

RWANDA

Economy Finance

(RWA_2) *The Wall Street Journal* – 29/10

Standard & Poor's Ratings Service lowered its outlook on Rwanda to stable from positive, noting the potential for a ratings upgrade for the country is diminishing as some donors have suspended or delayed aid to the country.

The ratings firm--which affirmed Rwanda's B rating that leaves it five steps into junk territory--said the stable outlook reflects its view that aid suspension will be short term and that the government will take offsetting measures to ensure that the impact on fiscal performance is limited.

S&P said the "outlook revision reflects our view that there is less than a one-in-three likelihood that we would raise the ratings on Rwanda in 2012 and 2013." It noted there has been a spike in regional tensions between Rwanda and the Congolese government over the possible role that the former may be playing to support a rebel group that separated from the Congolese army in April, and that concern over Rwanda's possible role in supporting this group has prompted several donors, including the U.K., The Netherlands and Germany, to suspend or delay some of their donor assistance to Rwanda.

According to the ratings firm, the suspended amounts aren't particularly large, at around 15% of total grant support expected in the 2012/13 budget. However, the firm noted that there could potentially be more severe political fallout between Rwanda and international donors over the situation in the eastern Congo.

The government's efforts to manage the short-term effects of the aid suspensions by tapping domestic sources of funding, using its international reserves, and taking measures to defer non-priority expenditures could derail investment plans and the economy's growth outlook, according to S&P.

"If aid suspensions translate to permanent cuts in aid, this will have serious consequences for the financing of Rwanda's fiscal and current account deficits,' said the ratings firm. "Permanent aid cuts would also highlight Rwanda's vulnerability to the external environment: the government depends on donor grants for about 40% of its budget."

S&P said it could lower the ratings if Rwanda's external liquidity were to deteriorate significantly, say as a result of an extended delay in aid disbursements. The ratings could also come under pressure if regional conflicts derail Rwanda's economic performance and if fiscal performance were to weaken. The firm added it could raise the country's ratings if it sees that "Rwanda's reform momentum translates to a tangible broadening in its growth and export base, and if the monetary policy framework is strengthened while safeguarding macroeconomic and financial sector stability."

Relations extérieures

(RWA_3) *KPFA* – 27/10

The International Development Committee of British Parliament's House of Commons has announced that it will examine the controversial decision to disburse budget support to the Government of Rwanda, after first withholding it in response to UN investigators' reports that Rwanda is behind the M23 militia fighting and seizing territory in the eastern Democratic Republic of the Congo.

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(RWA_4) BBC – 29/10

Two human rights groups have asked a South African court to revoke the refugee status of former Rwanda army chief Faustin Kayumba Nyamwasa. They argue he does not qualify as he has been accused of committing alleged crimes during his time in the army.

Lt Gen Nyamwasa fled to South Africa in 2010 after falling out with his former ally, Rwandan President Paul Kagame. Months later he survived an assassination attempt, in which Rwanda denied any involvement.

The Consortium for Refugees and Migrant Rights in South Africa, supported by the Southern Africa Litigation Centre, have asked the High Court in Gauteng province to strip Lt Gen Nyamwasa of his refugee status.

South Africa's immigration authorities granted him refugee status in June 2010 "despite the existence of substantial and credible allegations linking him to war crimes and crimes against humanity in both Rwanda and the Democratic Republic of Congo", the rights groups said in a statement. "Refugee law is intended to protect the persecuted - not the persecutor."

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