

International
Credit Analysis

Republic of Rwanda

Ratings

Foreign Currency

Long-Term IDR*	B-
Short-Term IDR*	B
Outlook	Positive

Local Currency

Long-Term IDR*	B-
Rating Outlook	Positive

Country Ceiling..... B-

* IDR – Issuer Default Rating

Peer Group

B+	Cape Verde Ghana Iran Jamaica Mongolia Uruguay
B	Benin Cameroon Dominican Rep Mozambique Papua New Guinea Suriname Uganda
B-	Rwanda Bolivia Ecuador Lebanon Mali Moldova

■ Summary

Fitch Ratings has assigned a 'B-' foreign currency rating to Rwanda with a Positive Outlook. Rwanda's rating is supported by a good track record of macroeconomic management and reforms, and the receipt of substantial bilateral and multilateral debt relief in 2005 and 2006. Substantial donor aid flows are supporting the development efforts. Growth averaged 5.5% in 2000-2006 after an average of 16% in the 1995-1999 post-conflict period, the economy has been liberalised and key sectors such as the banking sector and the coffee and tea sectors have been restructured. The investment rate is projected to increase to over 25% of GDP in 2007-2008 from below 10% in 2000, laying the foundations for further productivity gains.

Nevertheless, growth is from a very weak base; income per head is still just USD260 in 2006. In common with other similarly rated countries in the region, the economic structure and export base are weak and depend on the rural sector and agriculture (in Rwanda's case, tea and coffee exports). The low income tax base and huge developmental spending needs mean that public finances will depend heavily on aid for the foreseeable future. Rwanda's geographical location as a small landlocked country and a lack of natural resources are a further disadvantage to trade and investment, as is an energy shortage.

The political backdrop is much improved following multiparty elections in 2003, although national reconciliation will take time and negative perceptions will be slow to change. The recent flaring up of tensions between France and Rwandese authorities is unlikely to affect the domestic political situation or lessen support from Rwanda's key donors.

■ Credit Outlook

The Outlook is Positive. The reform momentum, supported by increased donor aid, together with investment in transport and energy infrastructure – two hydroelectric power stations and generation from methane gas are planned over the medium term – will continue to improve Rwanda's growth and investment prospects and underpin stronger creditworthiness.

■ Strengths

- Macroeconomic stability, growth and reforms record
- Strong commitment to good governance
- Debt sustainability enhanced by the multilateral debt relief initiative (MDRI)
- Strong donor financial support.

■ Weaknesses

- Weak economic structure; vulnerability to weather-related and soft commodity price shocks
- Fundamentally weak public finances, although improving
- Very low savings rate; structurally large current account deficit financed by donor aid
- High transportation costs and energy shortage
- Low per capita income; high and increasing demographic pressures; and other social and developmental challenges.

Ratings History

Date	LTFC	LTLC
18 Dec 2006	B-	B-

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Key Indicators for Rwanda

Population (2005): 8.81m

Population Growth Rate (2000-2005): 2.4% p.a.

GDP (2006): USD2.4bn

GDP per Head at Market Exchange Rates (2005): USD244

GNI Per Head at Purchasing Power Parity (2005): USD1,320 (= 3% of USA level)

Modern Sovereign Rescheduling History: 1998 Multilateral creditors, 2000 HIPC, 2006 MDR1

	2002	2003	2004	2005	2006 ^f	2007 ^f	2008 ^f
Domestic Economy and Finance							
Real GDP Growth (%)	9.4	0.9	4.0	6.0	5.8	6.4	6.6
Unemployment (% of Labour Force)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Consumer Prices (Annual Average % Change)	2.3	7.2	12.0	9.1	9.2	7.0	5.0
Gross Domestic Savings (% of GDP)	1.3	5.6	4.6	1.9	-3.1	-5.5	-5.4
Gross Domestic Investment (% of GDP)	15.1	23.9	22.5	21.6	22.5	25.3	28.4
Short-Term Interest Rate (%) ⁽¹⁾	13.0	13.8	14.5	13.5	12.5	12.5	12.5
Broad Money (% Change Dec to Dec)	12.6	15.4	30.0	18.0	10.7	10.0	10.0
RWF per USD (Annual Average)	476.3	537.6	574.6	555.9	552.0	550.0	545.0
REER (CPI, 2000=100)	84.6	68.5	73.9	73.9	76.1	77.6	78.4
REER: % Change (+ = Appreciation)	-12.3	-19.1	7.9	0.0	3.0	2.0	1.0
Public Finances							
General Government Balance (% of GDP)	-1.2	-1.0	-0.2	0.7	0.3	-3.4	-2.9
General Government Debt (% of GDP)	109.0	112.1	97.8	82.8	24.6	24.9	25.6
General Government Debt Maturities (% of GDP) ⁽²⁾	1.7	2.1	2.7	3.9	1.9	0.7	2.0
General Government Debt/Revenue (%)	607.3	585.7	378.7	283.4	88.6	90.4	91.6
Interest Payments/Revenue (%)	4.2	4.4	4.4	2.9	2.8	2.3	1.9
Balance of Payments							
Current Account Balance (USDm)	-156	-180	-55	-78	-164	-178	-158
Current Account Balance (% of GDP)	-9.0	-10.7	-3.0	-3.6	-7.0	-6.9	-5.5
Current Account Balance plus Net FDI (USDm)	-153.8	-175.2	-38.4	-55.4	-140.7	-151.1	-123.2
Current Account Balance plus Net FDI (% of GDP)	-8.9	-10.4	-2.1	-2.6	-6.0	-5.8	-4.3
Gross Financing Requirement (% of Official Reserves) ⁽³⁾	79.7	78.9	31.1	27.8	41.5	38.7	30.7
Current External Receipts CXR (USDm)	287	309	519	622	627	692	751
Current External Receipts CXR (Annual % Change)	-11.5	7.8	67.7	19.9	0.7	10.5	8.5
Current External Payments CXP (USDm)	444	489	574	700	791	870	909
Current External Payments CXP (Annual % Change)	-4.5	10.3	17.2	22.0	13.0	10.1	4.4
External Assets and Liabilities							
Gross External Debt (USDm)	1,506	1,609	1,744	1,587	419	465	531
Gross External Debt (% of GDP)	87.0	95.6	95.0	73.7	17.8	18.0	18.5
Gross External Debt (% of CXR)	524.6	520.0	336.0	255.1	66.9	67.2	70.7
Net External Debt (USDm)	1186	1309	1322	1087	-141	-150	-206
Net External Debt (% of GDP)	68.5	77.7	72.1	50.5	-6.0	-5.8	-7.2
Net External Debt (% of CXR)	413.2	422.9	254.7	174.7	-22.5	-21.6	-27.4
Public External Debt (USDm)	1,477.4	1,572.9	1,709.5	1,557.8	398.9	452.7	523.9
Public External Debt (% of GDP)	85.3	93.4	93.2	72.3	16.9	17.5	18.3
Net Public External Debt (% of CXR)	429.7	438.9	268.8	185.2	-10.6	-9.7	-15.7
Public FC Denominated & FC Indexed Debt (USDm)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Short-Term External Debt (% of Gross External Debt)	1.8	1.8	1.6	1.8	4.9	4.5	4.0
External Debt Service (% of CXR)	9.0	8.9	6.2	4.3	2.5	2.2	2.0
External Interest Service (% of CXR)	4.6	5.0	3.9	2.7	1.9	1.9	1.7
Liquidity Ratio (%) ⁽⁴⁾	617.5	584.6	495.0	768.9	1,132.1	1,574.9	1,720.0
Official International Reserves Including Gold (USDm)	244	215	315	406	465	520	642
Official International Reserves in Months of CXP Cover	6.6	5.3	6.6	7.0	7.1	7.2	8.5
Official International Reserves (% of Broad Money)	87.2	74.3	82.9	88.8	91.3	92.8	103.2

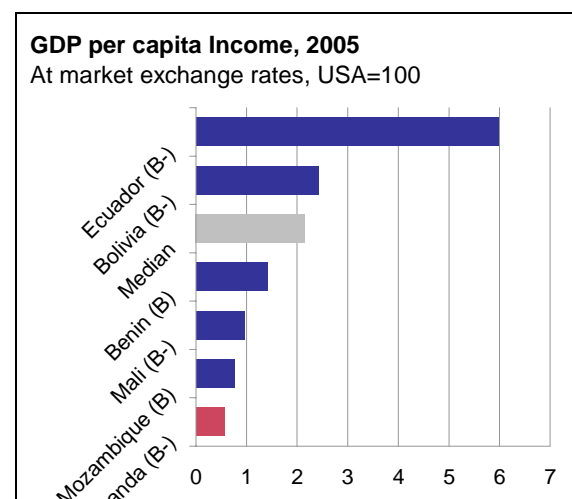
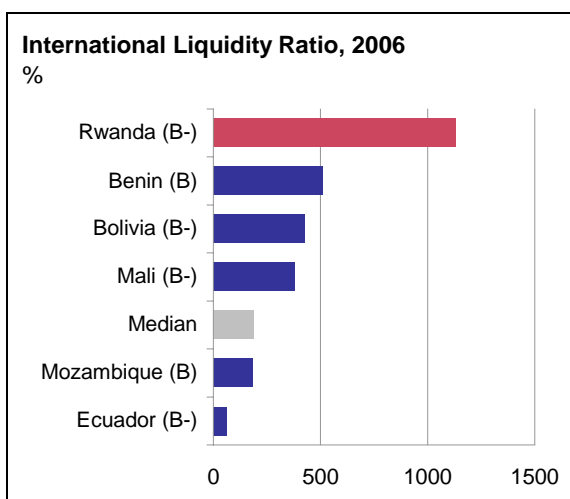
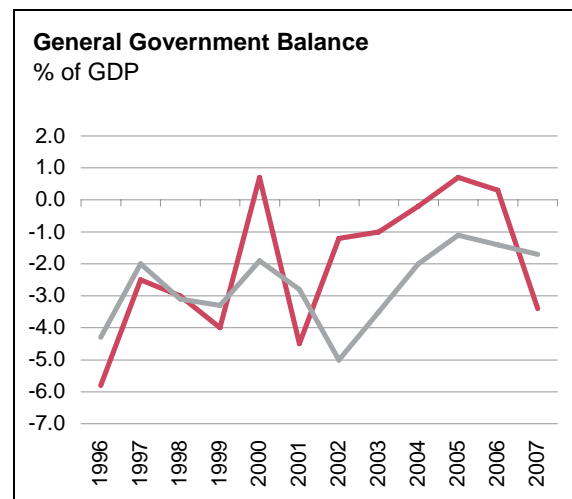
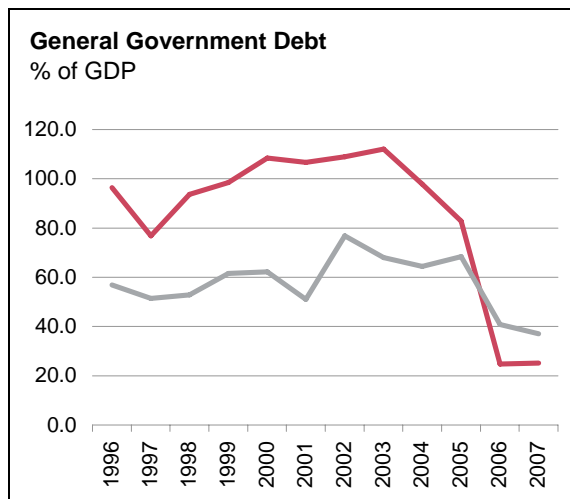
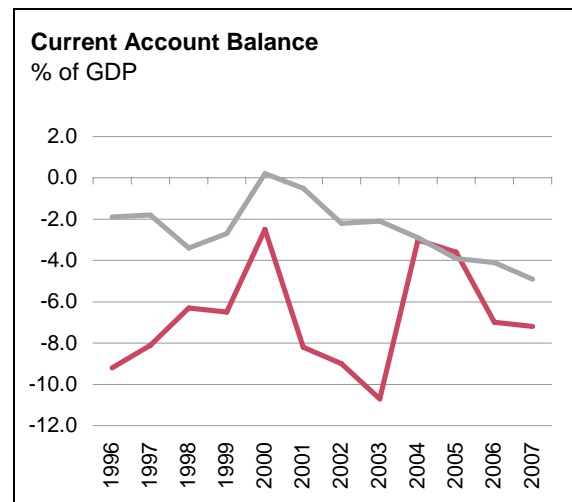
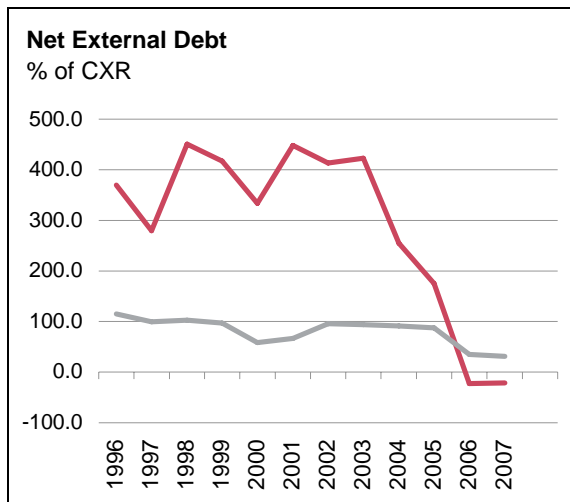
⁽¹⁾ Treasury bill rate, end year.

⁽²⁾ Maturities of medium and long-term debt during year plus short-term debt outstanding at the beginning of the year.

⁽³⁾ Current account balance plus amortization of medium and long-term debt, over official international reserves.

⁽⁴⁾ Official reserves incl. gold plus banks' foreign assets/ Debt service plus liquid external liabilities.

Peer Comparison



— Rwanda

— B Median

Source: Fitch Sovereign Comparator

■ Rationale

Fitch Ratings has assigned a 'B-' Long-term foreign currency (LTFC) Issuer Default Rating to the Republic of Rwanda with a Positive Outlook. Rwanda's rating is supported by a track record of macroeconomic management and reforms resulting in strong growth – averaging 16% during the post-conflict recovery phase (1995-1999) and settling at an average rate of 5.5% in 2000-2006 – and relatively moderate inflation. The economy has been liberalised and key sectors such as the banking sector and the coffee and tea sectors have been restructured. The investment rate has risen, laying the foundations for further productivity gains. Public-sector reforms have improved the delivery of social services and the area of education has seen enormous progress. The MDRI in 2006 has resulted in a substantial reduction of public and external debt, which is now very low. The country is also finally politically stable following the withdrawal of its troops from the Democratic Republic of Congo (DRC) in 2002 and multiparty elections in 2003, the first since independence nearly 40 years earlier, which went smoothly.

This commendable progress has to be put into the context of a legacy of ethnic conflict and the genocide in 1994, which destroyed already weak infrastructure, institutions and human capacity, and the additional challenge of a national reconciliation, which is absent from other similarly rated peers and will take time. Thus growth is from a very weak base and income per head is still very low (USD260 in 2006), partly due to persistent exchange rate depreciation until 2003 and high population growth. In common with other similarly rated countries in the region, the economic structure and exports base are weak and depend on the rural sector and agriculture (in Rwanda's case, tea and coffee exports). The low income tax base and huge developmental spending needs mean that public finances depend on aid for the foreseeable future. Rwanda's geographical location as a small landlocked country and a lack of natural resources are a disadvantage to trade and investment. It also has an energy shortage. Thus – despite the dramatic improvement in public debt ratios as a result of MDRI, which are now comparable to countries further up the rating scale – the low level of development, high vulnerability to external shocks and weak institutions and infrastructure are a major constraint on creditworthiness. Nevertheless, given the government's continued commitment to reforms and increased donor support, Fitch expects Rwanda to continue to make gradual progress in all these areas.

The sustainability of public finances has been given a big boost by the MDRI, which has reduced the public debt to 25% of GDP in 2006, much lower

than the 'B' rating category median. This is a rating strength for Rwanda. In the meantime, public finances have gradually been strengthened by reforms and improved fiscal discipline. Although the tax/GDP ratio was still low at 15% GDP in 2005, it has risen from below 10% in 2000, as a result of tax administration and tax policy reforms. Expenditure has been controlled in aggregate and priority spending safeguarded and increased, using savings from debt-service relief and from the gradual decline in defence expenditure since 2002. In response to good progress on improving fiscal management, donors started stepping up grants in 2004. These are expected to increase to close to 50% of total revenues in 2007-2008, helping to support social and infrastructure spending and underpin growth. While the lack of fiscal flexibility and vulnerability to donor inflows are weaknesses, this is mitigated by Rwanda's good relations with the IMF and major donors (except for France). In fact, over the medium term increased donor inflows will present a challenge in terms of managing monetary and exchange rate policy and building up absorptive capacity.

Macroeconomic Indicators 2006

(% of GDP)	Rwanda	B Median
Budget Balance	0.3	-1.5
Current Account Balance	-7.0	-4.0
Government Debt	24.8	42.3
Net External Debt	-6.0	36.5
Net Public External Debt	-2.8	11.7
Liquidity Ratio	1,132.0	188.5
Investment	22.5	23.2
GDP per Capita (USD)	260	976
Real GDP (5-Year Avg Growth %)	5.2	5.0

Source: Fitch

Rwanda's rating is supported by a strong growth record. Notwithstanding high volatility owing to the economy's vulnerability to shocks, the average growth rate in 2000-2006 was relatively high at 5.5%, supported by macroeconomic stability, structural reforms and increased investment. Investment rates are projected to increase to over 25% in 2008 from less than 10% in 2000, mainly driven by public investment in energy production and rural roads infrastructure. Combined with the impact of restructuring of the key agriculture sectors and banking, this should underpin higher growth rates at above 6% over the medium term. Reforms to the coffee sector have already contributed to doubling coffee exports in 2005-2006 and further increases of coffee and tea exports are likely in the medium term. However, the overall level of exports is still very low and the country has a large structural trade deficit. Much more needs to be done in terms of deepening structural and institutional reforms and improving the private investment climate to boost and sustain

growth rates at the 8%+ levels, necessary for a material improvement in per capita income growth and faster progress on exports growth.

As regards the private investment climate, very high transport costs are a severe impediment, as are an energy shortage and high energy costs due to the increased use of thermal power generation since 2004. The government is investing in two hydropower projects, due for completion at the end of 2009, and a methane gas project, which will generate gas from Lake Kivu and is at the pilot stage. These are likely to improve the energy situation over the medium to longer term. On the positive side, the low levels of corruption and a restructured financial sector should benefit private investment.

Despite good progress on improving social indicators, they remain very weak. GDP per head at market exchange rates is the second weakest of all Fitch-rated countries after Malawi ('CCC'), although in purchasing power parity terms Rwanda compares better than other countries, such as Mali ('B-') and Benin ('B'). In terms of people living below the poverty line Rwanda's level is 60%, similar to Mozambique ('B') but much higher than Uganda ('B') and Ghana ('B+'). Rwanda's HDI also compares better than certain other low-rated countries, owing to better progress on education, where it is on track to meet the Millennium Development Goals, and relatively low HIV/Aids prevalence. However, Rwanda is the most densely populated country in Africa: demographic pressures, which are thought to have contributed to the genocide, are a relative weakness compared with its peer group and make the delivery of social and economic progress all the more important for Rwanda's long-term political stability.

The political situation has finally stabilised following the return of the refugees and ending of wars in the neighbouring DRC in 2002, a new constitution and presidential and legislative elections in 2003. The process of national reconciliation will take much longer. There are still weaknesses as regards political and press freedoms, and negative perceptions will be slow to change so long as genocide trials and accusations between French and Rwandese authorities over their alleged roles in the genocide continue. However, based on the view that the current leadership was best able to continue to deliver on security and gradually improve living standards, President Paul Kagame won a landslide victory and the Rwanda Patriotic Front (RPF) a large parliamentary majority.

Almost all of Rwanda's external debt is owed by the public sector. As such, following the MDRI, gross

external debt has fallen to very low levels, 17% of GDP. The public sector becomes a net creditor, i.e. netting out official reserves. The banking sector is a large net external creditor. Hence the country becomes a net external creditor measured as gross external debt net of official reserves and banks' foreign assets in 2006. External debt service falls below 10% following MDRI from a peak of 18% in 1999, the year before Rwanda reached the Highly Indebted Poor Country (HIPC) debt relief decision point. The liquidity ratio (which measures official reserves and banks' foreign assets/short-term debt and debt service obligations) also rises to extremely strong levels at over 1,000%, helped by the build-up of reserves and lower debt service. All these are rating strengths.

■ Political and Social Situation

A government of national unity was formed following the overthrow by the RPF of the previous government following the genocide unleashed on the minority Tutsi and moderate Hutus in 1994. Paul Kagame of the RPF became head of state in 2000 following the resignation of the president, Pasteur Bizimungu. The initial five to seven years after 1994 were spent consolidating power and security, and included wars in the neighbouring DRC aimed at repatriating refugees and exiled militia fighters and rooting out the perpetrators of the genocide. Given the sheer scale of the atrocities and lack of capacity (worsened by the genocide), suspects are still being tried. Those suspected of serious crimes are appearing at the UN's International Criminal Tribunal for Rwanda in Arusha, Tanzania, and community-based "gacaca" tribunals were introduced in 2001 for those whose suspected involvement was less severe. The new government had to preside over the rebuilding of infrastructure and institutions as well as over a very complex national reconciliation process. This political backdrop is considerably worse than other rated countries in the region that have fledgling democracies and huge social pressures due to poverty, although Uganda has had an ongoing civil war in the north of the country for 20 years.

A new constitution was drafted after a two-year broad-based consultative process and passed in 2003. The first multiparty presidential and parliamentary elections were held a few months later. President Kagame won with a landslide (95% of the vote) and his ruling party RPF took a majority, 33 out of 53 seats. The elections were peaceful, although according to international observers they were marred by irregularities on the day and restricted access for the opposition in the pre-election period. The ruling party does not have a two-thirds majority in parliament; however, four of the remaining six

opposition parties are in alliance with the RPF and the main opposition parties supported President Kagame's candidature. As such, overt domestic opposition seems very minimal, while external opposition has been weakened and is not a threat in the short to medium term. The genuine legitimacy for President Kagame and the RPF has been gained from increased security, improved administrative management, and encouragement of a non-ethnic approach to politics. The government's commitment to good governance and zero-tolerance on corruption also benefit public expenditure delivery and the business environment and promote a perception of even-handedness. The country has become politically stable (over the short to medium term) and President Kagame looks likely to win a second term easily in 2010, as he is seen as the best person able to continue to deliver on security and gradual improvements in living standards. However, the combination of demographic pressures,¹ poverty and the history of ethnic conflict means that the challenge to deliver economic and social progress is all the more important for longer-term social and political stability.

Institutionally the new constitution aims to counter ethnic divisions by ensuring a broad representation in the governing of the country and prohibiting the use of ethnicity in a political way. For example, the party with the majority in parliament is limited to half of cabinet posts, and senior positions must be shared with the opposition: the president, prime minister and speaker must be from different political parties. As regards broader political governance, the judicial sector is being reformed to make it independent and press freedom is slowly opening up. These areas were also raised by the African Peer Review Mechanism, which had concerns about the lack of political debate, the inability of political parties to operate freely, ineffective separation of powers between the executive and the judiciary, and the need to foster more inclusiveness. Rwanda has recently qualified for the US Millennium Challenge Corporation (MCC) threshold programme, which will help it address concerns with political rights. After that it will qualify for the MCC Compact Program, which will provide much larger funds for investment.

Decentralisation was introduced in 2001. Local elections were held in 2001 and in 2006, strengthening the political decentralisation process. Earlier this year, provinces were reduced to four from 12, districts to 30 from 106 and local governments to 146 from 1,546 in preparation for an

¹ Rwanda has the highest population density in Africa, 350 people per square kilometre.

Presidential Election Results August 2003

Candidate	Party	% of Vote
Paul Kagame	Rwandan Patriotic Front (RPF)	95
Faustin Twagiramungu	Independent	3.6
Jean-Nepomuscene Nayinzira	Parti Democrate Centriste (PDC)	1.3

Source: National Election Commission

Legislative Election Results September 2003

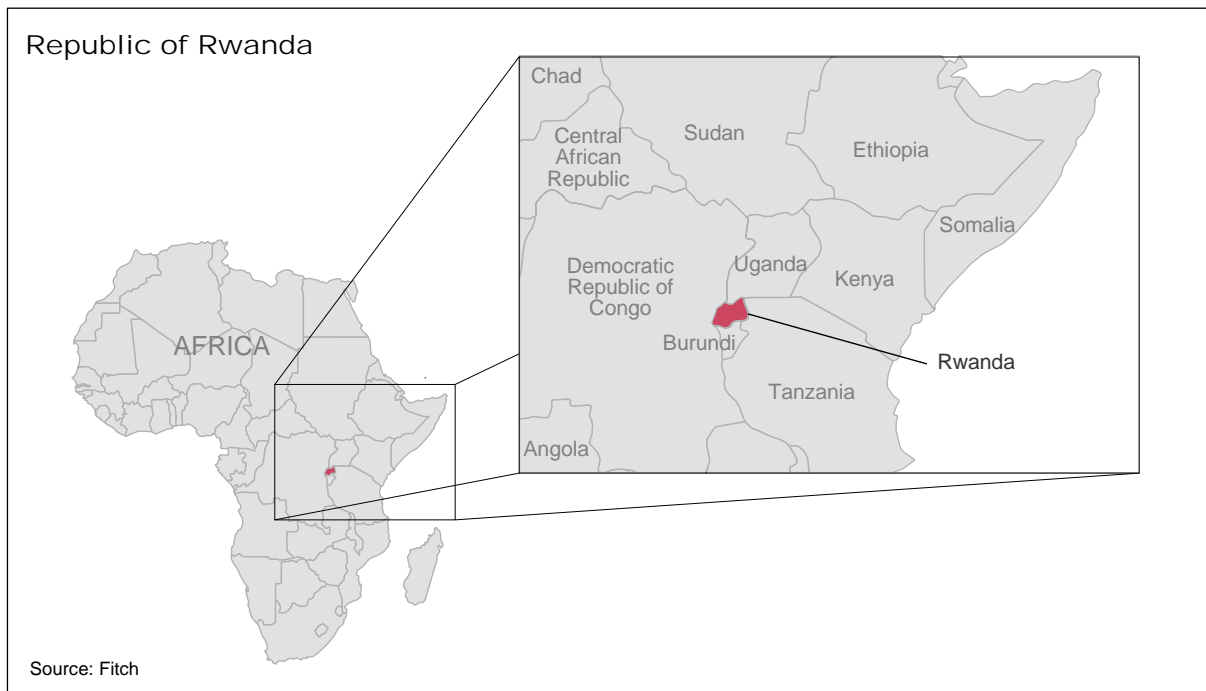
Party	No. of Seats
Rwandan Patriotic Front (RPF)	33
Parti Democrate Centriste (PDC)	3
Parti Democratique Ideal (PDI)	2
Parti Socialiste Rwandais (PSR)	1
Union Democratique du Peuple Rwandais (UPDR)	1
Parti Social Democrate (PSD)	7
Parti Liberal (PL)	6
Total	53

Source: National Election Commission

increased amount of social spending being channelled through decentralised administration structures. However, building administrative capacity at the decentralised level is the major challenge for effective social services delivery and is the focus of current civil service reforms.

GDP per capita at market exchange rates in 2006 is estimated at just USD260, which is one of the lowest of all Fitch-rated countries. It has started to climb over the past two to three years owing to currency stability. In purchasing power parity terms it is USD1,320. Poverty was worsened by the genocide and, according to some accounts, living standards have not yet recovered to pre-genocide level. Nevertheless, huge social progress has been made through widening access to education and health, where education is ahead of the Millennium Development Goals and the emphasis is shifting to improving the quality of education. It has also made good progress on gender equality goals, for example through greater representation of women in political life. In 2006 Rwanda ranked 158th out of 177 in the UNDP Human Development Index, up from 159th. This reflected improvements in education – the country has a 65% adult literacy rate – and a relatively low HIV/Aids prevalence rate. Out of Fitch-rated regional comparators this is a better ranking than those of Nigeria ('BB-', 159), Benin (163), Mozambique (168), Malawi (166) and Mali (175).

Agricultural development is central to the government's poverty reduction and growth strategy, given its importance to rural incomes (it accounts for



around 90% of the working population) and overall economic growth. An agricultural intensification strategy using improved seeds and more fertilisers has raised productivity, and agriculture recovered to pre-genocide levels by the late 1990s. Nevertheless, yields remain weak. Land reform, due to be implemented starting in 2007, is part of the new wave of reforms aimed at raising productivity. A Land Act was passed in 2006, which includes clarifying the ownership of land through land title reforms. Over the medium term the government will step up investment in rural roads, supported by EU funding. Other challenges include the use of irrigation to improve productivity. For the first time, actively curbing population growth is part of the government's development agenda.

Rwanda has good relations with the IMF and the donor community (except for France), due to a relatively good track record on economic management, commitment to good governance and promoting national reconciliation and development. Relations with France have been tense due to its support for the previous regime. Tensions between the countries have worsened following a recommendation by a French judge in November for President Kagame and eight other officials to be tried for war crimes due to their alleged involvement in the assassination of the former president, which triggered the 1994 genocide, and Rwanda has cut off diplomatic ties. President Kagame has always denied these allegations. Commissions of inquiry on the role played by France have been set up in both France and Rwanda, with no clear answer. The recommendation by the French judge is unlikely to

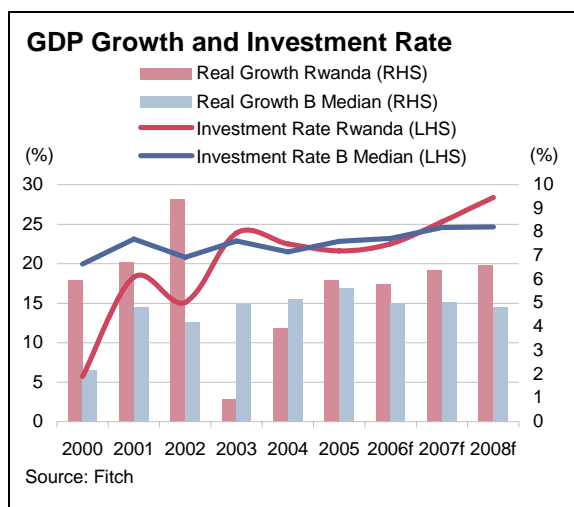
change the domestic political situation or lessen support from Rwanda's key donors, but it does worsen perceptions about the country. War risk has also continued to linger due to neighbouring countries, but a democratically elected government in the DRC in October improves prospects for stability in the region.

■ **Economic Structure and Growth**

Rwanda is a small landlocked country in Eastern Africa. Its economy is based on agriculture, which accounts for 40% of GDP. The cash crops tea and coffee bring in 4% of GDP and 50%-60% of exports. The majority of activity is low-productivity subsistence farming. There is small-scale mining (around 2% of GDP), which, however, accounts for around 20%-30% of exports. Manufacturing and construction account for 20% of GDP. Services are important, particularly trade and increasingly telecommunications and banking.

Between 1995-1999 Rwanda's extremely high growth rates were primarily attributable to the conflict recovery phase. Supported by macroeconomic stability, structural reforms and increased investment, Rwanda's growth rates settled at a relatively solid average of 5.5% in 2000-2005, notwithstanding high volatility owing to the economy's vulnerability to weather-related and commodity price shocks. Growth is expected at close to 6% for 2006 (6% in 2005) driven by strong performance of services and the export crops, despite weak food agriculture performance as a result of poor rains and the impact of energy problems (shortage of supply and high costs). Growth is

expected to remain above 6% in 2007-2008, underpinned by efficiency gains from the liberalisation of the key agriculture sectors in 2002-2003, restructuring of the banking sector, significant donor inflows and increased investment in transport and energy infrastructure. Rwanda's investment rate rises from well below the peer group median in 2000 to slightly above it in 2008 due mainly to an increase in public investment. Nevertheless, given its weak level of development, Rwanda needs to deepen structural and institutional reforms to boost and sustain growth rates at the 8%+ levels that would be necessary for a material improvement in per capita income growth and development.



Given its geographical position and small domestic market, Rwanda is committed to regional integration and has implemented trade liberalisation reforms. It has a number of regional and bilateral free-trade agreements, is a member of the Common Market for Eastern and Southern Africa and joined the East African Community in November. Rwanda is also ready to benefit from the US Africa Growth and Opportunities Act and preferential trade agreements with the EU. Nevertheless, Rwanda's economy is still fairly closed, with goods and services exports accounting for just 10% of GDP in 2005, compared with 15% for Uganda and around 35% for Mozambique and Ghana. Goods exports are particularly weak at 6% of GDP and the government would like to address the very large negative trade balance, notwithstanding considerable structural barriers to trade.

The government is implementing a number of sector strategies aimed at raising exports growth in the coffee and tea sectors. The coffee sector has responded well to liberalisation.² Involvement of the

² The coffee marketing board is now primarily involved in facilitating trade through promotion and quality control.

private sector and donors has increased washing stations and processing plants and upgraded capacity and quality control. Coffee exports doubled in 2004-2006 and are projected to increase further partly due to value-addition to coffee exports. The government aims to increase the share of speciality coffee to 85% by 2010 from around 10% currently. Rwandan coffee is selling directly to the Starbucks coffee chain. In the case of tea, reforms have involved expanding the area of production and privatising tea estates. Other sector strategies include increased processing of hides and skins and promoting tourism.

Rwanda has two major structural constraints to private investment and trade: very high transport costs and inadequate and expensive energy due to the increased use of thermal power generation since 2004. The energy problem can only be resolved over the medium term through two hydro-power projects, due for completion at the end of 2009, and the project to generate methane gas from Lake Kivu.³ In the World Bank "Doing Business" survey for 2007, Rwanda's ranking remained at 158 out of 175 countries, which expanded from 155 countries in 2006. By comparison, Uganda was ranked 107, Mozambique 140, Cameroon ('B') 152 and Benin 137. Thanks to government efforts to simplify bureaucracy and eradicate corruption, Rwanda fares relatively well compared with regional peers on procedures and days it takes to start a business, hiring and firing, paying taxes and enforcing contracts; but it compares unfavourably on transport costs.

Foreign direct investment is small but rising. According to the investment promotion agency, between 2000 and 2006 there were 76 registered projects with investment worth USD605m, of which 54 projects with investments worth USD205m were operational. This has started to be borne out on the balance-of-payments data. Foreign investors have been involved in the privatisation of the banking, tea, telecoms and tourism sectors. The privatisation process is due to be completed by the end of 2007. A second mobile phone provider was licensed in 2006. Negotiations on the privatisation of Rwanda Air Express are at an advanced stage.

Over the medium term Rwanda stands to benefit from its membership to the East African Community since November 2006, which effectively includes it in a common market of over 110 million people⁴ and

³ The methane gas project, which would use renewable gas generated from volcanic activity from Lake Kivu, is one of the first of its kind. The pilot phase is under construction, which will determine the feasibility of the project and the extent of generation. Initially the project would generate 35 megawatts.

⁴ Burundi joined at the same time. The existing members are Kenya, Uganda and Tanzania.

overall GDP of around USD45bn. Free trade will eventually be followed by free movement of labour and services, while policy harmonisation will help Rwanda strengthen its institutions. The pace of integration will determine the extent to which Rwanda will benefit. Its geographical position puts it in a good position to become a trade and transport hub linking the eastern part of DRC, which is rich in natural resources, to East Africa and the international markets. But this depends on whether improved security can be sustained in eastern DRC.

■ **Financial Sector**

Rwanda's financial sector is small and poorly developed; M2 was 21% of GDP and private-sector credit 13.8% of GDP at end-2005. However, this is not out of line with other similarly rated low-income countries: the 'B' rating median indicators are 35% for M2 and 18% for private-sector credit. The financial sector consists of six commercial banks (roughly 50% of financial assets and 19% of GDP at end-2005); three specialised banks (20% of financial assets), made up of a credit cooperative network, a development bank and a mortgage bank; and a small non-bank financial institutions (NBFI) sector (30%). The small size and increased foreign ownership of the banking system helps limit contingent liabilities to the government.

Rwanda's financial sector was badly affected by the genocide. The post-conflict rehabilitation phase of the sector is now almost completed. It involved the privatisation and capitalisation of two commercial banks⁵ (a further bank under private ownership is under distress and needs to be recapitalised) and the recapitalisation and restructuring of the specialised banks. The total cost to the government thus far has been 1% of 2004 GDP.⁶ As a result, the public share of the banking system has fallen to 30% of assets from 45% at the end of 2003. Foreign ownership is at 50% of assets. This will help enhance competition and efficiency over time. It also involved the strengthening of the institutional and regulatory framework: legislation on the banking sector was enacted in 1999; parliament is considering amendments to the banking law, which would strengthen the supervisory autonomy of the National Bank of Rwanda; and prudential regulations have been strengthened to achieve broad compliance with best practice. The IMF's Financial System Stability

⁵ The government sold an 80% stake of Banque Commerciale du Rwanda to ACTIS, a foreign fund, and an 80% stake of Banque Continentale Africaine du Rwanda to a consortium of Kenyan and Botswana investors.

⁶ This included RWF9.1bn for the recapitalisation of two commercial banks in 2004 and RWF1,300m for the recapitalisation of the mortgage bank in 2003 and 2005.

Assessment (FSAP) recommendations focus on strengthening legal and judicial frameworks and supervision, increasing access to financial services, and deepening the financial sector, including through facilitating the development of microfinance lending and the activities of the specialised banks and NBFIs. Stress tests showed that the banking sector is particularly vulnerable to a sharp fall in donor aid inflows to the country. But this is not likely to occur over the medium term.

Key Facts: Banking System

December 2005

M2 (% GDP)	21
NPL Ratio	29
Private-Sector Credit (% of GDP)	13.8
Capital Adequacy Ratio	14.0
Public Ownership (% of Assets)	30
Foreign Ownership (% of Assets)	50

Source: NBR

Banking-sector performance has improved significantly following the restructuring. Although non-performing loans remain high, they have fallen to 29% of gross loans (or 23% net of provisions) in 2006 from 61% of gross loans in 2003, helped in part by the increase in the portfolio. Profitability has improved, driven by high interest margins, notwithstanding high provisioning costs for non-performing loans. Overall capital adequacy meets standards.

Private-sector credit has been growing rapidly since 2004, albeit from a very low base, boosted by increased competition. It rose by 26% in 2005 and 22% in the first nine months of 2006. In terms of the structure of the loans, short-term loans account for around 45% of total loans and a further 30% are medium-term loans of one to three years. The agriculture sector, which accounts for 40% of GDP, contributed just 4% of direct loans. The majority of loans go to public works and construction and trade, tourism and manufacturing. Borrower concentration is a problem due to the dominance of coffee exports by a few exporters. FSAP recommendations suggested the use of loan syndications amongst domestic banks to mitigate this risk.

Around 15% of the active population has an account with a financial institution and 30% if microfinance institutions are included. This level of penetration compares favourably with regional peers. Around 30% of deposits are denominated in foreign currency and are mainly from aid agencies – this is in common with regional rated peers. This has resulted in a large accumulation of banks' foreign assets held abroad, exposing the banks to some exchange rate risk. The country's extremely low savings rate at 2% of GDP in 2005 is a relative weakness for the

commercial banking sector, because it makes it difficult to mobilise funds. By comparison, the savings/GDP ratio is 10% for Uganda, 8% for Mozambique and 7% for Ghana. However, deposits are rising quite rapidly, by 20% in the year to June 2006 to RWF190bn (USD345m). A couple of banks plan to mobilise funding through issuance of corporate bonds.

■ **Public Finances**

Public finances have gradually been strengthened by reforms and improved fiscal discipline, while the sustainability of Rwanda's public finances has been greatly enhanced by the MDRI in 2006, which has been very positive for creditworthiness. Nevertheless, a limited tax revenue base and huge development spending needs mean that public finances lack fiscal flexibility and the country will depend on donor financing for the foreseeable future. In Rwanda's case its good relations with the IMF and donors is a positive.

Rwanda's public finances are highly reliant on grant revenues, which have averaged around 40% of total revenues over the past decade. Improvements in tax administration and tax reforms have resulted in a steady improvement in Rwanda's tax revenue ratio to around 15% in 2005 from below 10% of GDP in 2000, approaching the 'B' median of 16.6%. At the same time fiscal discipline has been relatively strong, with expenditure controlled in aggregate while at the same time priority spending has been safeguarded and increased using savings from interim debt service relief and from the gradual decline in defence expenditure. Total priority spending rose to 8.5% in 2004 from 2.8% of GDP in 1998. Education spending rose to 4% of GDP in 2004 from 2.2% in 1998 and health spending to 1% from 0.4%. Other sectors, such as energy, water and transport infrastructure, had been included in priority expenditure. The average budget balance in 2000-2005 was -0.9% of GDP. Budget deficits are being

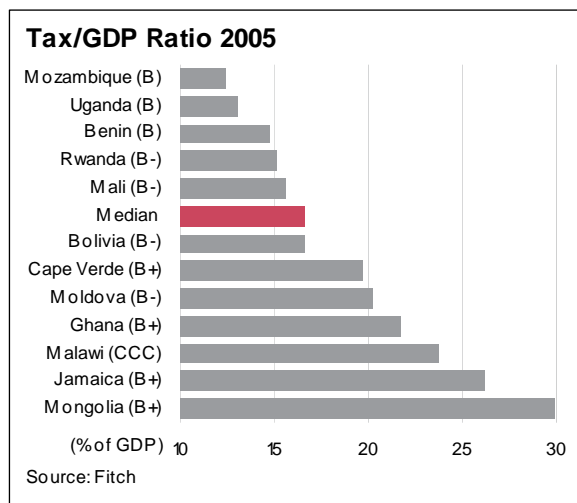
financed by external borrowing. The government is also paying down domestic arrears to Caisse Sociale du Rwanda (CSR), the national social security fund.

The tax/GDP ratio should stabilise at just below the 15% of GDP peak in 2005 over the medium term, as the efficiency gains from tax reforms start to taper off and a one-off 0.5% of GDP non-tax revenue from the sale of government vehicles in 2005 falls out. There has been a step-up in grants starting in 2004 to 15% of GDP from below 10% in 2000, rising close to 20% in 2005-2009, in response to good progress on improving fiscal management. This will increase the grant element to over 45% of total revenues in 2007-2008. Overall, revenues will increase to over 30% of GDP. Expenditure will increase correspondingly, going towards capital and social expenditure – in particular, more transfers are earmarked to the districts. Expenditure will rise 22% in 2007, going towards roads and power production infrastructure and provision of social services.

Reforms

Revenue reforms resulted in a 20% annual average increase in nominal revenues between 2000 and 2005. The Rwanda Revenue Authority has made good progress on increasing tax collection through comprehensive customs reforms and improved tax administration measures – audits and the establishment of the large tax payers unit – and tax policy reforms such as the introduction of VAT, reforms to the PAYE and a reduction of tax to 30% from 40%. However, low per capita income limits the extent to which tax revenue can be raised relative to GDP, and tax revenues will face pressures from Rwanda joining the East African Community. The medium-term forecasts assume that tax administration remains rigorous to maintain the current tax ratio.

In terms of expenditure reforms, institutions and systems have been strengthened with a view to improving financial discipline, the effectiveness of service delivery and capacity to track poverty-related expenditure. A medium-term expenditure framework was introduced in 2001, accounting systems are being gradually strengthened and an integrated financial management system was established in April 2006, which will help coordination and monitoring. Decentralisation was introduced in 2001. According to the HIPC completion point document, Rwanda has made good progress on re-channelling debt service savings to poverty-related expenditure and exceeded the social targets of the completion point criteria. Medium-term efforts are focused on strengthening absorptive capacity through civil service reforms and training at the district level, to which more money is being channelled. Revenues equivalent to around 1% of GDP are collected at the



district level – Fitch’s assumption is that it is all spent and would not change the consolidated budget balance. Districts are not yet allowed to borrow. Efforts are also shifting to improving the quality and productivity of aid, for example, through harmonisation of procedures.

Public Debt

As a result of MDRI, total public debt is very low at 25% of GDP and compares very well with the ‘B’ rating category median, which has also declined due to a number of countries in this rating category receiving debt relief. Rwanda’s debt/revenue ratio has also improved dramatically, in part due to increased aid inflows, and is one of the strongest in the ‘B’ rating category.

General Government Debt (MDRI Countries)

	GGD/ GDP 2005	GGD/ GDP 2006e	GGD/ Revenue 2006e
Ghana	71.0	28.2	100.9
Uganda	71.5	17.9	87.9
Mozambique	78.4	43.8	186.3
Benin	41.2	15.3	88.9
Mali	67.4	27.3	113.6
Cameroon	52.9	36.5	200.3
Rwanda	82.8	24.6	88.6
Malawi	177.0	62.7	152.6
‘B’ Median	71.5	42.5	182.0
‘BB’ Median	49.2	42.2	164.5

Source: Fitch

Rwanda reached HIPC completion point in 2005, resulting in a cancellation of all Paris Club debt (USD94m) and a major portion of the non-Paris-Club debt (USD56m out of USD133m outstanding).⁷ Public external debt declined to 72% of GDP from 84% in 2004. In 2006 Rwanda qualified for the MDRI, which is extended to all HIPC completion point countries, resulting in a substantial USD1.2bn reduction of debt and reducing the public external debt ratio to 16% of GDP, an extremely low level, more comparable with countries higher up the rating scale.

Total domestic debt at the end of 2005 was RWF128bn or equivalent to 11% of GDP. Domestic debt comprises: development bonds (28% of total at the end of 2005), central bank bonds (45%) and treasury bills (27%). Development bonds arose from a debt consolidation in 1997 of all outstanding pre-war government debts, the majority of which were owned to the pension fund, CSR; they are being paid back over 15 years at a rate of 8%. Arrears to the pension fund accumulated due to a disagreement over the pre-war outstanding stock of debt and

⁷ A further USD66m has been secured in 2006 following bilateral negotiations.

reached a total of RWF22bn at end-2005. However, this has been resolved and RWF5bn (0.3% of GDP) will be paid back over the next few years. The central bank bonds⁸ are capitalised losses of the central bank. Treasury bills are used for monetary policy purposes only and held mainly by banks and NBFIs.⁹ The tenor of the bills was only extended to one year in 2005. Yields are around 10%. There are plans to extend the tenure of government debt through the conversion of a portion of government debt to the CSR into serial bonds, to facilitate the development of a bond market. A couple of banks are also looking to raise funds on the domestic debt market.

External public debt service costs were reduced to USD22m in 2001 from USD51m at HIPC decision point in 2000, when Rwanda received interim debt-service relief from bilateral and multilateral creditors. This fell to USD8m in 2006 as a result of MDRI. As such, external debt service costs are extremely low, making the chances of default very remote. Because Rwanda is still under a Poverty Reduction and Growth Facility (PRGF) programme, future borrowing will be limited to concessional loans. Debt relief is also positive from a ratings perspective from the point of view of channelling debt-service savings to social and economic infrastructure spending, thereby supporting longer-term development. About half of domestic debt, equivalent to just 4% of GDP, is paid for at close to market rates. General government debt maturities at 2% of GDP are extremely low.

There are no outstanding guarantees on public-sector companies. The government fully funds identified contingent liabilities in the budget. In the past five years this has involved the recapitalisation of two commercial banks and the mortgage bank at a cost of around 1% of 2004 GDP. In the 2006 budget the government set aside RWF3bn for the bailout of some microfinance corporations following an audit, although early indications are that the cost will be around half of that amount. The government also provisions in the budget expected revaluation losses at the central bank as a result of significant holdings of foreign-exchange reserves and the expected appreciation of the currency.

■ Monetary and Exchange Rate Policy

The main objective of monetary policy is price stability and the NBR targets monetary aggregates to achieve this. The NBR focuses on base money as the

⁸ These are interest only and paid from the central bank dividend to the government.

⁹ There is one pension fund, two medical insurance companies and four insurance companies.

operating target and it uses a mixture of foreign-exchange sales, treasury bills and NBR deposit/credit auctions to manage liquidity and contain underlying inflation to around 3%-5%. However, large inflows of foreign grants and loans present a challenge to managing monetary and exchange rate policy.

The stepping up of aid flows since 2004 has put upwards pressure on the exchange rate. The NBR is reluctant to issue ever increasing treasury bills to mop up excess liquidity from the domestic spending component, owing to concerns about interest rates being driven up due to the limited depth of the financial markets and their impact on crowding out of private investment and higher sterilisation costs for the NBR. In 2005 domestic suppliers' arrears were temporarily allowed to accumulate, as the NBR was reluctant to mop up additional liquidity from accelerated government spending. These are outweighing concerns about the impact of exchange rate appreciation on revaluation losses of the NBR, coffee exporters' exposure to an appreciation of the exchange rate and an erosion of external competitiveness. The exchange rate has appreciated slightly against the USD since 2004 in nominal terms and the NBR will allow a further, more gradual appreciation over the medium term. The real exchange rate is still well below 2000 levels and remains competitive. The authorities remain committed to exchange rate flexibility and expect to have a fully open capital account by the end of the year. Although underlying inflation has been stable, headline inflation varies according to food prices and seasonality and was as high as 12% in 2004. In 2005 and 2006 inflation remained relatively high, averaging around 9% because of fuel prices. The interest rate on treasury bills is market determined and dependent on the demand for the amount of liquidity sterilised. They have stood at just above 10% since H205.

■ External Finances

Balance of Payments and Financing

Typical of low-income countries, Rwanda's balance of payments depends heavily on commodity exports – coffee and tea (50% of goods exports in 2005) and minerals products (34%) from small-scale mining, mainly tin and Colombo tantalite (coltan) – and donor current and capital transfers.

The total value of goods exports was very low at USD125m in 2005. Despite underlying volatility due to price and weather-related shocks, the trend on exports was positive in 2004-2005 due to reforms to the coffee and tea sectors and higher exported volumes and prices of minerals commodities. Overall exports have more than doubled since 2003

and are forecast to increase further, albeit more gradually, over the medium term due to the continuing reform of the key agriculture sectors. Equipment and fuel imports typically account for over half of imports. There has been a rise of over 50% in fuel imports over the past two years due to high prices and thermal power generation. Rwanda has a fairly large trade deficit, typically 8%-10% of GDP, and services deficit, around 8% of GDP, because of being landlocked. These are partially offset by large official transfers and increasingly private transfers. The improvement in the current account deficit to around 3%-4% of GDP in 2004-2005 was due to a substantial increase in current transfers. It averaged 6% over 2001-2005. During 2006 a 36% increase in fuel imports to USD110m is expected to result in a deterioration of the current account deficit to 7% of GDP. The current account deficit excluding grants is just over 15% of GDP.

External Finances: Sources and Uses

(USDm)	2005	2006e	2007f
Uses	87	168	180
Current Account Balance	78	164	178
MLT Amortisation	10	4	2
Public	10	4	2
Private	0	0	0
Sources	87	168	180
Gross MLT Borrowing	55	32	48
Net FDI	22	23	27
Other Capital, Net	105	173	160
Change in FX Reserves	-101	-59	-55
(- = Increase)			
Net Errors and Omissions	7	0	0

Source: IMF IFS, Fitch

The current account deficit has been primarily financed by capital transfers going towards donor financing of imported capital investment, net borrowing and small amounts of FDI. Over 2003-2005, these have more than covered the current account deficit, resulting in a substantial build-up of reserves, which almost doubled.

External Debt

Based on the international investment position data from the IMF, Rwanda's private-sector debt was estimated at USD30m in 2005, split roughly equally between banks and the other private sector. Total public debt was USD1.6bn, of which a significant amount was multilateral, having received HIPC completion point relief in 2005. As a result of the MDRI Rwanda's gross external debt fell to around USD400m or 17% of GDP in 2006 and is now very low. By comparison the 'B' rating median was 46%. The remaining public debt is owed to other multilaterals not included in the MDRI relief and a few remaining non-Paris-Club creditors.

Over the medium term government projections see debt rising gradually at around USD60m-70m annually on a net basis, owing to continued public borrowing to finance infrastructure spending. Much of this borrowing relates to disbursements by multilaterals that have already given debt relief, on already ongoing projects.

The banking sector is a large net external creditor. Following MDRI the country becomes a net external creditor, i.e. gross debt net of official reserves and

banks' foreign assets. The public sector, which nets out official reserves only, also becomes a net external creditor.

External debt service falls below 10% following MDRI from a peak of 18% in 1999, the year before Rwanda reached HIPC decision point. The liquidity ratio, which measures official reserves and banks' foreign assets/short-term debt and debt service obligations, also rises to extremely strong levels at over 1,000%.

Fiscal Accounts Summary*

(% of GDP)	2002	2003	2004	2005	2006f	2007f	2008f
Revenue & Grants (Excl. Priv'n)	18.0	19.1	25.8	29.2	27.7	27.6	27.9
Revenues	10.4	11.1	14.0	15.1	14.1	14.4	14.5
Direct Taxes	3.0	3.0	3.6	4.2	4.1	4.2	4.3
Indirect Taxes	6.7	7.2	9.2	9.3	9.1	9.5	9.5
o/w VAT	5.0	5.5	6.7	6.9	6.7	7.0	7.0
o/w Excise Taxes	1.7	1.8	2.5	2.4	2.4	2.5	2.5
Non-Tax Revenue	0.8	0.9	1.2	1.5	0.9	0.6	0.8
Grants	7.5	8.0	11.9	14.1	13.6	13.2	13.4
Expenditure & Net Lending	19.1	20.2	26.1	28.5	27.4	30.9	30.8
Goods & Services	3.6	3.6	4.5	5.4	5.4	4.8	5.2
Wages & Salaries	4.7	4.6	4.6	4.3	4.6	4.6	4.6
Current Transfers & Subsidies	1.8	2.3	4.0	4.5	5.2	5.8	5.8
Interest Payments	0.8	0.8	1.1	0.9	0.8	0.6	0.5
Capital Expenditure	6.1	6.2	8.5	10.1	8.3	11.7	11.7
Primary Balance (excl. Interest)	-1.9	-1.8	0.3	0.3	0.2	-3.4	-2.8
Overall Balance	-1.2	-1.0	-0.2	0.7	0.3	-3.4	-2.9
Financing	1.2	1.0	0.2	-0.7	-0.3	3.4	2.9
Domestic	0.1	-1.2	-2.7	-2.4	-1.5	0.9	1.2
External (Net)	3.1	2.7	3.9	2.3	1.8	1.8	2.2
Arrears	-3.8	-2.0	-1.6	-0.6	-0.5	-0.5	-0.4
o/w Domestic	-1.8	-0.9	-1.6	-0.6	-0.5	-0.5	-0.4
o/w External	-2.0	-1.1	0.1	0.0	0.0	0.0	0.0
Unidentified Financing	2.2	-3.0	1.9	0.1	-0.7	-0.6	-0.5
Public Debt*	109.0	112.1	97.8	82.8	24.6	24.9	25.6
Domestic	12.4	13.8	14.2	10.7	8.3	8.5	9.0
External	96.7	98.3	83.6	72.1	16.3	16.4	16.6
Public Debt (% of Revenue)	607.3	585.7	378.7	283.4	88.6	90.4	91.6
Memo							
Interest Service (% of Revenue)	7.2	7.6	8.1	5.7	4.1	4.2	4.3

* All figures refer to the consolidated general government
Source: Ministry of Finance, Fitch estimates and forecasts

Balance of Payments

(USDm)	2002	2003	2004	2005	2006f	2007f	2008f
Current Account Balance	-156	-180	-55	-78	-164	-178	-158
% of GDP	-9.0	-10.7	-3.0	-3.6	-7.0	-6.9	-5.5
% of CXR	-54.5	-58.1	-10.5	-12.5	-26.2	-25.7	-21.0
Trade Balance	-141	-166	-178	-229	-293	-331	-335
Exports, fob	67	63	98	125	135	137	145
(Annual % Change)	15	15	31	38	52	58	66
Imports, fob	208	229	276	354	428	468	480
(Annual % Change)	68	76	80	110	121	198	243
Services, Net	-142	-127	-137	-167	-174	-192	-195
Services, Credit	46	77	103	120	133	155	178
Services, Debit	188	204	240	286	307	346	373
Income, Net	-19	-31	-34	-27	-20	-20	-18
Income, Credit	8	6	6	15	18	18	21
Income, Debit	28	37	39	43	38	38	38
o/w: Interest Payments	13	15	20	17	12	13	13
Current Transfers, Net	145	144	294	345	324	365	390
Capital Transfers, Net	59	60	60	104	1293	160	179
Non-Debt Creating Flows, Net	3	5	16	22	23	27	35
Direct Investment, Net	3	5	16	22	23	27	35
Portfolio Equity Investment, Net	0	0	0	0	0	0	0
External Borrowing, Net	94	88	74	45	27	46	66
Net Lending Abroad	0	0	0	0	0	0	0
Capital Nes, Net	17	9	-1	1	-1120	0	0
Net Errors and Omissions	8	-10	8	7	0	0	0
Overall Balance = Chg in Reserves (=Increase)	-24	28	-103	-101	-59	-55	-122
Memo							
Gross Borrowing (Incl. Short-Term)	127	128	115	83	60	68	89
Gross External Financing Requirement	169	192	67	87	168	180	160
Stock of International Reserves, excl. Gold	244	215	315	406	465	520	642

Source: National Bank of Rwanda, Fitch estimates and forecasts

External Debt & Liquidity

(USDm)	2002	2003	2004	2005	2006e	2007f	2008f
Gross External Debt	1,506	1,609	1,744	1,587	419	465	531
% of GDP	87	96	95	74	18	18	19
% of CXR	525	520	336	255	67	67	71
By Maturity							
Medium- and Long-Term	1,479	1,581	1,715	1,559	398	444	510
Short -Term	27	28	28	28	21	21	21
% Total Debt	1.8	1.8	1.6	1.8	4.9	4.5	4.0
By Debtor							
Public Sector	1,506	1,609	1,744	1,587	419	465	531
Public Sector	1,477	1,573	1,710	1,558	399	453	524
Private Sector	29	36	34	30	20	12	7
By Creditor							
Multilateral	1,335	1,389	1,482	1,478	369	431	504
Bilateral	142	184	227	79	13	15	14
Commercial Banks	0	0	0	0	0	0	0
Debt Securities	1	1	1	1	1	1	1
Other	29	36	34	30	36	18	13
Gross External Assets*							
International Reserves, Incl. Gold	244	215	315	406	465	520	642
Deposit Money Banks' Foreign Assets	76	86	107	95	95	95	95
Net External Debt							
Net External Debt	1,186	1,309	1,322	1,087	-141	-150	-206
% of GDP	69	78	72	50	-6	-6	-7
% of CXR	413	423	255	175	-23	-22	-27
Debt Service (Principal & Interest)							
Debt Service (Principal & Interest)	26	28	32	27	16	15	15
Debt Service (% of CXR)	9.0	8.9	6.2	4.3	2.5	2.2	2.0
Interest Service (% of CXR)	4.6	5.0	3.9	2.7	1.9	1.9	1.7
Liquidity Ratio (%)							
Liquidity Ratio (%)	617.5	584.6	495.0	768.9	1,132	1,575	1,720
excl. Banks' Foreign Assets	376.8	456.4	445.4	353.7	573.5	917.4	1,307.8
Memo							
Public Foreign Currency & FC Indexed Debt							
Non-Resident Holdings of Domestic Debt							
* Non-bank private-sector external assets are not taken into account							
Source: NBR, IMF IIP, Fitch estimates and forecasts							

Amortisation Schedule on Medium- and Long-Term Debt

(USDm)	2005	2006	2007	2008	2009	2010
Public Sector	9.5	4.2	2.0	1.9	1.6	5.2

Source: Ministry of Finance

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