

PRIVATISATION'S BITTER FRUIT: THE CASE OF KABUYE SUGAR WORKS IN RWANDA

by An Ansoms¹

Résumé

Cet article étudie le cas de Kabuye Sugar Works (KSW), la première entreprise publique qui a été privatisée au Rwanda, après la guerre de 1990-1994. En achetant le seul producteur de sucre dans le pays, le groupe 'Mahdivani business' a reçu une concession de l'État rwandais sur à peu près 3000 hectares de marais dans la vallée de la Nyabarongo. Les occupants de ces terres ont été expulsés sans recevoir de compensation. Cet article analyse l'impact de cette privatisation sur la productivité de la terre, sur la création d'emploi, et sur les moyens d'existence d'une communauté particulière qui est située près du marais de Nyabarongo.

1. INTRODUCTION

Over the past decades, high population growth has intensified the demand for land and natural resources. Presently, Rwanda has an overwhelming 84% of its population dependent upon agricultural activities, predominantly subsistence farming. In 2000, average household landholdings were only 0.71 ha, compared to 0.94 and 1.20 for 1990 and 1984, respectively.²

Confronted with this reality, the Rwandan government sees rural development as a priority. Rural strategies are based upon recently adopted agricultural and land policies. The 2005 land law³ aims to enhance the security of land tenure by assigning official private property rights to land-holders. Concurrently the law is based upon the assumption that fragmented agricultural land has a negative impact upon sector productivity. Therefore, it strives for land consolidation and concentration (e.g. article 20 prohibits the division of land parcels of one ha or less). The state's ultimate goal is to concentrate more land into the hands of fewer and more professional farmers, reducing the agriculturally-dependent population to 50% by 2020. The government foresees that increased agricultural output and land productivity will result.⁴

The Rwandan government's current swampland development policy is inspired by the same objectives - to maximize agricultural output while using land more efficiently and productively. The new policy approach for the swamplands is essentially different from that for the hills. Instead of assigning individual ownership title to local peasants, article 29 of the new land law states, "... swamp-land belongs to the state. It shall not indefinitely be allocated

¹ The author would like to thank Chris Huggins and Danny Cassimon for their valuable comments and contributions.

² JAYNE, T. S. *et al.*, "Smallholder income and land distribution in Africa: implications for poverty reduction strategies", *Food Policy*, vol. 28, 2003, pp. 253-275.

³ Government of Rwanda (GoR) Organic Law No. 08/2005 of 14.07/2005 determining the use and management of land in Rwanda, Kigali, Government of Rwanda, 2005.

⁴ In a previous article we described the problematic aspects of the new land policy and law. See ANSOMS, A., "Striving for growth, bypassing the poor? A critical review of Rwanda's rural sector policies", *Journal of Modern African Studies*, vol. 46, no. 1, 2008, pp. 1-32.

to individuals and no person can use the reason that he or she has spent a long time on it to justify indefinite possession of the land.”⁵ As no private property rights on swamp plots can be allocated to individuals, the government becomes the primary promoter of swampland development.

Swampland⁶ has always been an important natural resource for peasant communities in Rwanda. In total, swamplands occupy about 162,000 ha of the country's surface.⁷ Originally, Rwandan swamplands were used for hunting, fishing and cattle grazing.⁸ However, due to increasing population demand/usage, they have shrunk over time. Swamps were more and more used by farmers for food production (i.e. maize, beans, sweet potatoes, vegetables, etc.) to complement cultivation on the rain-dependent slopes. Swampland harvests were often an insurance against crop failure(s) on the hillsides, and thus were/are an important device to provide food security.

By 1998, about 56.8% of total swampland was used for cultivation.⁹ Local cultivation practices are often based upon a complex system embedded in local power relations and agricultural realities. The Rwandan government concludes, however, that in most cases swamplands have been cultivated ‘arbitrarily’ because of the lack of “any technical study by peasants grouped in organizations or by cooperative groups supported by local or foreign non-governmental organizations.”¹⁰

The Rwandan government and international donors do not consider the ‘unplanned haphazard’ use of swamplands desirable. First, it is described as a risk for the swampland's fragile ecosystems.¹¹ Secondly, the recognition of the swamplands' potential is considered crucial in a context of high population growth and land shortage. The Rwandan government is therefore implementing a swampland development policy that moves away from individual small-scale

⁵ GoR, 2005, *ibid.*

⁶ The 2005 land law uses the English term “swamp” as equivalent to the French term “marais”. A swamp is defined as “a plain area between hills or mountains with water and biodiversity, papyrus or carex or plants of their species” (Organic Law No. 08/2005 of 14/07/2005, Article 2) (Organic Law N° 08/2005 of 14/07/2005, Article 29).

⁷ Approximately 90,000 ha are utilized (2002 figures). The combined area of the six largest wetlands is 64,159 ha (Nyabarongo: 24,698, Akanyaru: 12,546, Akagera: 12,227, Kagitumba: 7,100, Gugezi: 6,735 and Kamiranzovu: 853). MINISTRY OF LANDS, ENVIRONMENT, FORESTS, WATER AND MINES (MINITERE), *Deuxième Rapport National pour la Convention sur la Diversité Biologique*, 2005, online at: <http://www.cbd.int/doc/world/rw/rw-nr-02-en.pdf>, last consulted on 27/06/2008.

⁸ CAMBRÉZY, L., “Conquête des Marais au Rwanda et Dynamique de la Population”, *Études Rurales*, n° 83, juillet-septembre 1981, pp. 45-67.

⁹ KANYARUKIGA, S., NGARAMBE, V., “Rwanda Country Paper”, in FAO (eds.), *Wetland Characterisation and Classification for Sustainable Agricultural Development*, Harare, FAO Sub-Regional Office for Eastern and Southern Africa, 1998.

¹⁰ MINAGRI, *Strategic Plan for Agricultural Transformation in Rwanda*, Kigali, Government of Rwanda, 2004, p.17.

¹¹ SEYLER, J., MUGEMANA, J. M., *Rwanda Environmental Threats and Opportunities Assessment*, Task Order No. 818 under the Biodiversity & Sustainable Forestry (BIOFOR) IQC, USAID Contract No. LAG-1-00-00-00014-00, 2003 online at: http://rmportal.net/library/VI/1/118_/view, last consulted on 27/06/2008; MINAGRI, 2004, *ibid.*

peasant cultivation.¹² In some places, the government permits local authorities to allocate marshland plots to farmer groups that engage in collective marshland cultivation systems. These groups must concentrate on specific crop types and adopt monocropping. In other locations, swampland is leased in concession to private investors.

In this paper, we will consider a particular case in Rwanda where thousands of hectares of swampland have been leased to a private investor, the Madhivani business group. In the first part of the paper, we shall look at the role assigned by Rwandan policy makers to private actors in pro-poor policies. In the second, we present the case of the Kabuye Sugar Works (KSW), Rwanda's first state-owned company to be privatised in the post-1994 period. We devote particular attention to the voices of a peasant community that was (and is) directly affected by this privatisation. Then we assess whether this privatisation has been successful in terms of increasing land productivity and employment creation.

2. THE ROLE OF PRIVATE ACTORS AND PRIVATISATION IN PRO-POOR POLICIES

The first Rwandan Poverty Reduction Strategy (PRSP), implemented between 2001 and 2006, gave a key role to the private sector in supporting pro-poor growth. "Building an enabling environment for private sector development" was identified as one of the key economic sector priorities.¹³

The Economic Development and Poverty Reduction Strategy (EDPRS), to be implemented between 2008 and 2012, went even further. Private sector investment is considered crucially important in one of the three flagship programmes focusing on Growth for Jobs and Exports. The EDPRS describes how this flagship priority should "be driven by an ambitious, high quality public investment programme aimed at systematically reducing the operational costs of business, increasing the capacity to innovate, and widening and strengthening the financial sector. This means heavy investment in 'hard infrastructure' by the Government of Rwanda to create strong incentives for the private sector to increase its investment rate in subsequent years."¹⁴

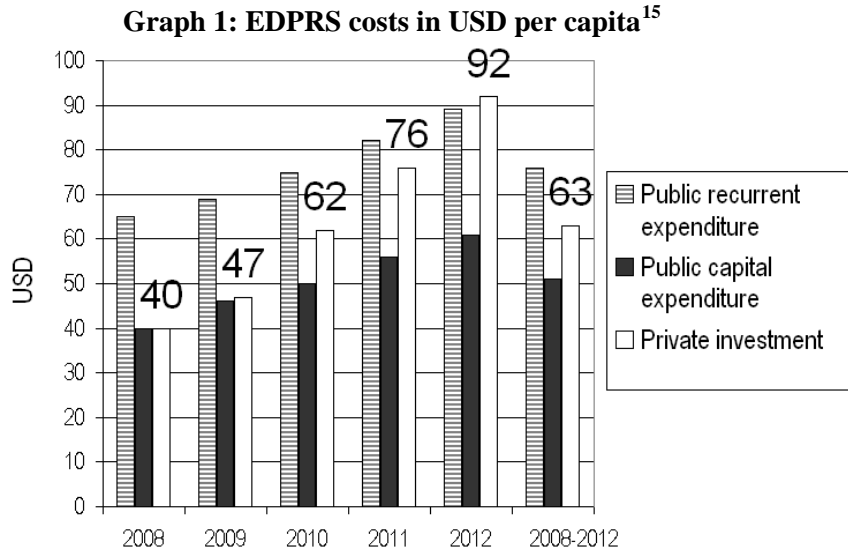
Indeed, the achievement of the EDPRS goals will to an important degree depend upon private investment triggered by up-front public expenditure. Projections are that private investment will gradually increase from less than 8% of GDP during the first PRSP period to almost 14.6% of GDP by the end of the EDPRS implementation period in 2012. It is foreseen

¹² The implementation of this policy has become more systematic since 2005. Yet swampland development – in line with the principles further defined – has been undertaken in particular locations since 1996.

¹³ GoR, *Poverty Reduction Strategy Paper*, Kigali, National Poverty Reduction Programme - Ministry of Finance and Economic Planning, 2002.

¹⁴ GoR, *Economic Development and Poverty Reduction Strategy 2008-2012*, Kigali, Government of Rwanda, 2007, p. xi.

that private investment, throughout the whole of the implementation period, will finance one third of total EDPRS costs. This represents 63 USD per capita per year throughout 2008-2012 (see Graph 1). These projections highlight the central role the Rwandan state foresees for private actors in the realisation of its pro-poor ambitions.



The privatisation of parts of the Rwandan public sector provides opportunities for private sector investment. But the privatisation trend is not new. Since the implementation of structural adjustment policies in the eighties, many developing countries privatised state-owned enterprises (privatisation can be defined as “divestiture or the sale by a government of state-owned enterprises or assets to private economic agents”).¹⁶ Between 1990 and 2003, Kikeri and Kolo (2005) counted 7860 such transactions in 120 developing countries, valued in total at 410 billion USD (i.e. an amount equal to 0.5 percent of the total developing countries GDP).¹⁷ Sub-Saharan Africa accounted for 960 of those transactions, but raised only 11 billion USD as 70% of those privatisations concerned low-value firms.

In Rwanda, post-war privatisation efforts have been ongoing since 1997 with 31 companies privatised between 1997 and 2003. Since then, the privatisation wave has accelerated. To coordinate these efforts, the government established a Privatisation Secretariat in 2005. The Secretariat identified over 100 companies suitable for privatisation. By the end of 2006, 70 of those had been privatised and 14 more were in the process of being privatised. Many of these companies are active in the agricultural sector.

¹⁵ GoR, 2007, *ibid.*, p. 130.

¹⁶ ADAMS, S., MENGISTU B., “The Political Economy of Privatisation in Sub-Saharan Africa”, *Social Science Quarterly*, vol. 89, no. 1, 2008, p.78.

¹⁷ KIKERI, S., KOLO, A. F., “Privatisation: Trends and recent developments”, *World Bank Policy Research Working Paper 3765*, World Bank, 2005.

3. THE CASE OF THE KABUYE SUGAR WORKS

3.1. The history of a sugar cane factory

In 1997, KSW was first company to be privatised in post-conflict Rwanda (it is the only sugar processor in the country). Operated by Chinese managers since 1976, the factory was handed over to the Rwandan government in 1978. The factory was assigned some land concessions in the surroundings on which sugarcane was grown. In addition, sugarcane grown in the Nyabarongo valley near Kigali city was bought from local peasants. The activities of the factory were seriously disturbed by the civil war in the early nineties and the genocide in 1994.¹⁸

In 1997, KSW was bought for 1.5m USD by the Madhivani Group, a consortium which originated in India but has been involved in business in Uganda for over 50 years. It is currently the largest private sector business group operating in Uganda, mainly involved in sugar production. Several elements suggest a close connection between the Madhivani family and the ruling Rwandan Patriotic Front party. There are also rumours of substantial financial support from the Madhivani group to the army of the Rwandan Patriotic Front during the 1990-1994 war, which would have put them in a privileged position when engaging in post-war business in Rwanda. In our interview with Mr. Rao, the general manager of KSW (and an employee of the Madhivani Group), Mr. Rao stressed that Madhivani had been the highest bidder for the KSW sugar works. But he did confirm that the business group was invited to participate in the bidding process by the Rwandan government through its embassy in Uganda. On several occasions during the interview, he referred to the good relations the company maintains with the government, praising the 'visionary attitude of the government right from the beginning.'¹⁹

On the other hand, relations between the Madhivani group and the Rwandan government have at times been tense. Mr. Rao, for example, referred to the delay in getting access to the "promised land."²⁰ At the time of the sale, the Madhivani business group was granted a lease for 50 years on approximately 3,150 ha (of the 24,698 ha of Nyabarongo swampland).²¹ A large portion of this land had to be expropriated by the Rwandan authorities to be transferred to KSW.²² However, according to Mr. Rao, the government took a long time to evict those occupying the land. He also cited the seven-year old

¹⁸ "Madhivani eyes new investments in Rwanda", *East African Business Week*, 2008.

¹⁹ Information based upon an interview with Mr. Rao, general manager of KSW, 26 June 2007.

²⁰ Interview with Mr. Rao, 2007, *ibid.*

²¹ In the first stage, 1,158 ha were included in the contract (with an additional 2,000 ha promised on top of this), PRIVATISATION SECRETARIAT, "Kabuye Sugar Works: a sugar company", Rwanda Privatisation No. 06, 2001, pp. 12-14.

²² In an interview, Mr. Rurangwa Burabyo of the ministry of land explains how KSW had already started to develop the additional 2,000 ha whereas the plantation had not yet officially been allotted to the company. At the time, the Ministry of Land had yet to "explain the situation to the concerned population" (PRIVATISATION SECRETARIAT, 2001, *ibid.*).

request of KSW to the government to take corrective measures to transform flooded areas into cultivable land (the government considered this the responsibility of the business group).²³

By 2008, the Madhivani Group had invested about 13m USD into KSW.²⁴ It is active in many areas within a radius of 45 km from Kigali. The sugar cane factory employs 5000 to 6000 people as manual workers. These labourers work on approximately 3000 ha that KSW holds in concession. However, as quite a large part is vulnerable to flooding; only 1750 ha are cultivated. KSW, in addition, processes the sugarcane of some 1200 to 1500 private farmers (grown on a territory of approximately 2200 ha).²⁵

3.2. “And what do farmers say?”

“And what do the farmers say?” is the title of a 2001 article by the Privatisation Secretariat on “the success story of the Kabuye Sugar Works privatisation.” The overall picture seems positive: “The land issue [referring to the expropriated land] isn’t relevant anymore, the planters tell us – they understand now that the valley belongs to the State, and that they can’t claim anything. But it doesn’t matter that much, as long as the people have work. And they do – the people of Nzove in commune Shyorongi, they all have a job, be it in Kigali or on the plantations. There are even planters who come from neighbouring sectors.”²⁶ Our field research, however, offers a different view of this ‘panoramic landscape.’

In February 2006, we conducted exploratory field research in six rural *imidugudu*²⁷ in the Southern province,²⁸ each of them located nearby a swamp. We interviewed several key persons (identified by their involvement in the *Ubudehe* process²⁹) to get a general impression of the distribution and use of swampland plots. Between June and August 2007, we conducted further in-

²³ In 2001 Mr. Rao stated, “the big work to protect the whole valley from inundation goes beyond our capacity and our responsibility. And the works we do ourselves are useless if the big infrastructure isn’t in place” (PRIVATISATION SECRETARIAT, 2001, *ibid.*). He repeated this point in our 2007 interview (interview with Mr. Rao, 2007, *ibid.*).

²⁴ In addition to their investments in the sugar business, the Madhivani group also is active in telecommunications, tourism and insurance. *East African Business Week*, 2008, *ibid.*

²⁵ Interview with Mr. Rao, 2007, *ibid.*

²⁶ PRIVATISATION SECRETARIAT, 2001, *ibid.*

²⁷ Rwandan households are typically distributed geographically over the ‘hills’. The *umudugudu* (plural: *imidugudu*) is the administrative division corresponding with one or several hill(s). Their boundaries often correspond with those of the so-called (pre-2006 reform) ‘cellules’, at least in rural areas.

²⁸ Before the 2006 administrative reforms, Rwanda was divided into 11 provinces. Now the nation is divided into four provinces apart from the capital, Kigali. The pre-2006 provinces of Gitarama and Gikongoro, where the research was undertaken, now fall largely within the boundaries of the Southern Province.

²⁹ *Ubudehe* was a traditional practice to unite people and encourage them to collaborate in joint projects (e.g. cultivating fields communally before the start of the rainy season). The current Rwandan government uses this term to refer to local development projects in the framework of a participatory poverty assessment study.

depth qualitative field research in the same settings, interviewing individuals of various socio-economic categories identified at the local level in divergent focus groups.³⁰ In this paper, we focus on one of the six settings located adjacent to the Nyabarongo valley in which the Madhivani group is active. During our interviews, several issues were repeatedly raised.

In the past, local peasants had very different interests and degrees of bargaining power within the swampland arena. Access to swampland plots was initially based upon the physical capacity to prepare a plot for cultivation. With time, however, the exploitation density in the swampland increased.³¹ Some peasants had larger plots than others, and others who were landless cultivated under the *métayage* system.³² Some focussed upon food crop production, others on cash crops. Some plots were used for clay in brick production. Many interviewees described the swampland as an important safety-net when harvests failed in the hills. During our interviews, several peasants referred to the marshland as their “property.” This suggests that they attributed informal ownership title over ‘their’ marshland plots, derived from their individual user rights, to themselves.

When the Madhivani group arrived (1997), virtually all peasants in the wide neighbourhood of the *umudugudu* lost their access rights to swampland plots in the Nyabarongo valley during the years thereafter.³³ No compensation whatsoever was given for dispossessed land as – according to the officialdom – it was state property. Similarly, peasants in our interviews referred to “the right of the state to do this,” given that “the swampland is owned by the state.” Several focus group participants quoted an interview that the President of the Republic gave on the radio explaining that the swampland had been given to the Madhivani group for a period of 50 years. Some recalled the President’s reproaches that the citizenry had to stop contesting this decision. The

³⁰ To compose focus groups, we first identified four particular groups for each *umudugudu* with local power holders and influential people: the *umudugudu* committee, the *Ubudehe* committee, a selection of men and women heading local associations; and a selection of local *inyangamugayo* (local leaders) not included in the previous three leadership categories. For the remainder of the *umudugudu* population, we organized 7 to 10 focus groups of 4 to 8 household heads (as a standard 6 were invited). Segmentation was mainly based on the locally-defined socio-economic categories in the framework of a Participatory Poverty Assessment (PPA 2001-2003). For a definition of these socio-economic categories and their characteristics, see ANSOMS, A., “Rural Poverty in Rwanda: Views from below”, Presented at the African Studies Association 50th Annual Meeting: “21st Century Africa: Evolving Conceptions of Human Rights”, New York, October 18-21, 2007.

³¹ At that point, other exclusion mechanisms started to operate. Among those not present in the swampland were newly-established households and those households who had been obliged to *sell* ‘their’ marshland plots (often in times of financial need). Poorer peasants cultivated land ‘owned’ by others in a *métayage* system.

³² Farmers involved in the *métayage* system cultivate the land of another and as compensation ‘pay’ the owner with a part of their harvest (one third at the most).

³³ Several interviewees reported that even before the “coming of Madivan,” some peasants’ swampland plots had been turned over to KSW. The scale of this expropriation was small in comparison to what happened in 1997, when virtually all local peasants in the wide neighbourhood lost their user rights to swampland plots in the Nyabarongo valley.

perception, widely shared by local peasants, was that “the decision to give the marshland away has come from the President himself.”

This seeming contradiction between referring to swampland as individual property versus state property points to a situation of legal pluralism. On the one hand, there has always been a public claim on swampland.³⁴ But, at the same time, local population quite often perceived their self-claimed user ‘rights’ to swampland plots as permanent, despite the lack of formal or informal property titles. As a result, they were not (immediately) willing to give these up without contestation or open resistance.³⁵ A considerable proportion of the concerned peasantry refused to voluntarily surrender ‘their land’ to the government. Participants in several focus groups spoke of harsh intimidation by the police and local defence forces, referring to peasants being “chased” from the swampland “by bullets”; others were imprisoned.

However, a small group of peasants were able to retain their marshland plots. Firstly, plots already covered with sugarcane were not touched (i.e. not claimed) by the Madhivani group.³⁶ Such cultivation was mostly practiced by better-off peasant categories that did not use their plots to complement subsistence production from the hills. Secondly, the borders of the swampland were fixed, “where the peasants plant their banana trees.” Many better-off peasants had banana plantations at the borders of the swampland and were thus able to keep these plots. In those rare cases where poorer peasants were able to keep their swampland plots, they often sold them in later years to the better-off. Ultimately, the swampland plots not taken by the Madhivani group are used by, “the people with the ovens to extract clay there,”³⁷ referring to the brick-making entrepreneurs who are better-off economically.

At the time of our research, a considerable part of the swampland near the *umudugudu* – held in concession by KSW – was neither maintained nor cultivated, and so was overgrown with papyrus. Problems with flooding in the Nyabarongo valley are frequent, but here the problem is permanent. And so, according to the general manager of KSW, it is not suitable for sugarcane cultivation – making it so would require irrigation and drainage. At the time of our research (2007), discussions were ongoing as to whether this had to be done and paid for by the government or by KSW. The fact that it is left fallow by Madhivani was a sensitive and hotly-debated issue during our interviews with local peasants. Indeed, before 1997, the local population had managed to

³⁴ In several locations prior to 1994, local authorities had taken an active role in swampland development (this practice continued into the post-1994 period and got a legal foundation with the 2005 land law).

³⁵ Musahara and Huggins recount how some farmers set fire to the sugarcane crop, indicating how “discontent led to confrontation”. MUSAHARA, H., HUGGINS, C., “Land reform, land scarcity and post-conflict reconstruction: A case study of Rwanda”, in MUSAHARA, H. (ed.), *Poverty and land*, ACTS/ISS, 2005.

³⁶ Interestingly, one of our better-off respondents mentioned that he did not sell his sugarcane to KSW, but on the open market where he got a better price.

³⁷ At the time of our research in 2008, this activity of brick baking with traditional ovens had been prohibited by Rwandan authorities because of its polluting impact.

cultivate a considerable part of this ‘unsuitable’ marshland. They were convinced that they had the knowledge and technical skill to cultivate parts of this ‘unsuitable’ land. Interviewees claimed that sugarcane “does not work” there, that they had “the techniques to prepare the marshland that Madhivani does not know of,” and that “Madhivani only cultivates in the easy area while we as peasants are used to work in difficult circumstances.”³⁸

No one dared to occupy this uncultivated land. Putting this land to use would require considerable physical effort, an undertaking too risky without guaranteed user rights. Participants also spoke of the way they were evicted from the marshland when Madhivani got its concession. Clearly, they were not keen on risking this again. Nonetheless, there had been some discussions with local authorities regarding reoccupying the uncultivated parts of the swampland. Local peasants regarded the Madhivani business group as “beyond their reach” and had hoped for the district authorities to intervene and mediate. Such attempts had failed as “the local authorities did not want to listen to us.” At the time of our research, there seemed to be no hope left for the peasants. One local mentioned that, “Madhivani is probably scared that we would occupy a larger part of the marshland if we get access to some flooded land there.” Another said, “we can not run to the local authorities anyway, because those have chased us from the spot in the first place.” The peasants we spoke with saw the de facto role of local authorities as “complying with national policy,” rather than representing their interests and needs.

Overall, the local peasant community seemed quite unanimous in their negative assessment of KSW’s privatisation – and in particular, the land and livelihood losses this entailed. Interestingly, almost none of our focus group participants worked as a daily labourer for KSW. There are several reasons for this: (1) somewhat better-off peasants “do not have the time to work there for a whole day”; (2) only young people with limited landholdings (and income) are physically able to “do this tiresome work” as they do not have the responsibility to “maintain their household,” and (3) the wage rate is too low (400 Rwf or 1.8 USD PPP at 2007 prices) for a seven-hour day.³⁹ Despite high inflation, this wage rate had not increased over the last 6 years.⁴⁰ An additional problem is that salaries are paid at month end while poorer categories are in constant need of cash to satisfy food needs. Finally, salaries are not paid during

³⁸ Some peasants remarked that it would be impossible to cultivate parts of the swampland. Peasants had extracted clay for brick-making in parts of the marshland which had created pits filled with water. For other flooded areas, focus group participants commented that it would require intense organisation to make canals, the system used before the war (so that excess water evaporates in the dry season) to solve the flooding problem. Someone mentioned that they can not be asked to cultivate this section individually. Rather, that they needed to form associations to organise themselves.

³⁹ A physically strong man working as a labourer on another’s plot (from morning until 1pm) can earn up to 500 Rwf (2.3 USD PPP, 2007 prices) a day. For women and less strong men, the salary is 300 Rwf (1.4 USD PPP, 2007 prices).

⁴⁰ This can be deduced from the fact that a similar wage rate of 400 Rwf is reported in PRIVATISATION SECRETARIAT, 2001, *ibid*.

sick leaves or when the swamps are flooded, which is frequent in the rainy season.

When calculating the net benefits (if any) of KSW's privatisation, we must also consider larger socio-economic dimension(s) beyond the immediate environment of the *umudugudu* included in our field study. In the next section, we will assess the extent to which KSW's privatisation has paid off in terms of productivity increases and employment creation.

4. PRODUCTIVITY INCREASES AND EMPLOYMENT CREATION

A key question is whether KSW's privatisation and the transfer of land from local small-scale peasants to the Madhivani business group paid off in terms of overall productivity, employment creation, reduced poverty and improved local empowerment. In this section, we will use these criteria (see Table 1) to compare 3 allocations (i.e. 1 existing and 2 hypothetical) of swampland plots: (1) the current situation; (2) the 3000 ha of swampland held in concession by the Madhivani business group are worked independently by peasants with sugarcane cultivation; and (3) the 3000 ha of swampland held in concession by the Madhivani business group are instead worked by peasants cultivating a variety of crops.

Table 1: Alternative swampland allocations

	<i>held in concession by KSW</i>	<i>peasant households cultivating sugarcane</i>	<i>peasant households cultivating whatever they like</i>
<i>productivity</i>	Productivity per available ha (1750 ha): 26.7 – 30.0 mt per ha. Productivity per cultivated ha (3000 ha): 45.7 – 51.4 mt per ha.	Productivity on 2200 ha covered with sugarcane currently cultivated by peasant households: 50.0 – 54.5 mt per ha.	Monetary value of 'unconstrained' crop production per ha is comparable to that of sugarcane production.
<i>employment creation</i>	5000-6000 jobs for agricultural labourers paid 400 Rwf per day (= 120.00 Rwf on a 1.5 yearly basis).	3000 ha (20% non -cultivable) could have provided: <ul style="list-style-type: none"> • 5000-6000 peasant households producing sugarcane with an avg. income of 280,000-366,545 Rwf (in 18 months). • 14,002-15,287 people with an average income of 120.000 Rwf (120,000 Rwf = 1.5 yearly income of 5000-6000 daily wage labourers). • 1309-1800 households with an avg. income between 933,310 and 1.399,974 Rwf (= current 1.5 yearly income of 1200-1500 households mt sugarcane). 	Swampland cultivation without sugarcane requirement results in similar earnings per ha but would facilitate access for poorer categories of peasants.

<i>poverty and local empowerment</i>	Local peasant communities have lost access to 3000 ha of swampland -> implications for food security.	If peasants cultivating sugarcane were allowed to organise themselves with a democratically functioning cooperative, they would strengthen their bargaining position in (price) negotiations and reinforce their capacity for collective action.	Access to swampland and unconditional crop choice makes peasants more resilient to weather/climatic change and market fluctuations.
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Note: 1 USD PPP = 216,5 Rwf (2007 prices).

Before continuing, let us first recapitulate the current situation. At the time of our research, the annual sugar production of KSW was about 12,000 mt (equal to a manufacturing capacity of approximately 133,333 mt of sugarcane⁴¹). 40 to 45% of this is produced from the 3000 ha of land held in concession by Madhivani (the official figure is 3150 ha). According to the group, however, only 1750 ha are suitable for permanent cultivation. The company employs between 5000 and 6000 daily wage workers who are paid 400 Rwf / 1.8 USD PPP (2007 prices) for a 7-hour work day. About 400 employees work in the sugar factory itself. Further, KSW buys sugarcane from 1200-1500 private small-scale farmers working an additional 2200 ha. KSW also supports employment in the transport sector. (Information based on an interview with Mr. Rao, general manager of KSW, 26 June 2007)

These results, in terms of overall output and job creation, bring us to a more indirect ‘fruit’ of privatisation: the impact it has on poverty reduction. We asked the general manager of KSW what role the company has in poverty reduction. He stated that this is not the primary role of a private business, but expressed his conviction that the company plays an important role in that respect. He enumerated, “what would not have been there if KSW was not active: 6 to 8 million Rwf leaving the country in return for sugar imports, 7000 to 8000 unemployed, 1.5 billion Rwf less in circulation and 3 million USD less in yearly taxes for the Rwandan state. He added, “I don’t claim that we have to reduce poverty, but in the process of doing business, there is development.”

Let us now examine two alternative scenarios. The first question is what would have been the overall output and productivity of Madhivani’s 3000 ha of swampland had they been cultivated by individual small-scale peasants growing sugarcane? The data in the Annex (summarised in Table 1 in the text) raise some important points. The productivity of local peasant land (50.0 – 54.5 mt/ha) is significantly higher than the productivity on the land held in concession by KSW (26.7 – 30.0 mt); and not very different from KSW’s land actually cultivated (45.7 – 51.4 mt). We may assume that individual peasants would not have left more than 1000 ha of swampland fallow. Therefore, aggregate sugarcane production could have been considerably higher if the land

⁴¹ Ratio of 9% to calculate the final product.

held in concession by KSW had remained with individual peasants cultivating sugarcane.

Next to productivity, there is the issue of employment creation. As mentioned, KSW provides a job to between 5000 and 6000 wage labourers (earning 400 Rwf / 1.8 USD PPP per day). In our interview with Mr. Rao, he frequently referred to the number of jobs created. But, as mentioned earlier, only those with few or no alternative job opportunities took these jobs. It is very hard to estimate just how much earnings the swampland would have produced had independent small-scale peasants worked the land rather than KSW. But departing from productivity rates and the earnings of the 1200-1500 peasants currently producing sugarcane, and assuming a linear relationship between land size and overall output in swampland plots,⁴² the following statements can be made: (1) the 3000 ha of swampland could have provided an income comparable to the current KSW daily wage rate (400 Rwf / 1.8 USD PPP per day) for more than 14,000 independent peasant households; (2) put differently, the 3000 ha of swampland could have provided 5000-6000 independent peasant households with an income double or triple that of the current daily wage labourers.

Finally, the concession of 3000 ha of land to KSW appears to go against the government's own objective of pro-poor development. A better alternative would have been for the Rwandan government to have allowed individual farmers growing sugarcane to organise themselves in a truly democratically-managed cooperative. Such a cooperative could then engage in negotiations with KSW over the price of sugarcane, which would have reinforced the local capacity for collective action.

A second alternative would have been for individual small-scale peasants to continue cultivating a variety of crops instead of only sugarcane. The table in the Annex shows that the productivity rate (monetary value per ha) of 'unconstrained' crop production is comparable to that of sugarcane. This is not necessarily an argument against sugarcane production. Regional crop specialisation could potentially be very profitable to local peasants if their bargaining capacity with buyers was/is improved. But as such, a diverse crop pattern (including sugarcane) does not impede the creation of cooperatives. And an unconstrained crop choice offers a very important advantage – flexibility. It allows better-off peasants to mix subsistence and commercial farming while it allows poorer peasants – often under financial strain – to use swampland cultivation as a risk-coping mechanism against famines. In addition, farmers can modify their crop choice according to changes in climatic and market conditions. Giving space to peasants' own incentives thus allows

⁴² In reality, the relationship may not be linear. The inverse relationship between farm size and productivity suggests that the trend may be exponential (with diminishing returns). For more on this, see ANSOMS, A., "The Inverse Relationship between Farm Size and Productivity in Rural Rwanda", Discussion Paper 2008.9, Antwerp, Institute of Development Policy and Management, 2008. Poorer households may also be limited in their ability to grow sugarcane without adequate access to risk-insurance and credit facilities.

for risk-diversifying cultivation patterns that play a very important role in ensuring food security.

Summing up, we can conclude that the current concession of swampland held by KSW (3000 ha) is not optimal in terms of either productivity or employment creation. In addition, the supposed pro-poor impact of the KSW privatisation and land concession is highly questionable. This is even acknowledged by Rwanda's Privatisation Secretariat which stated, "the privatisation of Kabuye Sugar Office and its purchase by KSW in 1997 has been cited explicitly as an example of an operation which, instead of benefiting the population, has made people poorer in taking their fields."⁴³ Thousands of peasant families lost access to their swampland plots. For those who had grown cash crops or extracted clay for brick-making; it was a very heavy loss. For others who had grown subsistence crops and used swampland plots as a safety net, an important risk-coping tool was lost.

5. CONCLUSION: THE BITTER FRUIT OF PRIVATISATION

This article studied the case of Kabuye Sugar Works, the very first privatised company in post-1994 Rwanda. The Madhivani business group, which bought this enterprise, received a concession on approximately 3000 ha of land to grow sugarcane. The article looked at the impact of this privatisation on overall efficiency of land use, and on the livelihoods of a particular community living near the Nyabarongo swampland.

It arrived at two alternative conclusions with regards to the successfulness of this privatisation in terms of land productivity: (1) the productivity of individual small-scale peasants growing sugarcane is considerably higher than that of Kabuye Sugar Works. The organisation of these peasants into a democratically-managed cooperative could enhance their negotiation power and reinforce local capacity for collective action. In any case, the current allocation of 3000 ha of swampland is not optimal in terms of overall output and productivity. Alternatively (2) one could have left the crop choice in the hands of individual farmers. We have shown that a production system in which individual peasants are not constrained in their crop choice would be equally productive (in terms of monetary value per ha) as individual peasants producing sugarcane. Mixed cropping would allow peasants to combine subsistence with commercial production and thus increase their resilience to market fluctuations and climatic variations. This option would also improve access for poorer categories that may use their swampland production as a risk-coping mechanism against famines.

The article has illustrated the detrimental impact of the privatisation and resulting land dispossession on a particular local peasant community. The forceful implementation of the privatisation policy left no room for grass roots

⁴³ PRIVATISATION SECRETARIAT, "Privatisation on tour in Cyangugu", Rwanda Privatisation No. 13, 2002, pp.6.

protest. Some local actors did try to exert influence on changing the rules at the margins. This was done, not by contesting Madhivani's rights, but by trying to legitimise their claims over unused swamplands (and by pointing to their ability-based experience to transform such swampland into a 'productive' area). With this approach, they tried to align their position to the public transcript. Peasants had hoped to instrumentalise local authorities, at district level, as development brokers and translators of their concerns. Unfortunately (or naively), they underestimated the 'loyalty' of those authorities to the official line. Due to a total lack of accountability of these authorities towards the local level, officials made no attempt whatsoever to communicate these local concerns to a higher level.

In 2001, after 4 years of KSW operations as a private company, the Privatisation Secretariat concluded that its efforts had started to bear fruit and, "... the fruit is sweet, that's for sure." But from the position of local small-scale peasants, under-acknowledged stakeholders in the KSW privatisation, and of Rwandan society at large, the fruits of the privatisation turned out to be bitter after all.

Antwerp, April 2009

Annex: Analyses of Sugarcane Production, Employment and Earnings

Calculations based on estimates provided by Mr. Rao, general manager of Kabuye Sugar Works, in July 2007

(A) PRODUCTIVITY (OUTPUT PER HECTARE)

(i) Current situation: privatised company produces sugar

The production capacity of KSW, in terms of sugar production (not in terms of processing), over a period of 18 months is 80,000 – 90,000 mt⁴⁴ produced on a surface of 3000 available and 1750 cultivated ha. This is a ratio of 26.7 – 30.0 mt per available and 45,7 – 51,4 mt per cultivated ha (in 18 months).

(ii) Alternative scenario 1: only small-scale farmers cultivate sugarcane

The productivity of individual small-scale peasant land is between 50.0 – 54.5 mt per ha⁴⁵ per 18 months (of the 2200 ha cultivated by small-scale peasants). Their productivity is considerably higher than that of the privatised company. The value of sugarcane production is 700,000-763,636 Rwf per ha per 18 months⁴⁶ (14,000 Rwf per ton, 2007 prices).

(iii) Alternative scenario 2: small-scale farmers with free crop choices

The mean monetary value of ‘unconstrained’ crop production per ha on all types of land in Rwanda is 272,804 Rwf per year at 2001 prices⁴⁷ (or 672,325 Rwf per 18 months at 2007 prices).⁴⁸ This amount would be somewhat higher when only taking into account more fertile swampland plots. The productivity rate of ‘unconstrained’ crop production (monetary value per ha) is therefore comparable to that of sugarcane production.

⁴⁴ About 40 to 45% of the sugar production (12,000 mt per year) comes from the land held in concession by KSW. This is equal to 7,200 to 8,100 mt of sugar, or 40 to 45% of the 18,000 mt of sugar processed in the factory over an 18 months period (annual production capacity 12,000 mt). The net weight of processed sugar represents about 9% of the raw unprocessed cane. This means that the total amount of sugarcane grown by KSW on the plots held in concession is about 80,000 to 90,000 mt.

⁴⁵ About 55 to 60% of the sugar production comes from individual peasant plots. This is equal to 9,900 to 10,800 mt of sugar or 110,000 to 120,000 mt of sugarcane over an 18 month period. Productivity lies therefore at 50.0 to 54.5 mt of sugarcane per ha per 18 months (on the 2200 ha cultivated by small-scale peasants).

⁴⁶ The monetary value of sugarcane production is 14,000 Rwf per ton (2007 price offered by KSW to individual peasants). Peasants produce between 50.0 and 54.5mt of cane per ha, good for between 700,000 and 763,000 Rwf per ha over 18 months.

⁴⁷ ANSOMS, A., “The Inverse Relationship...”, *op. cit.* All plots of land in the swamplands and on the hills are considered.

⁴⁸ Accumulated inflation (i.e. consumer prices, period average) for the 2000-2007 period is 64.3% (*World Development Indicators*, World Bank, 2008).

(B) EMPLOYMENT AND EARNINGS**(i) Current situation: privatised company produces sugarcane**

Next to 400 jobs in sugarcane processing, an unknown number of jobs in the transport sector, and 1200-1500 peasant households who generate earnings from selling their cane to the factory, there are 5000-6000 daily wage labourers who work the land of KSW. These labourers receive 400 Rwf per day for a full day's work (7 hours) but are not paid for Sundays, *umuganda* and *gacaca* days, and during sick leave and periods that the swampland is flooded. Using 200 pay-days per year as an estimate, a total 18 month salary equals 120,000 Rwf.

(ii) Alternative scenario 1: only small-scale farmers produce sugarcane

Had the 3000 ha held by KSW remained or been allocated to small-scale peasant families (considering an arbitrary 20% as not cultivable) then:

- This land could have provided 5000-6000 independent peasant households producing sugarcane with an average income between 280,000-366,545 Rwf (in 18 months).
- This land could have provided 14,002-15,287 people with an average income of 120,000 Rwf (120,000 Rwf = 1.5 annual income of the current 5000-6000 daily wage labourers).

(iii) Alternative scenario 2: small-scale farmers with free crop choice

Currently individual peasant households growing sugarcane in the swampland occupy 1.2 – 1.8 ha. The average family landholding in 2000 however was 0.75 ha. Engagement in sugarcane production is therefore not that easy for poorer households. Swampland access, therefore, would likely be more inclusive in a system of unconstrained crop production.