	37	39
Brazil	80	109	73	124	96	79	122	114	92	55	10	56	85
Argentina	92	113	81	125	64	38	133	132	121	66	32	78	72

(Out of 137 countries)

 Better performance than Rwanda

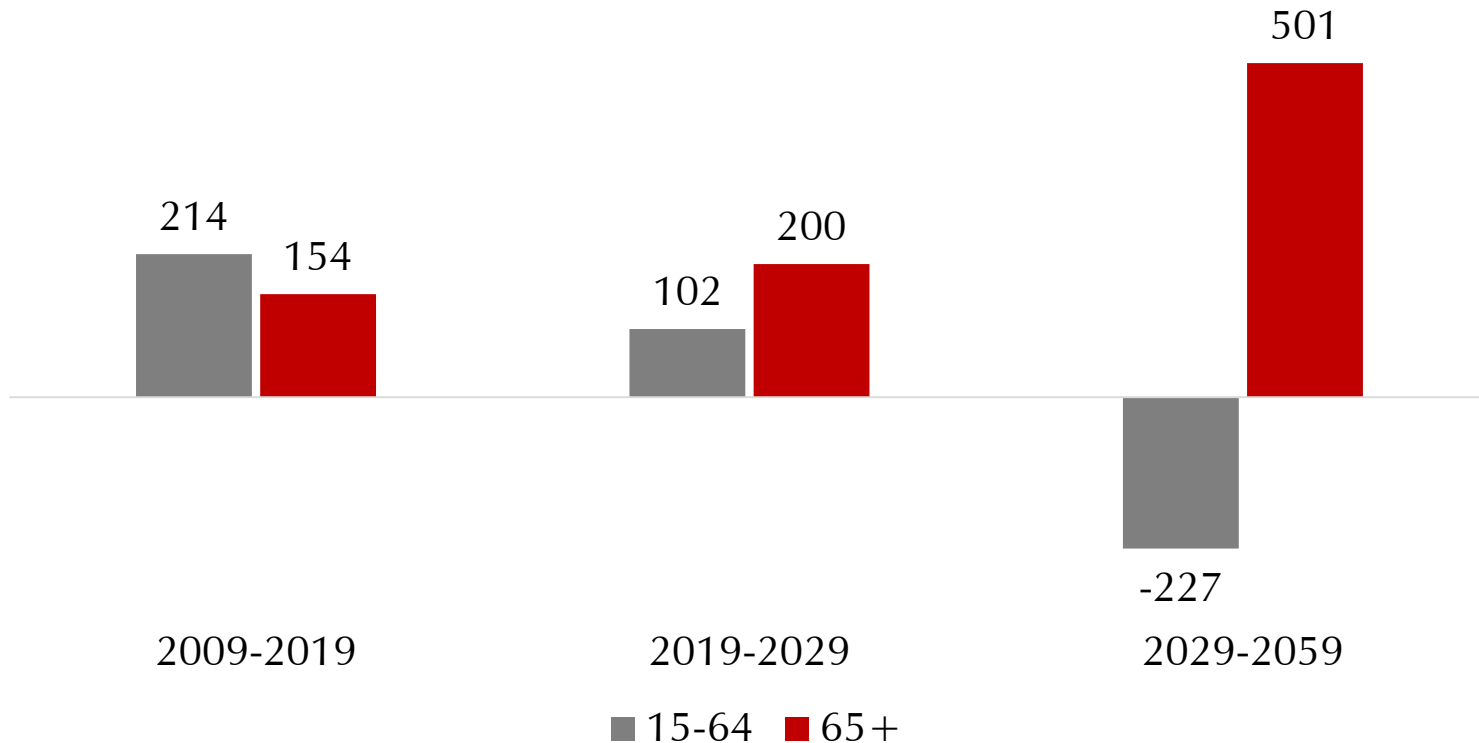
 Worse performance than Rwanda

Significant developments in schooling data



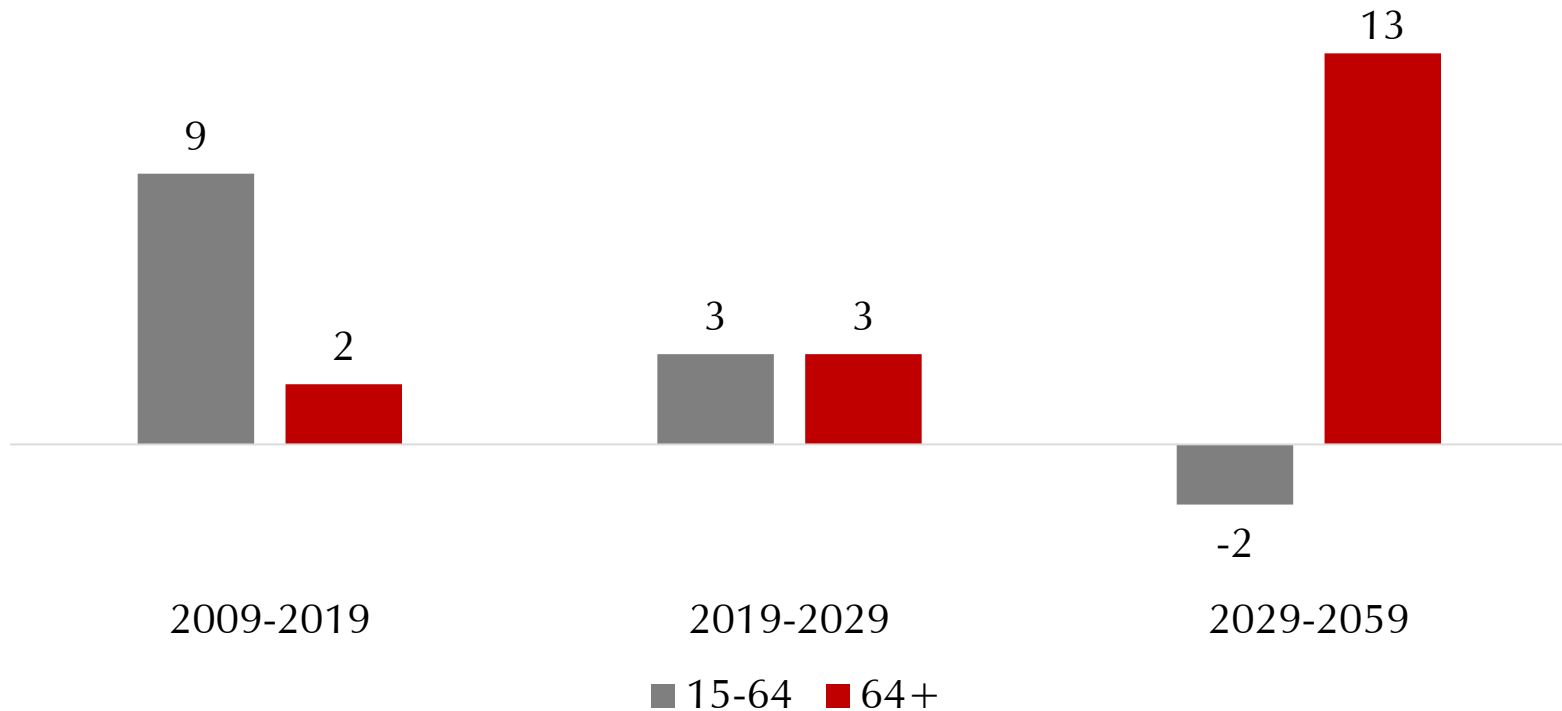
While the developed ones are getting older...

Change in population in G-20 countries, million people



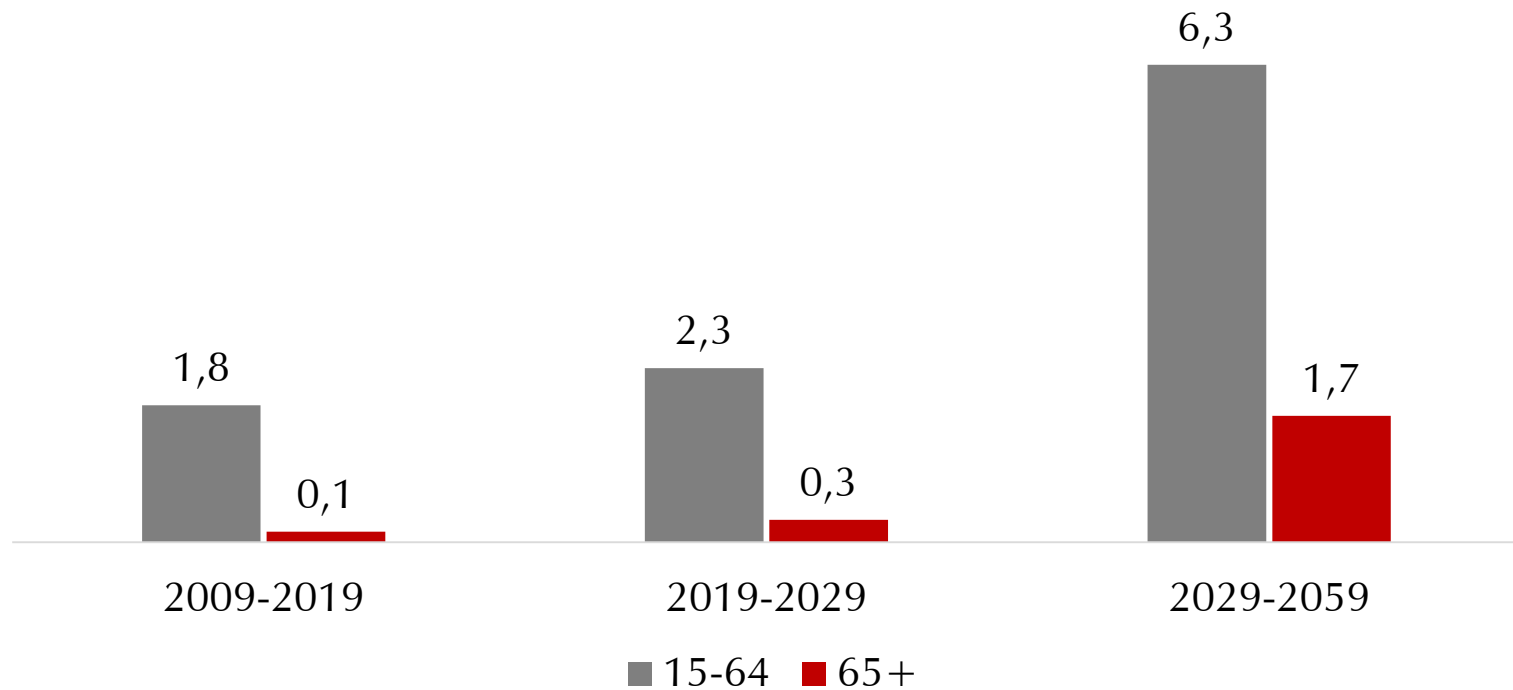
Maybe in a longer term but the same aging trend in Turkey

Change in population in Turkey, million people



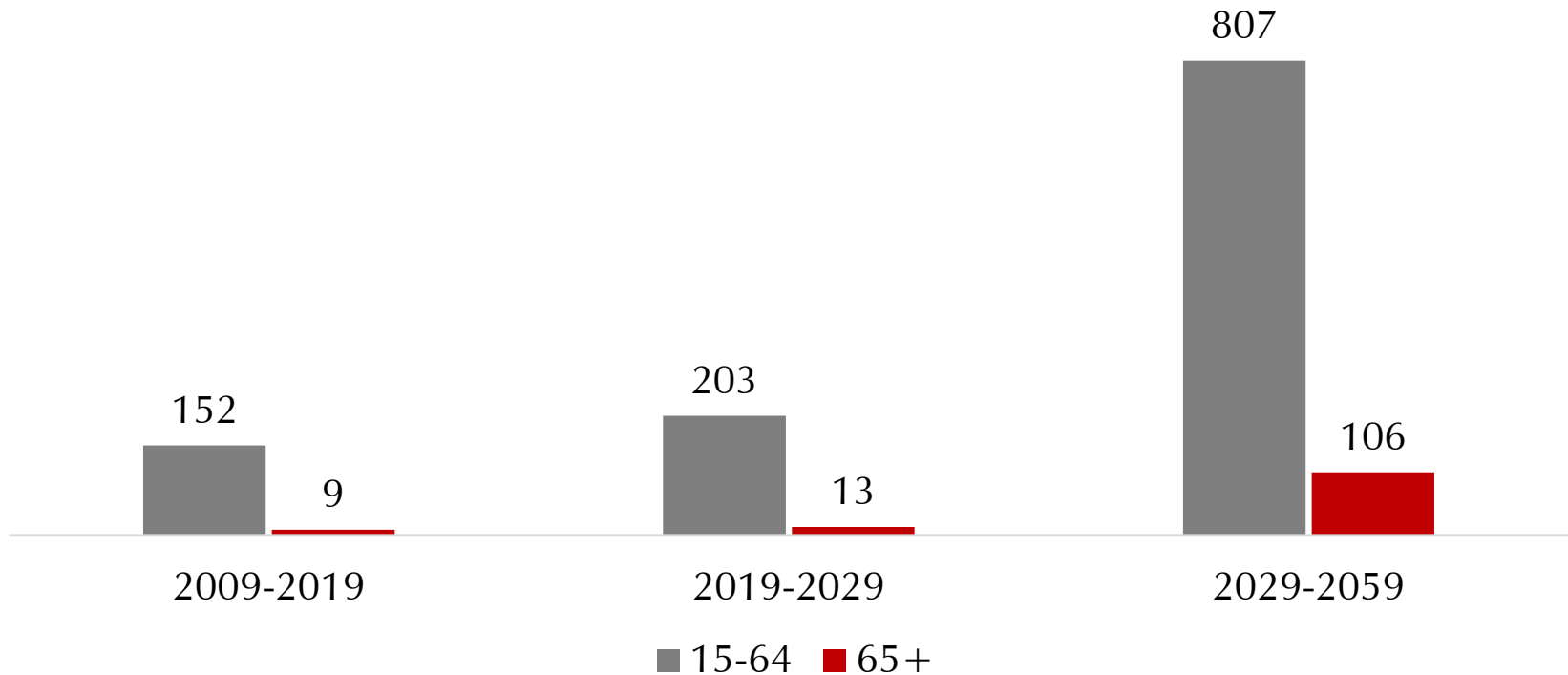
Rwanda has an opportunity

Change in population in Rwanda, million people



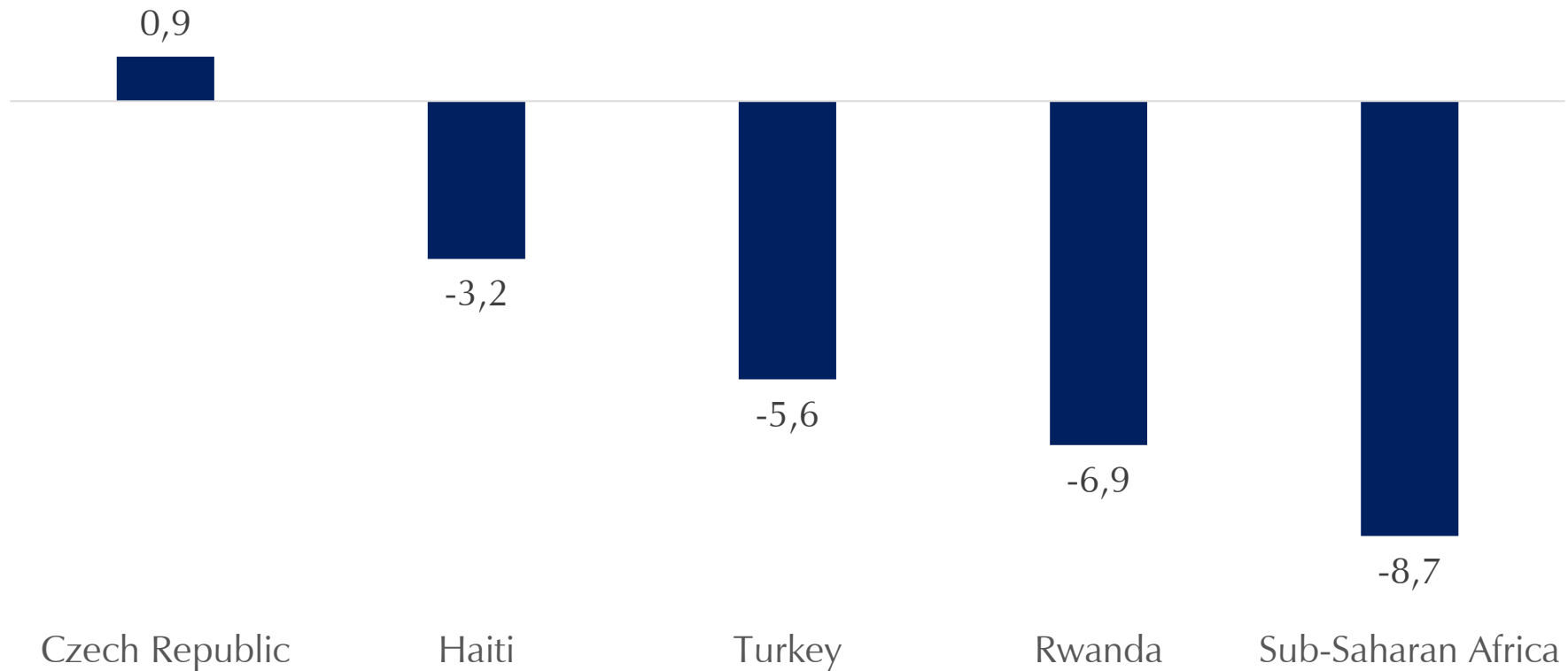
Sub-Saharan Africa has an opportunity

Change in population in Sub-Saharan Africa, million people



Current account deficit is critical problem for Rwanda: Private sector development

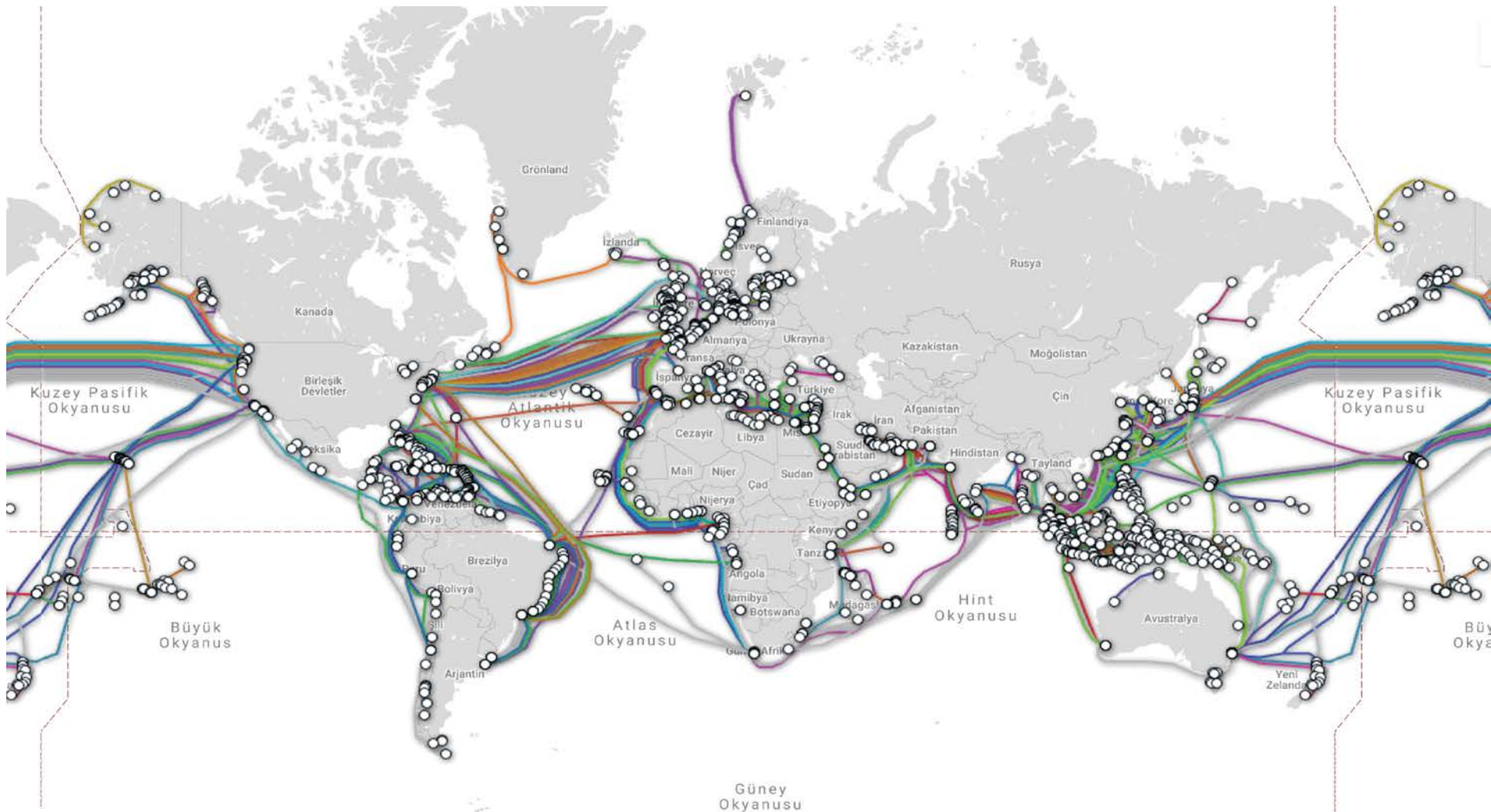
Current account balance as % of GDP, 2017



Source: World Bank, TEPAV visualizations

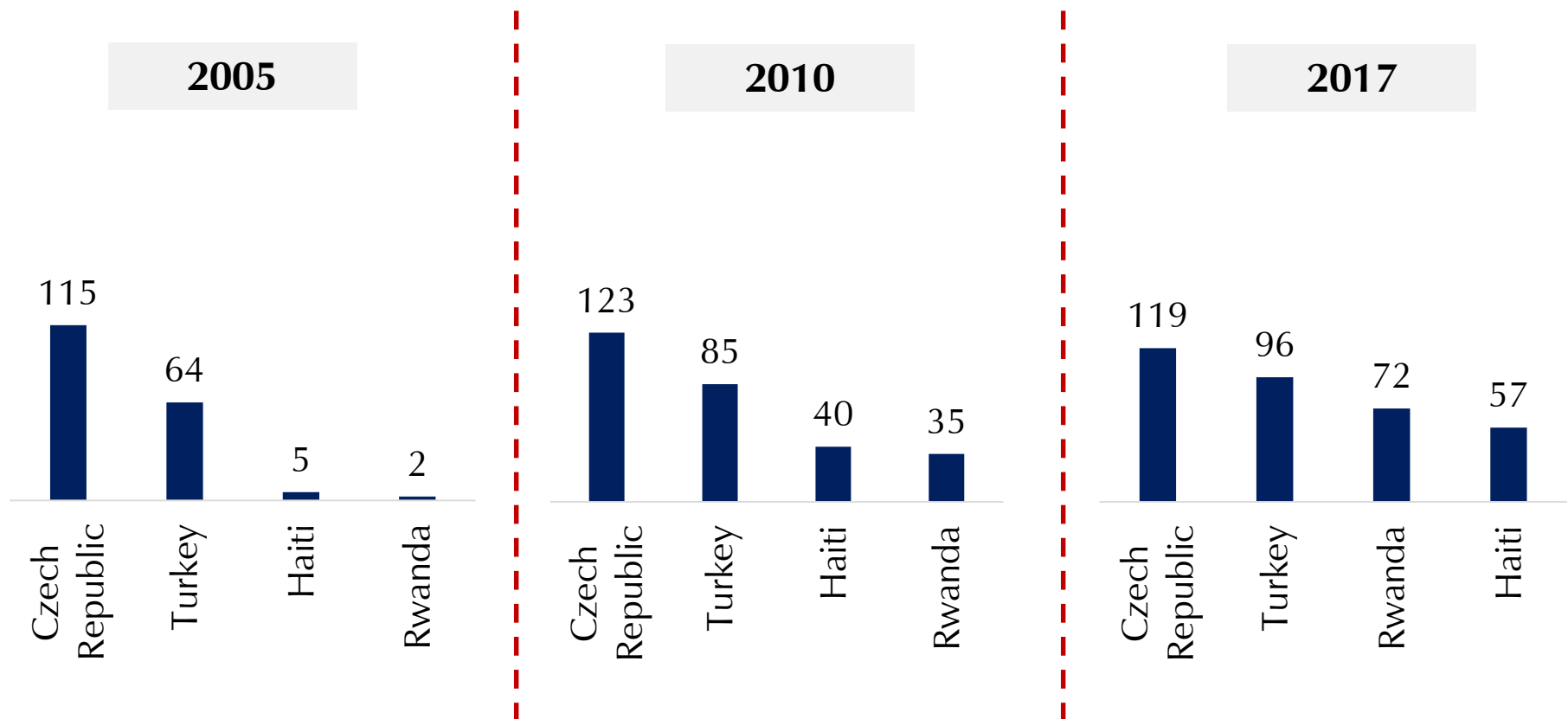
Note: Data for Sub-Saharan Africa was calculated as the average of whole Sub-Saharan countries except E. Guinea, Eritrea, Gabon, Somalia, C.A. Republic, Chad and Comoros. Latest available data for S. Sudan, Congo Rep., Core d'Ivoire, Sao Tome and Principe and Swaziland is 2016.

Strategic importance of the region: how undersea cables move internet traffic around the world



Ongoing digitalization is there

Mobile-cellular telephone subscriptions per 100 inhabitants, 2005, 2010 and 2017



5 points development agenda

- Ending conflict can bring tremendous progress
- Investment in human capital
- Good governance
- Inclusiveness
- Having a credible vision for a brighter future and set a strategy to achieve it

How Turkey can contribute?

- Turkey has transformed itself to a high middle income industrial country
 - Opening up made TR richer
- Turkish economic transformation is an ongoing process that still continues
 - Capacity building in the 1930s
 - Market reforms in the 1980s
 - Customs Union in 1996
- Turkey has a rich development policy experience to share
 - TR has just passed the same route, more relevant experience
 - TR business people already active in the continent
 - Contractors, commerce and investments

Conclusions

- How you are ending your conflict matters
 - ➔ Divided society is not good for a strong development agenda
- An inclusive domestic development plan is a strong positive
 - ➔ Vision 2020 document to transform Rwanda from low income to middle income status as a guideline
 - ➔ Accountable governance is one key concept
 - Despite huge needs for development finance, why not much private finance in Africa?
- Rwanda looks like a bright example for African transformation
 - ➔ Africa is future for all