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Centralising rents and dispersing power while pursuing development? Exploring the strategic uses of military firms in Rwanda

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ABSTRACT
The Rwandan Patriotic Front has achieved significant economic progress while also maintaining political stability. However, frictions among ruling elites have threatened progress. This paper explores the use of military firms in Rwanda. Such firms are used to invest in strategic industries, but the use of such firms reflects the vulnerability faced by ruling elites. Military firms serve two related purposes. First, ruling elites use such firms to centralise rents and invest in strategic sectors. Second, the proliferation of such enterprises and the separation of party- and military-owned firms contribute to dispersing power within a centralised hierarchy.

[Rentes centralisées et pouvoir diffus tout en poursuivant le développement ? Examiner les utilisations stratégiques des entreprises militaires au Rwanda.] Le front patriotique rwandais a accompli d'importants progrès économiques tout en maintenant une stabilité politique. Cependant, les frictions parmi les élites au pouvoir ont menacé ces progrès. Cet article examine l'utilisation des entreprises militaires au Rwanda. De telles entreprises sont utilisées pour investir dans des industries stratégiques, mais l'utilisation de telles firmes reflète la vulnérabilité à laquelle font face les élites au pouvoir. Les entreprises militaires servent deux objectifs liés. Premièrement, les élites au pouvoir utilisent de telles entreprises pour centraliser les rentes et investir dans des secteurs stratégiques. Deuxièmement, la prolifération de telles entreprises et la séparation d'entreprises appartenant aux partis et aux militaires contribuent à la dispersion du pouvoir au sein d'une hiérarchie centralisée.

KEYWORDS
Rwanda; political economy; RPF; military; elites; firms

MOTS-CLÉS
Rwanda ; économie politique ; FPR ; militaire ; élites ; entreprises

Introduction

The potential of violence within armies has repeatedly posed a threat to ruling elites across late developing countries around the world and on the African continent. A wide range of literature has explored the high incidence of military coups in African countries (Decalo 1973, Jenkins and Kposowa 1990, McGowan 2003). One recent study (Souaré 2012) found that 82 successful coups have occurred on the continent between 1952 and 2012. State-making processes rarely occur without extreme coercion and violence (Giustozzi 2011).

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Ruling elites use coercion and violence among other members of their coalition and also against rival coalitions. Antonio Giustozzi argues that retaining control over the 'monopoly of violence' is 'the ultimate claim to power' (2011, 15). Such control includes two very different processes. The first is the primitive accumulation of coercive power, which is often characterised by untamed, indiscriminate violence. Such violence tends to characterise the initial establishment of the monopoly. The second process is the consolidation of the monopoly of large-scale violence. The authority of elites who control the monopoly is threatened at various stages by rivals within and outside the ruling elite. The second process is continuous and is present in most countries that develop some degree of political stability.

This paper explores one strategy used by the Rwandan Patriotic Front (RPF) to counter challenges to its authority while it consolidates its monopoly of violence. It argues that the choice to establish increasing numbers of military-owned enterprises serves important functions. The first is the centralisation of rents within military-owned enterprises. When national political parties (or militaries) are able to develop centralised patronage systems, it may reduce the possibility of political contests around narrow regional or ethnic lines (Putzel and Di John 2012). However, the centralisation of rents in such institutions can also be a source of threat from individuals who are excluded from receiving such rents or those who wish to challenge existing hierarchies. Using military investment groups as leading economic actors contributes to strengthening the position of the Rwandan Defence Force (RDF) in society. The military is also charged with the dual responsibility of countering external security threats and addressing strategic economic concerns. Ruling elites prioritise the primacy of the military and directly link security to securing economic development as a way to contain the potential of violence within the military. This occurs in an environment where party and military cadreship is being regenerated while senior military officials (and potential rivals) are excluded from power. The increasing number of military investment groups and the separation of party and military investment groups signal the dispersal of rents within a centralised hierarchy.[1] It highlights the vulnerability faced by ruling elites and their reluctance to empower organisations where individuals may establish networks to threaten existing hierarchies. The use of the RDF in the economy by dispersing power through several companies is a strategy used by ruling elites to maintain political stability.

Today's RDF is a highly professionalised army, whose composition and roles have transformed over time. Former adversaries, including 35,000 former Rwandan Armed Forces (FAR) soldiers, have been reintegrated into the army (Wilen 2012). Numbers of female military personnel have also increased steadily. In 2014, there were 633 female officers, compared to 241 in 2004 (Holmes 2014). The RDF's role is not restricted to defending the country from external threats. In 2014, Rwanda was the sixth largest contributor of uniformed personnel to United Nations peacekeeping operations (Jowell 2014). The RDF is also directly involved in community activities through monthly *umuganda* (collective community work) across the country (Beswick 2014). Military officials also consider the RDF to be directly responsible for addressing urgent socio-economic needs of the population (Interviews with four senior RDF officials in March 2012, April 2012 and May 2013).

Military-owned firms often occupy a prominent role in economies. Militaries wield influence in the economy and in determining policy choices made by governments in pushing certain sectors over others. Their influence has been analysed by those writing about the Military–Industrial Complex in Western countries, including the United States and Great Britain (Baack and Ray 1985, Epstein 2013). In late developing countries, the military's prominence in the economy seems 'natural' because of its obvious proximity to power. Siddiqa (2007) explores how the Pakistani military and individual military officers exerted control over the economy for decades. She also highlights that such influence is common among many countries including Myanmar, Turkey, China, Cuba, Syria and Iran. In China, the People's Liberation Army (PLA) operated a number of firms, which were involved in a variety of sectors including food production, equipment repair, transport and mining sectors. In other Asian, African and Latin American countries, militaries created their own industrial and trade enterprises, often with the compelled need to provide jobs for ex-soldiers and to have independent funds under the army's control (Bienen and Waterbury 1989).

Military-owned companies have a direct relationship with the state but often have a responsibility to increase military assets. Such companies are often used to consolidate rents for a group of elites or certain powerful individuals, as in the case of Pakistan. Sometimes, disciplining such firms can be very difficult. The Chinese government experienced difficulties of this nature with the PLA. Joffe (1995, 37) found that 'corruption was notorious [in China] and armed forces developed special economic interests independent of state interests.' While empowering military firms, it is also essential for ruling elites to retain disciplinary authority over such firms in case rival elites use their access to rents to challenge existing hierarchies.

By concentrating on the use of 'new' military-owned investment groups (Agro-Processing Industries and Ngali Holdings) that have not been identified in the existing scholarship on Rwanda, this essay makes an intervention in the existing debate regarding the use of these companies. The existing scholarship (Booth and Golooba-Mutebi 2012; Gökgür 2012) has portrayed Rwandan elites as unified and acting through consensus. However, Booth and Golooba-Mutebi (2012) argue that elites act to commit resources for national development goals, while Gökgür (2012) argues that these enterprises are used by elites for self-enrichment. This paper stresses the importance of friction between elites in determining the government's choice to use such enterprises. The dispersal of rents through the proliferation of such companies gives ruling elites a supervisory authority while ensuring that leading functionaries in these companies work in line with strategic priorities. Military-owned investment groups were created primarily as a response to the difficulty of finding funds (to pay soldiers or to invest in certain sectors). Although corruption has occurred in military-owned enterprises, individuals were disciplined. This is in direct contrast to military corruption in Uganda, highlighted by Tangri and Mwenda (2003). Ruling elites retain the capacity to discipline these enterprises, allowing state pressure to counter the concentration of power among individual economic elites. Using the RDF as economic actors indicates the reluctance of ruling elites to empower other individuals but also signals their desire to retain the loyalty of the military hierarchy. This helps ruling elites contain the violent threat posed by the military while simultaneously excluding senior figures and regenerating party and military cadreship.

This essay begins by highlighting the frictions that have emerged between leading RPF figures. It then details the existing debate about Rwandan investment groups and provides a brief description of such companies. The next section details the new military-owned enterprises and describes the significance of the proliferation of such enterprises. The paper ends with some concluding thoughts about the findings presented.

Research for this article comprised part of the author's PhD research. It is based on various periods of fieldwork undertaken between October 2011 and January 2015 in Rwanda. During this time, 458 interviews were conducted with military officials, government officials, private sector representatives, donors, journalists, relevant experts and local Rwandans.

Consolidating the monopoly of violence

Arguably till 2000, what Giustozzi (2011) describes as the first phase of the 'primitive accumulation of violence' was still taking place in Rwanda. During this period, the RPF government was involved in managing internal threats in the northwest of the country and external threats in the Democratic Republic of Congo (DRC). An internal reconfiguration of power within the party took place during this time. Several Hutu leaders, including Seth Sendashonga and Theoneste Lizinde, fled the country (and later died in exile). Others, like former president Pasteur Bizimungu, were imprisoned (although Bizimungu has now been released).[2] Former RPF chair Alexis Kanyarengwe resigned from his post as minister during this period as a sign of protest against the government's policies (Reyntjens 2013).[3] He passed away in 2006. During this period, power was gradually consolidated among a group of senior military and economic elites who had led the liberation effort.

Since the end of the Congo Wars, Paul Kagame, the current Rwandan president, has had to consolidate his monopoly of violence while dealing with threats from other senior RPF cadres. Many former RPF officials have been allegedly targeted abroad (HRW 2014). Jean-Paul Kimonyo (2015), from the position of working in the Office of the President, argues that the end of the 1990s was a period of internal turmoil in the RPF. In 1998 and 1999, a series of meetings took place between senior RPF officials that tackled the problem of the creation of a new *akazu*.[4] Kimonyo (2015) argues that RPF cadres drew similarities between corrupt practices in their own party and the corruption that is said to have characterised the latter years of President Juvénal Habyarimana's reign. He argues that this led to tensions among RPF elites during this time, and several senior cadres were disciplined for corrupt practices (*Ibid.*). Eventually, four senior officials – former Chief of Defence Staff Kayumba Nyamwasa, former Director of the Cabinet Office Theogene Rudasingwa, former Chief of the External Security Organisation Patrick Karegeya and former Attorney General Gerald Gahima – left Rwanda. This group, often referred to as the 'Gang of Four', established the Rwanda National Congress (RNC) in 2010. Kimonyo draws a link between the corruption in the 1990s and the frictions that evolved between the RPF and these four individuals. He argues that their exit 'led to a fundamental redirection of the party and the country' (Kimonyo 2015) On the other hand, the RNC places the blame on corrupt RPF practices. They argue that the RNC was created to rescue Rwanda 'from the brink of abyss' and hold the 'government accountable for the respect of the fundamental freedoms of her people, especially the right to life and integrity of the person, freedoms of expression, and political participation' (Nyamwasa et al. 2010, 50).

In the last two years, others, including former Private Secretary to the President David Himbara and wealthy businessperson Tribert Rujugiro, have also distanced themselves from the Kigali regime. Tribert Rujugiro was a past chair of Tri-Star, founding chair of the Rwanda Chamber of Commerce, former chair of the Rwanda Investment and Export Promotion Agency and also served as chair of Rwanda Investment Group (RIG). Although he was a prominent businessperson before 1994, his local prominence and close relationship with the RPF hierarchy contributed to the growth of his businesses, including those in metal fabrication, banking, real estate and cigarette manufacturing.[5] In 2013, Rujugiro's assets, including the Union Trade Centre in Kigali and the Nshili Kivu Tea Factory, were seized once he publicly expressed disagreements with the Kigali regime.

In 2015, Himbara and other dissidents René Mugenzi, Robert Higiro and Norbert Marara have actively organised diaspora voices in the USA and the UK to push foreign governments to take action against Kagame's government. In 2015, Himbara spoke at a United States Congressional Hearing, accusing the RPF government of human rights violations. Kagame has publicly accused Himbara of organising such actions and Rujugiro of financing such activities (Kagire 2015). These events show that frictions among elites have affected the organisation of the RPF. Disenchanted elites, who left the country, currently challenge the RPF's monopoly of violence by threatening the legitimacy (and financial support) that the regime receives from donors.

Within the country, the party and the military have been reorganised. There were also three waves of retirements of senior military officers. In 2013, 79 officers were retired from the RDF, including six generals (Tabaro 2013). In July 2014, a further 483 RDF officers were retired, including two generals and eight colonels (Karuhanga 2014). In July 2015, a further 448 RDF officers were retired (Times Reporter 2015). Many prominent senior RPF cadres were also removed from ministerial positions. In 2013, senior RPF cadres and former ministers Protais Musoni and Tharcisse Karugarama were dropped from their positions as ministers (Kagire 2013). In 2014, a debate was sparked by an anonymous author in *Rwanda Today* (Special Correspondent 2014), which highlighted senior RPF cadres who had 'fallen from limelight'. The party-owned newspaper, *The New Times (2014)*, replied to the article emphasising that there are 'no sacred cows' within the party. RPF loyalist Nshuti Manasseh reinforced the party line, stressing that many of the older cadres are no less 'iconic' than they were before. Later in 2014, three senior cadres – Frank Rusagara, Tom Byabagamba and David Kabuye – were arrested. Rusagara and Byabagamba were jointly charged with 'inciting violence among the population and tarnishing the image of the country' (Musoni 2015). Tom Byabagamba's wife, Mary Baine (former Director General of the Rwanda Revenue Authority), and David Kabuye's wife, Rose Kabuye (the first mayor of the City of Kigali after 1994 and the president's former chief of protocol), were also publicly admonished at an RPF meeting following the arrests (Kanuma 2014).

Ruling elites in Rwanda have also made sure of reminding rivals of their control over the monopoly of violence. The RPF government was accused of involvement in two assassination attempts in 2014. Of the targets, Nyamwasa survived while Karegeya died. It is still unclear whether the RPF ordered these assassination attempts. However, Kagame did not immediately deny these allegations and did not show remorse when news of Karegeya's death arrived. Defence Minister James Kabarebe marked it by saying, 'Karegeya chose to be a dog and died like a dog,' while Kagame likened him to a traitor (Himbara

2014). The reaction to the act demonstrated that 'the more dramatic the retribution, the stronger the reminder of loyalty's value' (Wrong 2014). The reactions can also be interpreted as a warning to other elites – 'if people are targeted on the basis of their actions, then refraining from such actions guarantees safety' (Kalyvas 2004, 105).

Such actions are similar to Gambetta's (1993) description of the use of violence by mafiosi in Sicily. Gambetta argues that the use of violence is a signal that things are not going as planned. Those who perceive the replacement of senior political and military cadres as a natural 'changing of the guard' fail to acknowledge the vulnerability that motivates such actions and the potential discord such actions could foster among those who are slighted (and their supporters). It is also important to note that the rapid pace at which the 'changing of the guard' is taking place reflects urgency, rather than a normal course of action. While the consolidation of the monopoly of violence is taking place, ruling elites must ensure that disenchanted rivals do not find sources of rents that could assist them in challenging existing hierarchies. Regenerating the party cadreship is equally vital to reduce the authority of excluded elites in formal organisations such as the party and the military. Thus, ruling elites in Rwanda have been concerned with retaining centralised control over the distribution of rents while dispersing power among several elites, whose loyalty and performance remains in check. Ruling elites use investment groups to both centralise control and disperse power among different networks.

The investment groups

Before 1994, the RPF raised funds from refugee communities in neighbouring countries. Many prominent businesspeople contributed to this fund, including Silas Majyambere, Tribert Rujugiro, Assinapol Rwigara and the Mbundu family. After the war, the funds that remained within the RPF's 'Production Unit' – that funded its military effort in the 1990s – contributed to the creation of Tri-Star Investments, which was owned by the RPF. Immediately after 1994, Tri-Star became involved in a variety of sectors including metals trading, mobile telephony, road construction, housing and food processing. Such investments were primarily geared to satisfy immediate strategic needs in the country. Some investments, including the metals trading firm Rwanda Metals, were controversially linked to funding military networks across the border in the DRC (Booth and Golooba-Mutebi 2012; Gökgür 2012).

Tri-Star Investments was renamed Crystal Ventures Ltd (CVL) in 2009. John Mirenge, a former leading figure in CVL, explained:

> We (CVL) go into sectors where the private sector will not. Our strategy is to show that such investments can work. Once we break even and begin to turn profits, we then plan to sell these companies. In many sectors, other companies have developed. Our intention is not to start monopolies. In fact, in many cases, we start companies simply to break monopolies. (Interview, senior CVL official, May 2012)

Nshuti Manasseh, the former CVL chair, described it as 'an investment arm of the RPF, where the party invests with other shareholders in different ventures' (Mazimpaka 2013).[6] Most subsidiaries are the largest firms in the sectors in which they are in operation. CVL also has joint ventures in several companies in Rwanda with foreign investors, as well as directly with government institutions. The current chair, Jack Kayonga, argued that

CVL's philosophy is to invest in high-risk ventures, which may yield large returns in the long term (Namata 2014). It is important to note that CVL is under party (RPF) control and has no direct relationship with the military.

In 2007, the RDF sought an independent investment company. Horizon Group was established in that year. The government 'adopted a relatively activist stance' to push the army to create the company (Booth and Golooba-Mutebi 2011, 12). The government also wanted to ensure that the army found new sources of funding to meet the demands of its soldiers. The national treasury was already stretched to its limit. The army had requested an increase in salaries for its military officers in the years preceding 2007. Horizon invests in strategic sectors and 'social and political purposes remain important, but profitability is strictly secondary' (Booth and Golooba-Mutebi 2011, 13). Horizon has three main subsidiaries: Horizon Construction, Horizon SOPYRWA (a pyrethrum processing plant) and Horizon Logistics, which support the RDF's peacekeeping operations abroad. It has also invested in the energy sector. For example, in 2012, Horizon formed a partnership with Rwanda Mountain Tea to build a 4-MW hydropower plant. With the exception of the Chief Executive Officer (CEO) Eugene Haguma, the board of Horizon Group does not include any army officers. The CEO and the chair of the board, Rebecca Ruzibuka, are officially answerable to their board, as would be the case in an independent company. However, since the company represents the army, it is accountable to the Ministry of Defence. By retaining such control, ruling elites in Rwanda retain the capacity to discipline the management of Horizon. Such control was exercised in 2010 when military officers John Zigira and Paul Semana were ousted from their positions after they were charged with embezzling funds. Some also argue that this was because their loyalty was in question after Nyamwasa went into exile (Interviews with senior RDF officers, May 2012 and May 2013).

Booth and Golooba-Mutebi (2011, 2012) argue that these companies show evidence of 'long-horizon rent deployment' where rents are managed to 'grow the pie' of the national economy and support systems of accumulation in line with achieving long-term goals. These companies have been disciplined in line with achieving strategic priorities. The World Bank has also previously studied their accounts and officials 'found no real evidence that these companies were engaging in non-competitive behaviours or earning abnormal profits' (Manson 2015). However, the strategy of using these companies must be understood as one 'in process' and should be judged as such. If these companies are instruments for ruling elites to centralise rents in line with national development goals, it is equally possible that the interests of elites may change or that elites may have different interests in different sectors. Another criticism that is often levied against such companies is that they block the growth of smaller, local companies. However, there is little evidence that this is true. In the construction sector (where both Horizon and CVL have subsidiaries), there are more than a hundred small and medium-sized enterprises. Larger companies like Roka Construction and Hygebat also remain competitive in the market. Although CVL-owned Bourbon Coffee was the first to set up coffee shops in Kigali, other companies like the Nigerian-owned Kaizen Venture Partners have followed their example.

The current debate has also failed to highlight the differences between these companies. The army companies operate through a very different structure to those of the party-owned companies. They also work in different sectors, which leads to different interests and opportunities. All investment groups plan to eventually sell shares in some subsidiaries. CVL has already listed its shares in MTN (through Crystal Telecom) on the Rwanda Stock Exchange. However, CEOs of these companies recognise that the continued existence of the companies is essential to facilitate the transformation of the Rwandan economy. The RPF understands that 'the argument for unfettered markets delivering economic transformation is unrealistic and not borne out by the evidence' (Whitfield 2012, 253).[7] The Horizon CEO commented in 2013 that:

> The military has always led the way in the economy. We built coffee washing stations when others would not build them. Horizon made important investments in building roads and construction. We know how important it is. As long as Rwanda needs to build new sectors, there will always be a place for Horizon in the economy. (Interview, Eugene Haguma, Horizon CEO, May 2013)

Figure 1 lists the investment groups in Rwanda and their subsidiaries. It clearly differentiates between the formal investment groups (those under party or military control) and informal investment groups (RIG, Petrocom Group and regional investment groups). Informal investment groups are conglomerates that were developed after private businesspeople (often with government support) were encouraged to pool resources for strategic investments.

The new military investment groups

The current literature has not recognised the creation of two new military enterprises (Ngali Holdings and Agro-Processing Industries Ltd). Shares of these two companies are distributed equally between CSS Zigama and Medical Military Insurance (MMI). Horizon's ownership is also shared between the same two military institutions. MMI was created in 2005 to assist in the provision of health insurance coverage and medical services to military personnel. Previously, serving military officers were described as an 'important and specific risk' and represented 'a significant financial burden' to the government (MMI 2011, 8). MMI works independently of *La Rwandaise d'Assurance Maladie* (RAMA), which provides similar services to public sector workers and their dependants. RAMA did not retain military officers among its membership base because 'their average income was below the average minimum required' and because extending membership to military officers would have had a negative impact on RAMA's budget (MMI 2011, 8). Community-based health insurance schemes allow the majority of the population access to health care services.[8] Although MMI has a legal identity and financial autonomy, it operates within the Ministry of Defence. MMI's board of directors is appointed by ministerial decree. All military personnel must contribute to MMI, and their families also benefit from MMI services. According to WHO (2008), MMI members contribute 22.5% of their base salary to the programme. Contributions are deducted directly from the payroll of employees each month. MMI also invests in building military facilities (e.g. a swimming pool at the National Military Academy in Gako) and in strategic business investments, which may yield a return in the future.

CSS Zigama was established in 1997. It was inaugurated in 1999 as a microfinance bank for military officers. Informal financial associations that had operated between soldiers immediately after the war initially inspired CSS Zigama. Previously, military officers would often lend money to each other when one of them required a loan. CSS Zigama

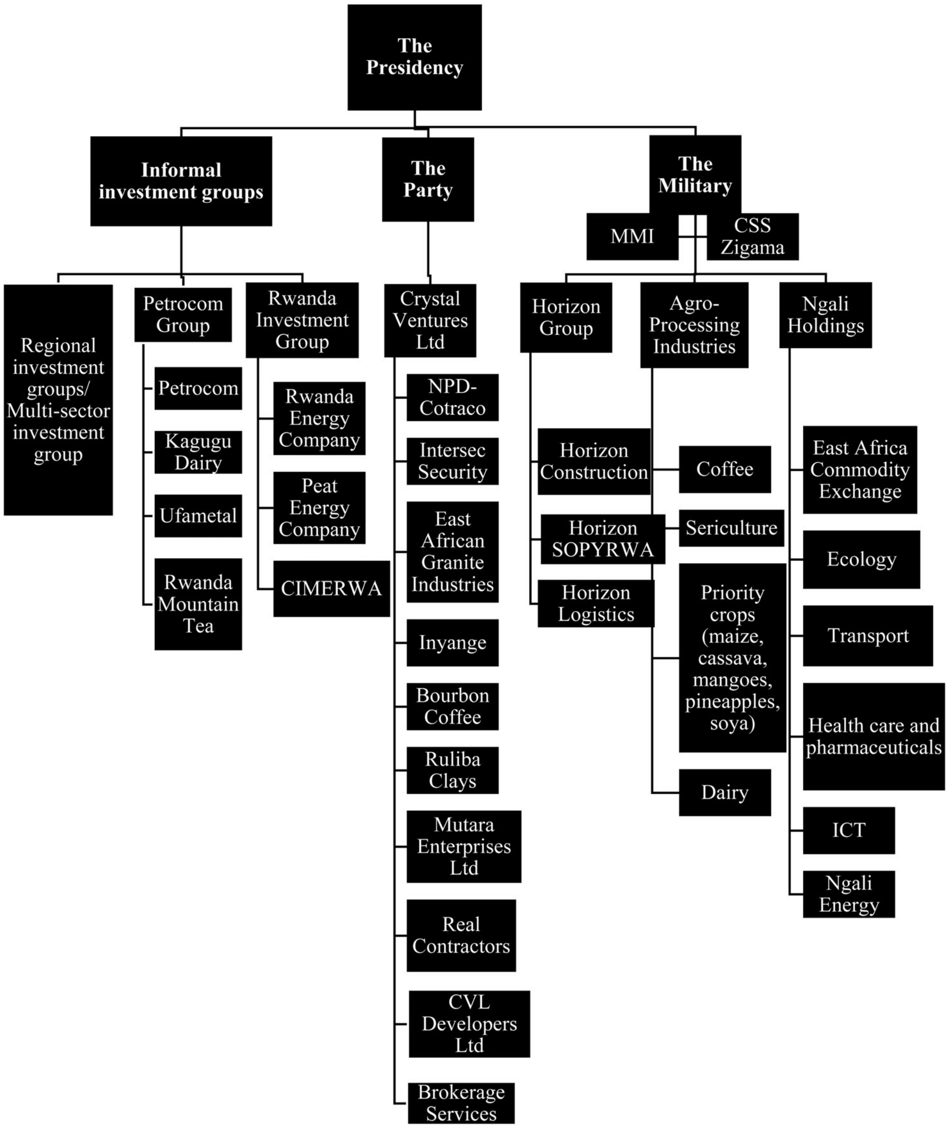

Figure 1. Investment groups in Rwanda.

was created to formalise such activities by strengthening such arrangements in an institutional structure. Initially, CSS Zigama started with voluntary savings, with the primary aim of addressing the welfare needs of soldiers. In 2015, every military officer contributed 10% of his or her salary to CSS Zigama. Initially, the bank started with assets amounting to US$0.5 million. In January 2015, assets stood at close to US$200 million. As of 2014, CSS Zigama comprised more than 72,000 members and 148 employees, operating 16 branches. Initially, many of its employees were civilians or technical experts. Now, it is almost entirely staffed by serving military officers. CSS Zigama has now stretched its membership base to cover other employees working in the security sector (e.g. the Rwanda National Police). Most loans that are extended to CSS Zigama members are in the form of mortgage loans (around 70% of all loans). A small number of loans are also extended to soldiers (or the wives of soldiers) to start small businesses. Military officials perceive this institution as central to the reconfiguration of the military's role in Rwanda's developing economy:

> Soldiers do not have to be on the frontline or in the bush only. That is not the new security concept in Rwanda. I have been at the bank for three years but I am still a soldier. The military in Rwanda must always contribute to help our people. Most importantly, we must make sure our soldiers are disciplined and that they feel they are cared for. Security is not simply about fighting an enemy. We can't keep waiting for an enemy. By addressing economic needs of our country, the RDF confronts another enemy of our country. (Interview, Brig. Gen. Albert Murasira, CSS Zigama, January 2015)

Military investment groups access cheaper credit through these two military institutions and other sources, including domestic banks. These military institutions fill a strategic requirement for the RPF government. Alexander Gerschenkron (1962) showed how Britain and late developers – Germany and Russia – addressed resource constraints in creative and varied ways. Britain used the stock market to fund large industrial projects. Germany adopted a 'functional substitute' by using investment banks, since its financial sector was not as developed. Russia used a state development bank to fund industrial projects since it had a large peasant economy. Many African governments, including Rwanda, have been caught between the contradictory requirements of capital account liberalisation (imposed by donors in some contexts) and retaining control over financial instruments. Institutions such as CSS Zigama, MMI, the Rwanda Social Security Board and the Rwandan Development Bank are Rwanda's home-grown, innovative solutions to obtain financing for strategic investments. These institutions cannot be compared to those used by successful late developers (in terms of scale). However, finding 'functional substitutes' in an environment where capital account liberalisation has become the norm must be prioritised if late development is to succeed.

MMI and CSS Zigama share the ownership of Ngali Holdings (originally registered as Digitech Solutions), which was established in 2010. Thus, the company is formally under RDF control. Ngali has a similar structure to that of Horizon, with few serving military officers in the management or board of directors of the company apart from the CEO, who is on secondment from the army. Ngali was originally set up as an engineering firm. However, it has expanded into other sectors since then. The CEO is Andrew Nyamvumba, the younger brother of Chief of Defence Staff Patrick Nyamvumba. He was previously educated at the Massachusetts Institute of Technology in industrial and systems engineering. He is currently serving as a Major in the RDF and fought in the liberation struggle in 1994. Ngali has interests in information and communications technology (ICT), transport (including railways, aerospace and ship and boat building), energy, health care, pharmaceuticals and ecology. It has also played a key role in establishing the East Africa Exchange (EAX), which it co-owns along with Nigeria's Tony Elumelu Foundation, Heirs Holdings, Berggruen Holdings and 50 Ventures LLC. The first trade deal that was conducted in the EAX in 2013 was a sale of 50 tonnes of maize valued at US$398 sold by a Ugandan to a Rwandese farmer.

Within the first few years of its establishment, Ngali had derived benefits from 'first-mover advantages' in particular sectors. It successfully developed partnerships with foreign partners. It also had a Memorandum of Understanding with the government of Rwanda (in particular, with the Ministry of Infrastructure, MININFRA) to work in the areas of: a) design and creation of infrastructure for power generation and distribution; b) design and creation of a smart grid for electrification; c) aviation infrastructure; d) railway infrastructure; e) security-related infrastructure; f) infrastructure and services related to ICT. In the energy sector, Ngali was charged with leading strategic investments. In an interview in 2011, Ngali's CEO stated:

> If there is one thing I want this company to do for Rwanda, it is to make electricity cheaper and more available to the people. Energy will change everything for Rwanda. (Interview, Andrew Nyamvumba, Ngali CEO, November 2011)

Ngali initially aimed to have 255-MW worth of energy projects by 2017, which was estimated to cost around US$778 million. It already had several partnerships with companies from China, Czech Republic, Spain, South Africa, Kenya and DRC. The company aimed to develop energy from a variety of sources (e.g. geothermal, hydropower, wind and solar). In 2015, projects included the Rukarara 1 Hydropower project of 9 MW and 18 mini-hydropower projects (between 1 and 5 MW). Ngali also had several active projects in ICT with partners from countries such as the USA, Israel, Germany and South Africa. One such project is the US$30-million RwandaOnline, which aims to make services accessible on Internet and mobile devices. Services will include registration of births, issue of passports, health insurance and applications for identity cards, visa permits, transfers of land titles, trading licences, motorcycle licences and driving licences (Tabaro 2014). Ngali has partnered with Singaporean partners in the project (CrimsonLogic) and the Bank of Kigali has assisted in financing loans. Risky, ambitious projects including aerospace and railways have also attracted partnerships from abroad.

Ngali is a still a young company. Strategic investments depend on the company's capacity to find financial partners at home and abroad, and access to finance continues to inhibit the success of the company. Ngali representatives have complained about competition from other investment groups and the slow pace at which the government takes decisions (Interviews, November/December 2011). Nevertheless, Ngali represents the Rwandan government's most recent attempt at picking a national firm as a potential winner. However, Ngali also represents a big risk given its large mandate and sparse resources. Although the company is ostensibly under military control, it has a much wider ambit than Horizon. Ngali, similar to Horizon, began as an engineering firm. However, it has taken on a much more diversified portfolio of projects than Horizon.

Agro-Processing Industries (API) earlier operated as Horizon Agro-Based Coffee. MMI and CSS Zigama assumed control of API in 2011. The company is managed by serving military officers and reports directly to the Ministry of Defence. API operates solely in the agricultural sector. API's investments are geared in line with strategic agricultural investments. However, they also aim to make profits and productively use the land that is under military control. API directly employs farmers in agricultural production, including the production of cassava where soldiers work on over 1300 hectares of land. It also works in the coffee sector but only exports fully washed speciality coffee, in line with the national coffee strategy. API also works in the sericulture, soybean, maize and dairy sectors. As of 2011, the company operated 10 coffee washing stations, harvested 800 ha of maize and planted 400 ha of soybean in Eastern Province. API also owns land in

Gako where the Military Academy is located. In Gako, 1000 ha of land is devoted to cassava (700 ha) and soybean (90 ha) production. The company complained of access to finance, but API officials said that since the company was still young, they were still in the process of making the most out of the production process. Making local supply chains more efficient and building better partnerships with local farmers is a priority for the company, as they continued to expand (Interviews, Emmanuel Nzamurambaho, then acting CEO, API and Eugene Ruzindana, API, March/April 2012).

API is a distinctly different company to the other military investment groups operating in Rwanda. Unlike other companies, military officers work as managers at API and some are also involved in the production process. For many of the crops it produces (e.g. coffee), API is not a 'first mover'. It is still a small player in the production and export of those crops. API works like other military investment groups in that all companies are used for strategic investments. In API's case, the Ministry of Defence also aims to ensure that it makes the most out of land at its disposal and provides productive employment for the armed forces and wageworkers in rural areas. API's creation also assisted in increasing the production of 'strategic' crops (including cassava and silk).

Table 1 sets out the above and other key characteristics of military investment groups (Horizon Group, Ngali Holdings and API) in terms of shareholders, personnel, interests and types of investments.

The strategic use of new military firms

This paper has focused on three distinct features of Rwandan political economy. First, elite politics in Rwanda have not merely been characterised by 'consensus', as described by some scholars (Booth and Golooba-Mutebi 2012). Instead, frictions among elites represent a threat to the monopoly of violence and the survival of Kagame's government. Second, most evidence shows that investment groups have been used to centralise rents in line with developmental goals. Most investment groups work in strategic sectors and there is some consensus among scholars and donors that these companies are associated with productive outcomes (Booth and Golooba-Mutebi 2012; Kelsall 2013; Manson 2015). However, the use of these companies should be analysed as an ongoing process and by focusing on specific sectors. It is possible that interests of ruling elites may change

Table 1. The military investment groups.

	Horizon Group	Ngali Holdings	API
Shareholders	MMI (50%); CSS Zigama (50%)	MMI (50%); CSS Zigama (50%)	MMI (50%); CSS Zigama (50%)
Army personnel in key positions	Only CEO	Only CEO	Almost entirely managed by army personnel
Initial interests	Beginning with engineering expertise (construction, logistics)	Beginning with engineering expertise (energy)	Beginning with agriculture focus
Interests in investments	(1) Strategic sectors (2) Investments should be profitable in the long term	(1) Strategic sectors (but much wider ambit) (2) Investments should be profitable in the long term	(1) Making the most out of land under military control (2) Intensive agriculture production (3) Building export capacity

during this process and the use of such groups may not remain in line with developmental goals. Third, the dispersal of rents within a centralised hierarchy through the proliferation of military investment groups highlights the vulnerability faced by ruling elites in Rwanda.

The capacity of ruling elites to centralise rents has been associated with technology acquisition and the coordination of investments during East Asian late development, as in the cases of Korea and Taiwan (Amsden 1989, Wade 1990). However, for resources to be channelled to productive investments, it is not enough that political parties retain centralised authority and engage in long-horizon rent deployment (Kelsall 2013). In Tanzania, 'there was neither the centralised authority within the ruling party to influence grand corruption nor an institutional framework for economic activities within the state' to channel resources to productive investments (Gray 2015, 386). The centralisation of rents reduces the possibility of substantial capital accumulation and political power outside formalised channels. However, it also results in the exclusion of elites and private investors from establishing control over portions of the economy. Countering challenges from those who are excluded from rents is necessary to maintain political stability. Thus, the centralisation of rents is also associated with forms of exclusion. Such exclusion could tempt rival elites to challenge ruling coalitions.

One of the RPF's solutions to countering threats from senior RPF cadres has been to retain the primacy of the military by stressing the RDF's continued importance in Rwandan society. Government officials directly link security and development when discussing the purpose of the military. RDF officials consider the military to be lead actors in the dual challenge of combating any threats – whether security or economic – faced by Rwandans, as shown in the following interview:

> What are we doing to link the struggles of poverty, security and development? Don't look at RDF as you would look at another military. The RDF is concerned with addressing problems of Rwandans. You can never divorce the RDF from food security in the country. We can't just sit here, waiting for an enemy that never comes. Instead, it sits there and fights through the media. For example, we have engaged in massive cassava production. But we intensified production and we are thinking of a market for export – all these Rwandans outside who want cassava flour. Now, farmers are looking at cassava not only as a food crop but also as a cash crop. It is not necessarily profitable yet but we are extremely proud of it. (Interview, Joseph Nzabamwita, RDF Spokesperson, January 2015)

In the late 1990s and early 2000s, the RPF government reintegrated several FAR troops during combat in the DRC from 1993 to 2006. The establishment of CSS Zigama and MMI addressed some of the difficulties of finding funds to meet the needs of soldiers, previously highlighted by Verwimp and Verpoorten (2004). The changing uses of RDF personnel have also been evident, as Rwandan contributions to peacekeeping efforts increase:

> Rwanda went from contributing one military observer to the UN Mission in Sudan in May 2005 to a high of 340 troops, observers and police across four missions in 2006, to a peak of 2984 in 2008 with 2656 of these in Darfur. (Beswick 2010, 744).

As with peacekeeping, the use of such firms stretches the mandate of the military. In interviews, management personnel at military investment groups emphasised the responsibility they had to deliver benefits for the population and soldiers. The military's responsibility was further underlined by its involvement in strategic sectors. Ngali's Andrew

Nyamvumba also highlighted the point that investment groups need to deliver on weighty expectations:

> The country may be land-locked. But when we think about this, we are thinking about how we can call this country land-linked. We must begin by identifying our challenges. Then it is up to us to find creative solutions. We cannot fail. (Interview, November 2011)

The choice to disperse rents by creating new military investment groups was undertaken for a political purpose. Ruling elites in Rwanda have typically chosen to entrust strategic investments in the hands of investment groups, rather than individual economic elites. This tendency has become increasingly prevalent in recent years. While individual investment groups do not usually compete directly with each other (although Horizon and Crystal Ventures compete with each other in the construction sector), these companies compete for opportunities to diversify their portfolios further. There is little space for excluded senior RPF cadres to organise on the basis of collective grievances without challenging the authority of the military itself. Since rents are centralised within such investment groups, they have limited access to rents to challenge Kagame's monopoly of violence. Rather than perceiving collaboration to be the binding characteristic of the RPF, it is important to highlight that the decision to empower investment groups has been a direct consequence of the vulnerability experienced by ruling elites in Rwanda. Using military firms in the economy while excluding rival military elites and limiting their capacity to coordinate challenges is a strategy used by ruling elites to consolidate their monopoly of violence.

Booth and Golooba-Mutebi (2013) have argued that debates about divisions among elites are often interpreted in superficial ways. Sometimes, familial relations or differences between moderate and hawkish elements are analysed as primary sources of contention. Divisions are much more likely to be based on how certain individuals or groups of older elites have been gradually excluded from policy making. Giustozzi (2011) has argued that the key to political stability is that ruling elites consolidate their monopoly of violence. Ensuring that the military remains disciplined in line with national development goals is central to such control. Retaining the capacity to rein in those who control companies that are lead actors in the economy is as important. In Rwanda, ruling elites have attempted to contain the violent potential within the army by involving them in the process of securing economic development. Although this may continue to be associated with forms of coercion against rivals, it is a strategy that ruling elites use to avoid the horrors of the past and also to secure their own security and power.

Conclusion

It is important to recognise that frictions among senior RPF cadres pose a threat to the RPF's monopoly of violence. This paper has focused on how the RPF government has developed new capitalist partners, in the form of military investment groups, as a response to the challenges posed by such elites. Ruling elites in Rwanda took a decision to emphasise the continued primacy of the military in Rwandan society by empowering RDF investment groups as lead actors in the economy. Such investment groups are used to centralise rents in line with achieving strategic goals. However, the proliferation of such investment groups, including the separation of party and military investment groups, shows that the government has attempted to disperse power in a manner that limits opportunities for individual elites to access rents to challenge existing hierarchies.

It is unclear whether the use of such military enterprises will continue to remain closely disciplined in line with achieving economic development. Much will depend on how ruling elites in Rwanda confront challenges posed by rivals in the coming years and how the distribution of power among elites prevail. Most importantly, the use of these companies should be understood as a strategy 'in process'. Embracing market-led reforms is unlikely to yield significant benefits, especially since individual local investors lack the finance to invest in strategic sectors and it is unlikely that foreign investors would be interested in taking significant risks. As ruling elites in Rwanda counter threats within and outside the country, it is essential for them to maintain centralised control over the RDF and ensure that military institutions are included as part of the development strategy.

Notes

1. On a related note, domestic party politics is banned within the RDF (Booth and Golooba-Mutebi 2013).
2. Bizimungu was released from prison in 2007 and currently lives in Kigali.
3. In 1973, Kanyarengwe assisted Habyarimana in his successful coup against then President Grégoire Kayibanda. Kanyarengwe left Rwanda in 1980 after his alleged involvement in a coup against Habyarimana.
4. *Akazu* referred to 'the inner group close to President Habyarimana with the connotation of abuse of power and privileges; since the group was made up largely of family members of Habyarimana's wife who controlled most of the big enterprises in the country and influenced internal and external policy, it was also nicknamed *Clan de Madame*' (Adelman and Suhrke 2000, 367).
5. Rujugiro left Rwanda in the late 1950s. While in exile, he started a number of businesses, including importing wheat, flour and salt from Tanzania to Burundi. He imported cigarettes to Burundi and began manufacturing cigarettes in the country. See Nsehe (2014) for an interview with Rujugiro.
6. Professor Manasseh Nshuti is no longer the chair of Crystal Ventures. Jack Kayonga, the former chair of the Development Bank of Rwanda (BRD) replaced him in 2013.
7. See also Khan (2007).
8. RAMA, MMI, CBHI and private schemes provide health insurance for 92% of the population (GoR 2010).

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