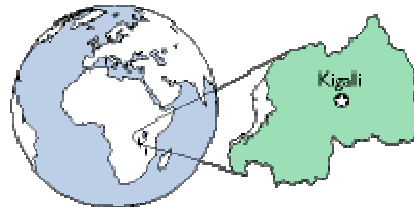


# COUNTRY REVIEW

## Rwanda



15 October 2010

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**EULER HERMES COUNTRY RISK GRADE: D**

Country Risk Grades are on a scale of AA, A, BB, B, C, D  
where AA is the lowest and D the highest risk.

## COUNTRY PROFILE

Capital city:	Kigali
GDP:	USD5.014bn (2009e)
Population:	10mn (2009e)
GDP per capita:	USD500 (2009e)
Currency:	Franc (RWF)
Form of state:	Republic
Head of state:	President Paul Kagame
Next elections:	Legislative by September 2015, presidential by August 2017

The country's first multi-candidate presidential election was held in August 2003 and Paul Kagame, who held the position in the Transitional National Assembly from April 2000, was voted into office for a seven-year term and subsequently re-elected in August 2010. Parliamentary elections in August 2008 resulted in Kagame's Rwandan Patriotic Front (RPF) winning a strong majority in the legislature. There is little vocal opposition to the RPF, partly because security agencies maintain a firm hold on personal and collective liberties—human rights' groups accuse the government of using allegations of terrorism to stifle voices of dissent and the country's most prominent opposition leader was arrested in October 2010 using such accusations. **Strengthening of social and political institutions will continue to be a lengthy process and religious and tribal schisms will require careful management if the government is to maintain national integrity.**

**Regional relations remain tense**, although much improved from the early to mid-1990s. The inter-tribal clashes between Hutus and Tutsis have not flared significantly since the 1994 genocide, in which approximately 900,000 lost their lives, but border disagreements with Uganda and continuing involvement in DR Congo indicate that **stability in this troubled region will remain fragile**. International relations have been re-oriented away from France and towards the UK, partly in response to an official policy of improving links within the East African Community trading bloc.

The landlocked country has **few natural resources**, a high population density and an export base reliant on coffee and tea. Annual per capita GDP is around USD500 and 90% of the population lives on less than USD2/day. Nevertheless, relative political stability has engendered higher rates of economic activity and **real GDP increased by an annual average 7.8% in 2002-09**, following only 1.6% in 1992-2001. The weak recovery from the 2008-09 slowdown in the global economy is unlikely to derail Rwanda's economic resurgence, with **GDP growth forecast at 5-6% this year and in 2011**. With a political commitment to market-led reforms and a good recent record of economic management, the **IMF is likely to approve a three-year Policy Support Instrument that was requested in August**, although the interim monitoring targets will be challenging, particularly in relation to the fiscal and current account deficits. We forecast that, **excluding grants, the twin deficits will be equivalent to 10-15% and 17-20% of GDP, respectively, in 2010 and 2011 and this underlines the key requirement of maintaining international support**. Although the cost of servicing external debt has fallen substantially as a result of multilateral debt relief under the Heavily Indebted Poor Countries (HIPC, USD1bn in relief) and G8 initiatives, foreign debt levels (and servicing of commitments) remain unsustainable for an economy with weak foreign exchange earning capacity.

The **business environment has improved markedly, albeit from a low base**, and the Heritage Foundation's 2010 Index of Economic Freedoms ranks Rwanda 93 out of 179 countries assessed, below Burkina Faso, Morocco and Croatia but above Egypt, Tunisia and Tanzania. In the 2010 Index, Rwanda registered the fourth most improved business environment. Foreign investment is welcomed and restrictions and regulations have been streamlined, although political and regional uncertainties persist as a deterrent to stronger investor interest. Structural reforms encourage entrepreneurial activity. The latest IMF assessment notes that the banking system remains relatively weak and regulation and supervision of the sector require improvement. The state still controls directly a significant proportion of the total asset base of the financial system, despite some privatisation.

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