

4 Rwanda

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I. Introduction

Rwanda is located in the East Central Africa, neighboring Tanzania to the East, Uganda to North, Republic Democratic of Congo to the West and Burundi to the South. It lays few degrees south of equator and is a land locked. Rwanda is African great lakes region and is highly elevated; its geography is dominated by mountains in the west and Savanna to the east. Rwanda is a small country with the size of 26,338 square kilometers (10,169 square miles). Comparatively, Rwanda is the World's 149th largest country when classified from the largest to the lowest countries of the World; it is comparable in size to Haiti or the state of Maryland in the United States. The capital city of Rwanda is Kigali and is located near the centre of the country. The economy of Rwanda suffered heavily during 1994 genocide but it has since strengthened. The major Rwanda cash crops are Coffee and Tea. Tourism is a faster growing sector and it is one of the sectors that produce for the country foreign currency, industrial sector is small and is contributing 14.3 percent of the total GDP.

I.1 Geography and climate

Rwanda also known as a "land of a thousand hills" Is high elevated country, the lowest point is Rusizi River which lays at 950 meters above sea level, the central- western part of the country is dominated by the mountains, the highest point being mount Karisimbi at 4,508 meters (14,787 ft) which is one of the Virunga Volcano chains found to the western border of the country near Democratic republic of Congo. Rwanda has a template tropical highland climate, the daily temperature range between 12 °C (54 °F) and 27 °C (81 °F)in the centre of the country with little variation over the year,

The country has many lakes , the largest being Lake kivu. It is one of the twenty deepest lakes in the world with 480 metres (1,575 ft). It occupies the floor of Albertine Rift along most of the length of the western border, other lakes include Burera, Luhondo, Rweru, Muhazi and Ihema.

I.2 Population

The year 2014 ended with the total population of 12,100,049 people according to World Bank report, this represent an increase of 323,527 people compared to 2013 population, Rwanda is among the highly densely populated country in Africa with 459 people per square km, and it was ranked 182nd in the World. The Rwandan population is predominantly women according to the estimate from the World Bank report, 42 of the total population is under 15 years old, 54.6 percent of the population is between 15 and 64 years old and 2.4 percent of the population is above 64 years.

The previous National Census of 2012 estimated the Rwandan population to be at 10,537,222 people.

I.3 Language and Culture

The most commonly used language in Rwanda is Kinyarwanda which is the local language used by all Rwandans, Kiswahili is used in commercial centers and near the Rwandan borders of Republic Democratic of Congo and near Tanzania where this language is commonly used. Kinyarwanda, English and French are official languages and are used mostly in administration and in education.

I.4 Religion

Christianity makes the central part of Rwandan population, 90 percent of Rwandans are Christian, 60percent being Catholic, 30percent is Protestants including Pentecostals, Presbyterians, Free Methodist, and Baptist, Muslims are less than 10percent and they are mainly found in cities. The coming of Christianity rituals replaced indigenous religious practices though small number of Rwandans still believes in traditional rituals.

I.5 Political Administration

The three arms of the government namely executive; judiciary and legislature are separate and independent of each other, with the executive arm being led by the president and the cabinet. The president is the head of state and has a broad powers including creating policy in conjunction with the cabinet, exercising the prerogative mercy, commanding the armed forces, negotiating and ratifying treaties, signing presidential orders and declaring war or state of emergency. The president appoints the Prime minister and other members of the cabinet.

The Constitution was adopted following a national referendum in 2003, replacing constitution which had been in place in 1994. The Constitution mandate a multiparty system of government with politics based on democracy and election.

The Parliament consists of two chambers. It makes legislation empowered by Constitution to oversee the activities of the president and cabinet. The lower chamber is the chamber of deputies which has 80 members serving five year terms, twenty four of these seats are served for the women elected through a joint assembly of local government officials and another three seats are reserved for youth and disabled members. The remaining 53 are elected by universal suffrage under a proportional representation system. Following the 2013 election there are 51 female deputies. Rwanda is one of two countries with female majority in the national parliament. The upper chamber is the 26 seat senates whose members are selected by a variety of bodies, a mandatory minimum of 30 percent of the senators are women. Senators serve eight year term.

II. Overview of Macroeconomic Activity and Fiscal Position

Rwanda's economy was badly affected by 1994 genocide, since 2003 the government of Rwanda took strict measures to improve the economy since then the economy has been growing at the rate of 7-8% per year. The main sectors attributed to economic growth are agriculture, Mining, services, and tourism. Industrial sector is small contributing 14.8% of GDP in 2014 product manufactured include Cement, Agricultural products, Small scale beverages, Soap, furniture, shoes, plastic goods, textile and Cigarettes Reliance. Service sector rebounded in 2010 becoming the country's largest by economic output contributing 43.6 percent of the country's GDP key tertiary contributor include Banking, Insurance real estates, business services and public administration including education and health.

Table 1: Real GDP Growth Rates at Constant 2011 Prices, in%

ACTIVITY DESCRIPTION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
GROSS DOMESTIC PRODUCT	4.3	5.8	9.5	6.9	5.1	7.2
AGRICULTURAL, FORESTRY & FISHING	5.0	2.5	8.0	6.0	3.0	5.0
Food crops	7.0	3.0	10.0	6.0	3.0	5.0
Export crops	-1.0	-6.0	14.0	19.0	-9.0	3.0
Livestock and Livestock products	4.0	4.0	5.0	6.0	7.0	9.0
Forestry	3.0	3.0	3.0	4.0	2.0	3.0
Fishing	3.0	5.0	-4.0	3.0	5.0	3.0
INDUSTRY	0.0	13.0	13.0	12.0	6.0	7.0
Mining and quarrying	-16.0	23.0	19.0	4.0	15.0	2.0
TOTAL MANUFACTURING	6.0	6.0	9.0	5.0	5.0	2.0
of which: Food	6.0	1.0	11.0	4.0	9.0	-3.0
Beverages & tobacco	3.0	8.0	4.0	3.0	3.0	-2.0
Textile, clothing and leather goods	2.0	1.0	5.0	-1.0	10.0	21.0
Wood & paper: printing	8.0	-4.0	-2.0	19.0	7.0	8.0
Chemicals, rubber and plastic products	-4.0	17.0	7.0	-4.0	-5.0	3.0
Non-metallic, mineral product	10.0	9.0	18.0	13.0	6.0	10.0
Metal product, Machinery & equipment	34.0	3.0	62.0	1.0	-2.0	21.0
Furniture & other manufacturing	34.0	18.0	26.0	8.0	11.0	14.0
Construction	-2.0	18.0	15.0	20.0	5.0	11.0
TRADE & TRANSPORT	1.0	9.0	14.0	9.0	8.0	7.0
Maintenance & repair of motor vehicles	0.0	13.0	6.0	8.0	4.0	5.0
Wholesale and retail trade	0.0	9.0	15.0	8.0	9.0	7.0
Transport	6.0	5.0	12.0	15.0	8.0	5.0
OTHER SERVICES	6.0	6.0	8.0	6.0	6.0	9.0
Hotels and restaurants	4.0	6.0	5.0	4.0	4.0	3.0
Information & communication	6.0	1.0	25.0	12.0	5.0	20.0
Financial Services	0.0	34.0	10.0	15.0	5.0	8.0
Real estate activities	6.0	1.0	-1.0	2.0	5.0	9.0
Scientific and technological activities	6.0	0.0	2.0	3.0	5.0	5.0
Administrative & support services	6.0	-1.0	3.0	5.0	5.0	6.0
Public administration & defense	8.0	9.0	31.0	13.0	6.0	5.0
Education	12.0	13.0	12.0	6.0	6.0	7.0
Human health & social work activities	17.0	5.0	25.0	3.0	8.0	14.0
Cultural, domestic & other services	1.0	3.0	2.0	15.0	14.0	15.0
Taxes less subsidies on products	9.0	2.0	3.0	-3.0	0.0	11.0

Source: National Institute of Statistics of Rwanda

II.1 International environment

II.1.1 Trade Balance

For the fiscal year 2013/2014 the trade balance stood at USD 1,212.93 million, the total export value amounted to USD 707.32 million and the total imports FOB to USD 1,920.25 million. Compared to 2012/2013 exports value remains almost unchanged while imports value slightly increased by 0.9 percent following these trends the deficit deteriorated by 1.5 percent, thus import cover declined to 36.8 percent in 2013/2014 from 37.2 percent registered in 2012/13.

II.1.2 Exports

During the year 2013/2014 total receipts from exports were valued at USD576.65 million most dominated by traditional products which represent 56 percent of the total exports receipts while other exports together with re-exports represent 44 percent of the total export earnings for the fiscal year 2013/2014. Other exports products comprise of a set of foodstuffs and other minerals, live animals, among others while re-exports were mostly composed of petroleum products, machines and engines, vehicles and minerals

Table 2 : Formal export development (Value FOB in million of USD, Volume in thousands of tons)

	July 12-June 13		July 13-June 14		%change	
	Volume	Value	Volume	Value	Volume	Value
Coffee	20.53	69.09	17.83	47.49	-13.1	-31.3
Tea	22.06	63.89	21.6	52.26	-2.1	-18.2
Minerals	8.41	186.31	10.23	204.28	21.6	9.6
Other products	181.15	95.7	122.84	116.24	-32.2	21.5
Total exports	321.39	574.49	306.68	576.64	-4.9	0.4

Source: Central Bank of Rwanda

Tea exports performed poorly during the fiscal year 2013/2014 in both value and volume declining by 18.2% and 2.1% respectively, due to the decline of 4.5 percent in production and 16.4% in unit price from USD 2.90/kg in 2012/13 to USD 2.42/kg in 2013/2014. In addition the decline resulted from high increase in tea supply at Mombasa auction, where 71% Rwandan tea was traded following the high production of the tea in Mombasa of the growing Countries while the demand remained unchanged.

Coffee exports also recorded a poor performance decreasing by 31.3% in value and 13.2 percent in volume due to bad weather especially lack of rainfall in the fourth quarter of 2013. The decline in value is explained both in low production as a result of unfavorable weather conditions and the fall in the international commodity prices. In addition the level of stock end 2013 was low (2,560tons) compared to the stock end 2012(3,262tons). Coffee remained dominated by ordinary coffee which represent 50percent of total production and dropped by 23.3%to 8,912 tons in 2013/14 from 11,615 tones in 2012/13. Fully washed coffee also declined by 13.7%from 7,169 tones to 6,186tons in 2013/14.

Mineral exports showed a good performance in 2013/2014 during the period under view Rwanda's mineral export rose by 9.6% in value increasing from USD186.31 million in 2012/2013 to USD 204.28 million in 2013/2014 and significantly increasing by 21.6 percent in volume, despite a decrease in unit price recorded by cassiterite (-0.9%) colt an(-20.5%) and wolfram (-4.9%). Due to increased investment in mining sector the increase in volume offsets the decrease in unit prices. with regard to volume, mineral exports remained dominated by cassiterite which represent 55.2 percent of the total exports of minerals followed by coltan and wolfram wit a share of 22.4% and 22.3% respectively. In terms of value, cassiterite export earnings high increased by 19.8% to USD 68.48 million from USD 57.12 million, wolfram rose by 9.3% to USD 29.46million and coltan increased by 4.1% to USD 106.38 million from USD 102.22 million in 2012/2013.

Compared to the last year hides and skins exports in 2013/2014 recorded good performance with an increase of 2.5%in value driven by 0.8% in volume and increase of 1.7% in unit prices. In total 10,993.12 tons exported at 1.53/kg in 2012/2013.

During 2013/2014, pyrethrum exports performed poorly with a significant decrease of 82.1% in value from USD 9.00 million in 2012/2013 to USD 1.61 million 2013/2014, following decline of unit prices (-32.2%) decreasing from USD 250.73/kg to USD 169.95/kg from 35.90 tons to 9.46tons in 2013/2014

Non- traditional exports, such as other exports recorded an increase of 21.5% in value but decreased by 32.2% in volume. Among nontraditional exports, textile exports value rose by 231.9% followed by cement, iron and steel by 50.5% and 35% respectively. Regarding the re-export products including other minerals, petroleum products, machines and engines, vehicles mainly exported to neighboring countries incredibly performed better in both value and volume by 2.9% and 56.1% respectively.

Table 3: Evolution of some non-traditional export

	(value FOB in USD million and volume in thousands of tons)					
	July 12-June 13		July 13-June 2014		%change	
	Volume	Value	Volume	Value	Volume	Value
Livestock	4.85	7.5	8.43	8.04	73.8	72
Edible vegetables, roots and tubers	28.3	4.82	15.01	2.43	-47	-49.6
Cereals	9.83	3.2	5.34	1.58	-45.7	-50.6
Production of the mill industry	49.62	23.49	43.38	19.37	-12.7	-17.5
Mineral water and Beer	14.94	12.71	8.26	4.94	-44.7	-61.1
Cement	35.51	3.11	20.56	4.68	-42.1	50.5
Cosmetic product	0.67	1.91	0.73	1.71	9	-10.5
Plastics and articles thereof	1.57	3.64	2.17	3.59	38	14
Textile and Textile articles	0.1	0.47	0.35	1.56	250	231.9
Footwear	0.57	0.63	0.4	0.24	-29.8	-61.9
Handcrafts	0.03	0.38	0.03	0.37	0	-2.6
Scraps Iron	12.27	1.92	9.82	0.98	-20	-49
Iron and steel	7.73	6.4	9.02	8.69	16.7	-35.8

Source: Central Bank of Rwanda

The external trade was also boosted by informal cross border trade which amounted to USD 105.7 million of export from USD 106.85 million in 2013/2013 representing around 18.3% of formal exports.

During the same period, the informal imports declined by 19.8% from USD 21.45 in 2012/2013 to USD 17.21 million in 2013/2014 because of visa requirement for entry into DRC, leading to improvement in Rwanda's informal trade balance with neighboring countries (+USD 88.46 million). This informal cross border is dominated by crop products and live animals where as main trade partners are DRC and Uganda.

II.1.3 Partner Country Analysis

The following countries received the largest valued annual Rwandans exports: Switzerland (US\$75.99 million), Kenya (US\$67.73 million), Democratic Republic of Congo (US\$60.25 million), Australia (US\$30.69 million), and United States of America (US\$30.69 million)

Subsequently on quarterly basis table 5 shows that out of US\$124.88 million of Rwanda's export during quarter four 2014 the most top five export destination countries accounted for US\$ 83.76 million (67 percent). The Democratic Republic of Congo (DRC) saw the largest increase in value (US\$ 19.55 million) while exports to Austria raised sharply and there was a large decrease in exports to Switzerland in the fourth quarter 2014 compared to the same

Table 4: Rwanda's' Top Five Domestic Exports partners, 2014

Country	US\$ Million					
	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4
Congo, The Democratic Republic of	8.99	8.99	12.90	12.87	14.95	19.55
Austria		0.00	10.68	9.94	16.85	17.41
Kenya	11.52	17.08	19.48	18.83	12.48	16.94
Switzerland	36.54	26.77	15.71	20.01	25.14	15.14
United states	5.72	2.91	2.37	5.13	8.46	14.73
Total World	139.41	101.38	92.46	92.46	130.05	124.88

Source: National Institute of Statistics of Rwanda

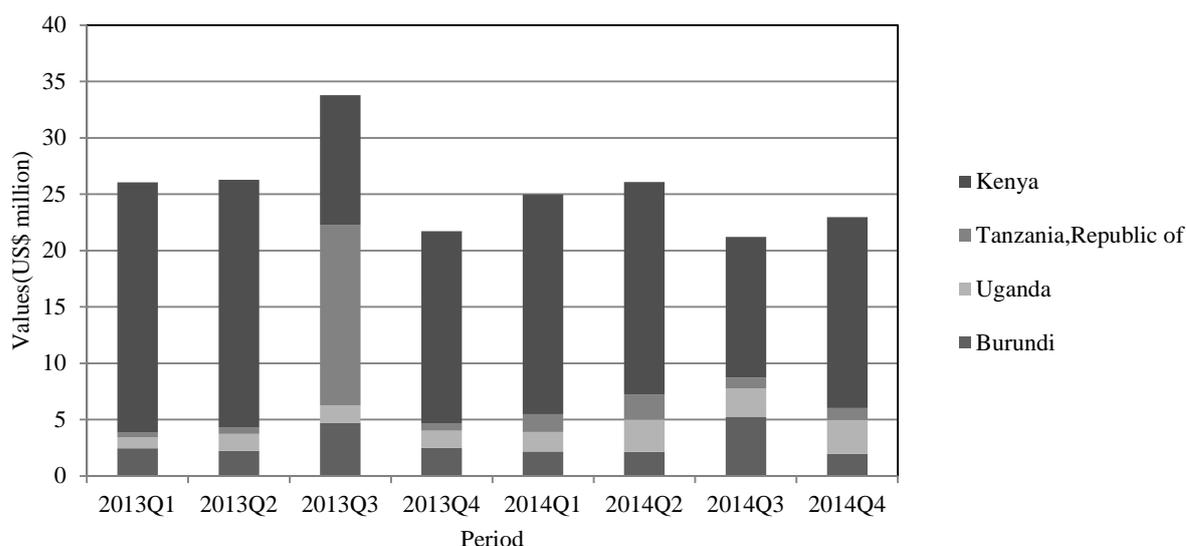
II.1.4 Development in the East African Region

Despite volatility in foreign inflows as a result of persistent of financial crisis, economic activities in the EAC region remained resilient driven by the efficient microeconomic policies and the important investment projects. EAC countries recorded mixed performance in 2013 with Uganda and Rwanda economies slowing down compared to the previous year while the remaining countries kept on growing

Fig 2 illustrates that Rwanda's domestic exports to East African Community partner states (EAC) in quarter four increased by six percent compared to the same quarter of 2013

Kenya saw the largest increase in the values of export from Rwanda (USD 67.73 million during 2014) and this is mainly explained by an increase in the values for other black tea (fermented)

Figure 1: Export to EAC partner states, 2013-2014



Source: Central Bank of Rwanda

II.1.5 Imports

During the fiscal year 2013/2014, imports CIF increased by 7.8% in value to USD 2,381.64 million from USD 2,210.14 million in 2012/2013 and have been mostly dominated by intermediary goods with a share of 29.8% of the total import value, followed by consumer goods with 27.7%, capital goods 26.6%, while energy products represented 16.0% of the total imports value. The increase in imports value was mainly driven by the increase in imports of 1.4% in consumer goods, 15.3% intermediary goods, 10.4% in capital goods and 2.3% in energy and lubricants. In terms of volume, total imports increased by 0.8% during the period under review pushed up by increase of 2.2%, 3.1% and 6.2% in the intermediary goods, capital goods and energy and lubricants respectively, despite the decrease of 3.8% of consumer goods.

Table 5: Evolution of import CIF adjusted (Value CIF in USD million, Volume in thousands of tons)

	2012/2013		2013/2014		% change	
	Volume	Value	Volume	Value	Volume	Value
Total Imports	1,774.82	2,210.14	1,789.41	2,381.64	0.82	7.76
Consumer goods	599.01	649.26	576.55	658.66	-3.8	1.4
Capital goods	61.49	573.12	63.39	632.76	3.1	10.4
Intermediates Goods	854.8	616.11	873.9	710.17	2.2	15.3
Energy and lubricants	259.52	371.62	275.57	380.05	6.2	2.3

Source: Central Bank of Rwanda

II.1.6 Final consumer goods

Import value of final consumer goods increased by 1.4% value from USD 649.26 million in 2012/2013 to USD 658.66 million in 2013/2014, but decreased in volume by 3.8% from 633,705.82 tons to 649,259.65 tons in 2013/2014, dragged down by the decrease in volume of food products (-5.8%), health and care (-1.9%), and domestic use (-29.4%); despite the increase in beverage and tobacco (+36.0%)

Food products take a lion's share with 36.0% of the total value of consumer goods and they increased by 4.5% in value, but decrease in volume by 5.8%. The decline was mainly attributed to fats and oil of animal or plant origin (-18.6%) and cereals, flour and seeds (-20.8%). Domestic production of sugars and sweets decreased by 9.2% in the first half of 2014 for maintenance of machinery, consequently, imports of sugars and sweets increased by 24.8% representing 10.3% of total imports of consumer goods and 28.7% of food products.

Health care which accounted for 22.7% share of total value of the consumer goods decreased in both value and volume by 9.3% and 1.9% respectively as a result of the decrease in imports volume of pharmaceutical by 41.7%. Imports of goods for domestic use fell by 14.9% in value and 29.4% in volume, mainly due to the decrease of imports volume of dishes and other kitchen articles by 7.3%.

II.1.7 Capital goods

Capital goods imports were rising in both value and volume in line with dynamic activities which occasioned higher demand for capital goods. In 2013/2014, capital goods imports rose by 10.4% in value to USD 632.76 million from USD 573.12 million in 2012/2013. In terms of volume, they increased by 3.1% due to imports of machinery which represented 67.1% in total imports of capital goods, which were dominated by imports of phones and material for network as well as imports of different companies including former Electricity water and Sanitation Authority and Rwanda air.

II.1.8 Intermediary goods

Driven by higher domestic demand of their main components such as construction materials and industrial products; the imports of intermediary goods in 2013/2014 increased by 15.3% in value and by 2.2% in volume. Industrial products which represented 45.3% of the total value imports of intermediary goods increased by 8.3% in value and 3.5% in volume, largely attributed to the increase in imports of textiles, woods and chemical industries. Construction materials which accounted for 33.8% of the total value of imports of intermediary goods increased by 16.9% in value and 2.5% in volume of which a big part is attributed to the imports of low quantity of cement and other similar products which slightly increased by 0.4% due to the good performance (+0.9%) recorded in domestic production during the first half of 2014 compared to the same period of last year.

Importation of Fertilizers in 2014 declined by 46.4% in volume mainly due to the fact that since May 2013 the government left the importation of fertilizers to the private sector and between July and December 2013, the private sector imported more fertilizers building important stocks for the year 2014.

II.1.9 Energy and lubricants

The imports of energy and lubricants (of which 95% are petroleum products) increased by 2.3% in value to USD 380.05 million from USD 371.65 million, and increased 6.2% in volume due to increasing domestic demand.

II.1.10 Partner state analysis (original imports)

During the year 2014, Rwanda imports originated mainly from China (US\$ 348.07 million), Uganda (US\$ 233.79 million), India (US\$ 159.03 million), Kenya (US\$ 163.71 million) and United Arab Emirates (US\$ 112.46 million). However, in the quarter four of 2014, imports from Asia, the major supplier, stood at US\$ 204.47 million, representing around 49 percent of the country's total imports. The same countries continued to dominate Rwanda's imports market in the fourth quarter of 2014 as follows: China (20.91 percent), Uganda (14.72 percent), India (8.69 percent), Kenya (7.45 percent) and United Arab Emirates (5.64 percent).

Table 6: Rwanda's' Top Five Domestic Import partners,2014
US\$ Million

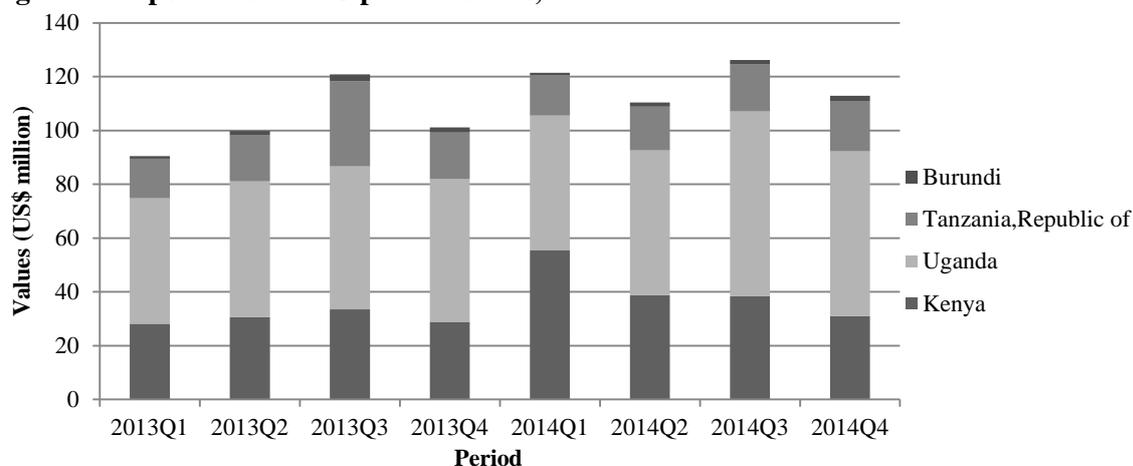
Country	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4
China	68.05	88.36	98.80	91.44	70.77	87.06
Uganda	53.05	53.08	50.02	53.80	68.69	61.28
India	20.62	39.30	50.34	37.45	35.04	36.19
Kenya	33.56	28.84	55.55	38.80	38.35	31.01
United Arab Emirates	28.25	31.71	33.80	31.47	23.70	23.49
Total World	427.39	439.97	440.30	461.82	427.75	416.31

Source: National Institute of Statistics of Rwanda

The following Fig 3 shows that Rwanda's imports from EAC partner states in the fourth quarter of 2014 were mainly from Uganda 54.24 percent of total imports from partner states, followed by Kenya (27.45 percent) and Tanzania (16.53 percent). Furthermore, Rwanda import from EAC partner states

stood at US\$ 112.95 million, which is 27.15 percent share over the total imports bill during the fourth quarter of 2014.

Figure 2: Imports from EAC partner states, 2013-2014



Source: National Institute of Statistics of Rwanda

II.1.11. Balance of Payments

Rwanda's current account improved by 5.8% in 2013/2014 to a deficit of USD 522.83 million from a deficit of USD 554.64 million recorded during 2012/2013. The improvement is mainly attributable to higher current transfers, which increased by 9.5% to USD 877.15 million from USD 800.71 million during 2012/2013. However, the trade, services and income deficit declined to USD 1,399.98 million from 1,355.26 million, while only trade balance worsened to USD 1,212.93 million in 2013/2014 from USD 1,195.56 million in the last fiscal year due to the increase of imports compared to exports.

Table 7: Major Balance of Payment Components Development (in USD million)

	2011	2012	2012/2013	2013/2014
A. Trade Balance	-1,101.58	-1,268.26	-1,195.56	-1,212.93
Export of which	464.24	590.75	707.3	707.32
Coffee	74.6	60.89	69.09	47.49
Tea	63.9	65.72	63.89	52.26
Import FOB	-1,565.82	-1,859.01	-1,902.86	-1,920.25
B. Services (net)	-186.97	-93.24	-83.49	-86.95
C. Income (net)	-51.8	-73.81	-76.03	-99.93
Trade, services, income balance	-1,340.36	-1,435.31	-1,355.35	-1,399.98
D. Current transfers net	880.52	722.46	800.71	877.15
Private	133.32	182.95	178.36	197.53
Public	747.2	539.51	622.35	679.62
E. Current account	-459.84	-712.84	-554.64	-522.65
F. Capital and Financial account balance	682.5	511.47	780.7	428.06
Errors and omissions	11.88	-11.06	-11.06	20.29
G. Overall balances	234.54	-212.44	210.96	-74.29

Source: Central Bank of Rwanda

II.1.12 Current transfer

Net current transfers' inflows amounted to USD 877.15 million for the fiscal year 2013/14 against USD 800.71 million registered during the previous fiscal year. Current transfers were dominated by official transfers with a share of 77% of the total by the end fiscal year 2013/2014 while private transfers accounted for 22%. A share of 65% of the private transfers were taken by remittances from Diaspora amounting to USD 128.60 million out of USD 197.53 million of total private transfers against USD 68.93 million received from churches and other associations

Table 8: Net current transfers (in USD Million)

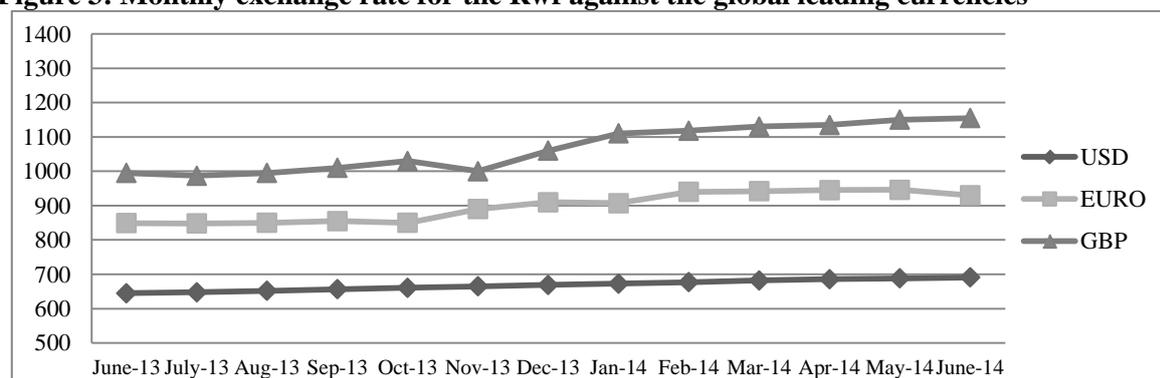
	2012	FY2012/2013	FY2013/2014
Current transfers (net)	722.46	800.71	877.15
Current private transfers (net)	182.95	178.36	197.53
Remittances from Diaspora(net)	118.25	114.67	128.6
Private transfers for churches and associations	64.7	63.68	68.93
Current officials transfers (net)	539.51	622.35	679.62
Current support net	433.7	510.7	390.31
of which HIPC initiative	4.79	5.08	0
Social security benefits	0	0.2	-
Humanitarian aid	120.11	122.95	112.37

Source: National Bank of Rwanda

II.1.13 Foreign exchange rate

Despite relatively small pressure experienced by the Rwandan francs the foreign exchange market remained stable during 2013-14. The BNR kept the exchange rate fundamentally market driven and continued to intervene on the domestic foreign exchange market to smoothen the RWF exchange rate volatility.

The moderate pressure was due to the high forex demand to finance imports which resulted in the annual RWF depreciation of 5.3 percent against USD (leading currency) as at end June 2014, compared to the annual depreciation of 4.8 percent in June 2013. For other global leading currencies (GBP & EURO) the RWF depreciated by 7.1 percent against GBP and 8.3 percent against EURO during the same period. In EAC region, the RWF depreciated against Kenyan Shillings (KES), Ugandan Shillings (UGS) and Burundi Francs (BIF) respectively by 3.4 percent, 3.7 percent and 3.2 percent respectively but it appreciated against Tanzanian Shilling (TZS) by 0.4 percent.

Figure 3: Monthly exchange rate for the Rwf against the global leading currencies

Source: BNR Financial Market Department

Similarly, the FRW depreciated against all regional currencies. It depreciated by 2.6% versus the KES, and by 0.2%, 4.5% and 5.5% against TZS, UGS and BIF respectively.

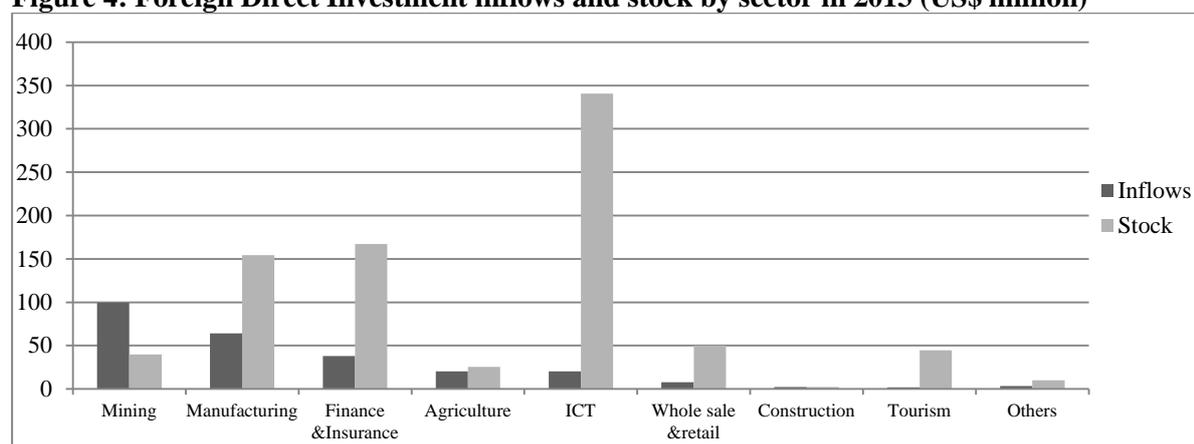
II.1.14 Foreign Direct Investment inflows and stock

Foreign direct investments are in three categories: equity capital which is new investment in a company, loan from affiliates or from shareholders and retained earnings. In 2013, the FDI inflows increased from US\$ 255.0 million in 2012 to US\$257.6 million dominated by loans from shareholders of US\$ 144.4 million representing 54.9 percent, equity capital of US\$ 74.3 million accounting for 28.2 percent while retained earnings were US\$44.2 million accounting for 16.9 percent. Flows of borrowing from affiliates in 2013 were US\$144.4 million close to US\$145.2 million received in 2012. Equity capital decreased from US\$ 87.4 million in 2012 to US\$ 74.2

Table 9: Inflows and Stocks of FDI by Type 2012-2013

FDI Components	2012		2013	
	Inflows	Stock	In flows	Stock
Equity capital	87.4	245.23	74.2	373.6
Loans	145.6	408.58	144.4	337.3
Retained earnings	22	61.73	44.2	126.67
Other changes	0	5.5	-5.4	0
Total	255	715.5	257.6	837.7

Source: Foreign Private investment

Figure 4: Foreign Direct Investment inflows and stock by sector in 2013 (US\$ million)

Source: Foreign Direct Investment 2013

In 2013, most of the Foreign Direct inflows were directed to Mining with US\$ 99.3 million, Manufacturing sector with US\$ 64.0 million and Finance & Insurance sector with US\$ 38.0 million. In terms of stock, ICT dominated with US\$ 340.6 million, followed by finance and insurance (US\$ 167.3 million) and manufacturing (US\$ 154.5 million).

Table10: Foreign Direct Investments Flows and Stocks by origin in 2013 (US\$ million)

Country	Inflows	Stocks
Switzerland	96	20
South Africa	45.5	161.6
Mauritius	31.2	208.1
Kenya	20.2	76
Netherlands	10.8	59.7
Uganda	9.4	13
Belgium	6.3	17.9
China	5.9	9.5
United Kingdom	4.6	16.7
Nigeria	4	27
Others	20	228.1
Total	257.6	837.7

Source: Foreign Private investment 2013

Considering the origin of FDI, Switzerland, South Africa, Mauritius and Kenya are the major source of FDI inflows, collectively accounting for 74.6 percent of total inflows in 2013. The level of inflows from Switzerland is less than stocks due to short term trade credits and other accounts payables mostly settled in less than a year.

II.1.15 Employment

The results of the FPC 2013 show that employment grew by 3.9 percent from 32,834 in 2012 to 34,114 in 2013. In terms of nationality of employees, Rwandans were 96.0 percent against 4.0 percent of foreigners. The number of short-term foreign employees was 387 which is equivalent to 1.1 percent of the total. According to category of employment, managerial positions are occupied by 1077 staff

(3.2 percent), administrative 2,558 staff (7.5 percent); skilled 7,335 staff (20.9 percent) and casual 23,114 staff (68.4 percent). Details are provided in table 7

Table 11: Employment by residence in 2013

Category	Local	Foreign		Total
	Resident	ST	LT	
Managerial	810	21	246	1,077
Administration	2,448	25	85	2,558
Skilled technician	6,561	341	463	7,365
Casual	23,090	-	24	23,114
Total	32,909	387	818	34,114

Source: Foreign private investment

II.1.17 Public external debt

The public external debt situation of Rwanda in the fiscal year 2013/2014 was mostly composed of loans from Multilateral Institutions, such as the World Bank, African Development Bank, IDA and IMF and represented 62.4% of total public external debt, while Euro bonds accounted for 23.9% of total public external debt. The remaining 13.7% were from bilateral partners like Exim-India, Exim-China and Kuwait.

Table 12: Stock of external debt in (USD million)

CREDITOR	2011	End June 2012	End June 2013	End June 2014
1. MULTILATERAL	832.99	841.66	895.25	1,041.83
AfDB-ADB ¹	210.62	213.33	234.61	278.92
BADEA ²	34.03	33.56	32.67	34.99
EIB ³	5.03	3.66	2.57	1.38
EU ⁴	13.89	12.9	12.44	11.99
IFAD ⁵	107.07	107.57	106.38	112.62
IMF ⁶	14.13	13.59	12.03	11.32
IDA ⁷	391.55	401.11	435.54	541.25
NDF ⁸	16.08	15.33	16.28	0
OPEC ⁹	40.57	40.38	42.76	49.36
2. BILATERAL	151.66	163.02	206.23	228.39
AFD ¹⁰	2.12	1.36	0	0
CHINA	0	0	0	0
EXIMCHINA	28.6	30.7	56.02	63.5
EXIMINDIA	28.65	39.55	59.44	73.18
Abu Dhabi	2.99	2.99	2.96	2.96
Kuwait Fund	44.68	44.48	45.51	47.7
Saudi Fund	44.28	44.59	41.96	41.04
LIBYA	0.35	0.34	0.34	0
EURO BOND			400	400
TOTAL	984.65	1004.68	1501.51	1670.21

Source: Central Bank of Rwanda

II.1.18 External public debt disbursements

Total disbursements stood at USD 172.9 million by the end of the fiscal year 2013/2014 against USD 506.4 million at end of last fiscal year. The share of disbursements on multilateral creditors was the most important representing 85.9% of the total disbursements observed in 2013/2014 followed by bilateral creditors' with 14.1% of the total disbursements. The former was mainly from IDA and FAD-

¹ AfDB- African Development Bank

² BADEA- Arab Bank for the Economic Development of Africa

³ EIB- European Investment Bank

⁴ EU- European union

⁵ IFAD- International Fund for Agricultural Development

⁶ IMF- International Monetary Fund

⁷ IDA- International Development Association

⁸ NDF- Nordic Development Fund

⁹ OPEC- Organization Of Petroleum Exporting Countries

¹⁰ AFD- French Development Agency

FSN with respective shares of 68.1% and 17.8% of multilateral disbursements. During the same period, the share of Euro bonds was around 0.0% of the total disbursements.

Table 13 Development of disbursements (in USD million)

Description	July2011-June2012	July 2012-June2013	July2013-June2014
MULTILATERAL CREDITORS	146.9	84.3	148.5
of which: IDA	94.7	44.6	101.2
FAD-FSN	35.8	30.7	26.4
BILATERAL CREDITORS	24.9	22.1	24.4
EURO BONDS		400	0
TOTAL	171.8	506.4	172.9
of which:			
Drawings for projects	83.2	493.6	99.8
Drawings for budgets support	88.6	12.9	72.7
Drawings for BOP support(IMF)	0	0	

Source: Central Bank of Rwanda

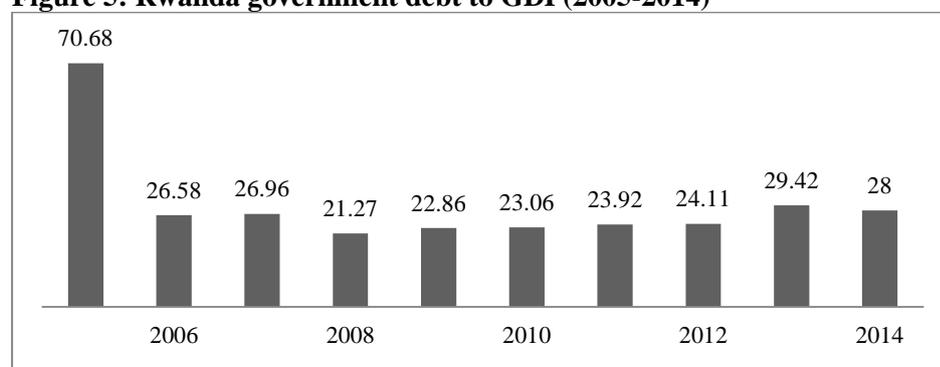
II.1.19 Public external debt servicing

External debt services were largely dominated by multilateral debt with a share of 48.6% by the end of the fiscal year 2013/2014 against 67.9 percent by the end of previous fiscal year. The bilateral debt service represented 10.8% of the total external debt services by the end of the fiscal year 2013/2014 after 14.9% at end of 2012/2013. While Euro bonds represent 40.5% of the total external debt services by the end of 2013/2014

II.1.20 Public external debt ratio to GDP

Rwanda recorded the government debt to GDP ratio of 28 percent of the country's gross Domestic product in 2014. The total average of Rwanda government debt to 63.89 percent from 1995 until 2014, the highest recorded ever is 119.50 percent recorded in 1995 and the lowest recorded is 21.27 percent recorded in 2008

Figure 5: Rwanda government debt to GDP(2005-2014)



Source: National Bank of Rwanda

The government debt to GDP ratio is used by investors to measure the payment ability of the country's debt, it affects borrowing costs and government bonds yield.

II.2 Domestic Environment

II.2.1. Economic growth

During the fiscal year 2014/2015 Rwanda's economy registered the growth of 7.2% higher in the real term compared to GDP growth of 5.1% recorded in 2013/2014, this growth was supported mainly by the services sector which contributed 47.0% to real GDP followed by Agriculture and Industry sectors which contributed 33.0% and 14.0% to real GDP respectively. The agricultural sector grew by 5% and contributed 1.6% points to the overall GDP growth, Industry sector grew by 7% and

contributed 1% point to the GDP growth service sector increased by 8% and contributed 4% points to th

Table 14: Real GDP Growth Rates at Constant 2011 Prices, in%

ATIVITY DESCRIPTION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
GROSS DOMESTIC PRODUCT	4.3	5.8	9.5	6.9	5.1	7.2
AGRICULTURAL, FORESTRY & FISHING	5.0	2.5	8.0	6.0	3.0	5.0
Food crops	7.0	3.0	10.0	6.0	3.0	5.0
Export crops	-1.0	-6.0	14.0	19.0	-9.0	3.0
Livestock and Livestock products	4.0	4.0	5.0	6.0	7.0	9.0
Forestry	3.0	3.0	3.0	4.0	2.0	3.0
Fishing	3.0	5.0	-4.0	3.0	5.0	3.0
INDUSTRY	0.0	13.0	13.0	12.0	6.0	7.0
Mining and quarrying	-16.0	23.0	19.0	4.0	15.0	2.0
TOTAL MANUFACTURING	6.0	6.0	9.0	5.0	5.0	2.0
of which: Food	6.0	1.0	11.0	4.0	9.0	-3.0
Beverages & tobacco	3.0	8.0	4.0	3.0	3.0	-2.0
Textile, clothing and leather goods	2.0	1.0	5.0	-1.0	10.0	21.0
Wood & paper: printing	8.0	-4.0	-2.0	19.0	7.0	8.0
Chemicals, rubber and plastic products	-4.0	17.0	7.0	-4.0	-5.0	3.0
Non-metallic, mineral product	10.0	9.0	18.0	13.0	6.0	10.0
Metal product, Machinery & equipment	34.0	3.0	62.0	1.0	-2.0	21.0
Furniture & other manufacturing	34.0	18.0	26.0	8.0	11.0	14.0
Construction	-2.0	18.0	15.0	20.0	5.0	11.0
TRADE & TRANSPORT	1.0	9.0	14.0	9.0	8.0	7.0
Maintenance & repair of motor vehicles	0.0	13.0	6.0	8.0	4.0	5.0
Wholesale and retail trade	0.0	9.0	15.0	8.0	9.0	7.0
Transport	6.0	5.0	12.0	15.0	8.0	5.0
OTHER SERVICES	6.0	6.0	8.0	6.0	6.0	9.0
Hotels and restaurants	4.0	6.0	5.0	4.0	4.0	3.0
Information & communication	6.0	1.0	25.0	12.0	5.0	20.0
Financial Services	0.0	34.0	10.0	15.0	5.0	8.0
Real estate's activities	6.0	1.0	-1.0	2.0	5.0	9.0
Scientific and technical activities	6.0	0.0	2.0	3.0	5.0	5.0
Administrative & support services	6.0	-1.0	3.0	5.0	5.0	6.0
Public administration & defense	8.0	9.0	31.0	13.0	6.0	5.0
Education	12.0	13.0	12.0	6.0	6.0	7.0
Human health & social work activities	17.0	5.0	25.0	3.0	8.0	14.0
Cultural, domestic & other services	1.0	3.0	2.0	15.0	14.0	15.0
Taxes less subsidies on products	9.0	2.0	3.0	-3.0	0.0	11.0

Source: National Institute of Statistics of Rwanda

II.2.2 Inflation

Since June 2013, Rwanda continued to register low and stable inflation owing to sustained and well-coordinated monetary and fiscal policies, good performance of the economy, easing inflationary pressures from trading partners and deceleration in international oil prices. Headline inflation eased from 3.7% in June 2013 to 1.4% in June 2014 mainly due to the slowdown in food inflation from 4.4% to 1.9% as well as in transport costs from 0.9% to -3.4% during the same period. Since February 2014, headline inflation was consistently trending downwards partly reflecting weak aggregate demand though this is likely to be reversed by the current supportive monetary and fiscal policies.

Core inflation declined to 2.0% end June 2014 from 3.4% in the same period of 2013 while domestic inflation slowed from 4.1% to 2.1% during the same period. Similarly, imported inflation decelerated to -0.4% from 1.9%, energy prices contracted by 0.2% from 0.9% while prices for fresh products fell to -0.5% from 6.3% during the same period.

Recently, inflation developments have been dominated by prices for food and non-alcoholic beverages as well as transport costs which altogether account for 46% of the CPI basket (28% and 18% respectively).

II.2.3 Domestic Supply

There was a significant increase of Broad Money supply M3 (+27.5%) compared to the increase recorded in previous year (+9) this increment was mainly driven by the accumulation of Net Domestic Assets (+54.4%) while Net Foreign Asset recorded less growth (+14.1%) compared to the previous fiscal year(+25.1%).The recorded changes in the fiscal year 2012/2013 in the Net Foreign Assets (NFA) had been boosted by Eurobond Proceeds.

Table 15: Money aggregates developments(end period in FRW billion, unless otherwise indicated)

	2012		2013		2014		%change	
	June	June	Sept	Dec	Mar	June	Jun-12/ 13-Jun	Jun-13/ 14-Jun
Net foreign assets	513.7	642.8	683.5	744	669.6	733.5	25.1	14.1
Net domestic assets	367.1	319.1	292.3	284.7	375.6	492.8	-13.1	54.4
Domestic credit	554.2	551	540.8	567.1	679.2	794	-0.6	44.1
Central government(net)	-52.2	-164	-192.2	-187.3	-105.1	-16.5	-213.8	89.9
Autonomous Agencies	-2.2	-3	-4.7	-4.7	-5.7	-4.7	-37.2	-57.3
Public enterprises	2.6	1	1.3	1.3	1.8	2	-61.3	95.9
Private sector	606.1	717	736.6	758	788.3	813.3	18.3	13.4
Other items net (Assets: +)	-187.1	-231.9	-248.5	-282.5	-303.6	-301.2	-23.9	-29.9
Broad Money M3	880.8	961.9	975.8	1028.7	1045.3	1226.3	9.2	27.5
Currency in circulations	111.6	116.3	106.4	116.6	109.4	120.2	4.2	3.3
Deposits	769.3	845.6	869.3	912.1	935.8	1106.1	9.9	30.8
of which: Demand deposits	331	389.8	385.8	378.7	384.7	449.5	17.8	15.3
Other deposits	306	295.2	322.4	339.2	348.9	391.6	-3.5	32.7
Foreign currency deposits	132.3	160.6	161.2	194.2	202.2	265	21.4	65

Source: Central Bank of Rwanda

II.2.4 Financial sector

Banking sector

Rwanda banking sector consist of ten commercial banks, four microfinance banks, one development bank and one cooperative bank. In 2014 the Rwandan financial sector was dominated by banking sector which held 67.6 percent of the total financial sector's assets. Commercial banks dominated the banking industry with a proportional of 81.2 percent of the total banking asset.

II.2.5 Microfinance

Microfinance sector in 2014 registered a slight decrease from 5.9 percent of the total financial asset in 2013 to 5.7 percent as end June 2014.under this period there was a significant growth registered by UMURENGE SACCOs which led to a big change in the assets of the whole sector. Assets of UMURENGE SACCOs grew by 25.7 percent while other Microfinance institutions grew by 16.6 percent.

II.2.6 Insurance and Pension companies

Insurance accounts 9.4 percent of the totals sector's assets end June 2014, it marked a drop from 10.7 percent as end June 2013.The insurance sector represents 35.1 percent of the total non Banking Financial Institutions as at June 2014. 58.3 percent of this sector is held by public insurers, while 41.7 percent of the total insurance assets is held by private insurers.

As at end June 2014, pension fund section represent 17.3 percent of the total financial system's assets from 17.1 percent as at June 2013. It also represent a 64.9 percent of the total non Banking Financial institutions.

II.2.6 Interest rate development

During the year 2013/2014, interest rates have been decreasing and stable, aided by sound liquidity conditions and accommodative monetary policy stance. As a result the Key Rapo Rate (KRR) has been reduced in June 2013 to 7 percent from 7.5 percent, consequently, deposits and lending rates decreased from 10.6 percent to in June 2013 to 8.7 percent in June 2014 and the weighted average lending rate down graded from 17.7 percent in June 2013 to 17.5 percent in June 2014.

As a result of Non Performing Loans(NPL) ratio and high operating costs experiencing in the banking system, the lending rate has been declining at a lower pace than the deposit rate while the spread between lending and deposit rates remained relatively high standing at 8.9 percent in June 2014 from 7.0 percent in June 2013.

Table 16 :Interest rates development (in percentage change)

	Jun13	Sept-13	Dec13	Jan14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
BNR Policy Rates									
Key repo rate	7	7	7	7	7	7	7	7	6.5
Discount rate	11	11	11	11	11	11	11	11	10.5
Money Market Rate									
Repo rate	6.7	5.5	4	4.3	3.7	3.3	3.1	3.6	3.7
T-Bills rate	10.8	7.1	5.6	6.36	6.1	6	6	5.9	5.7
Commercial Banks Rate									
Interbank rate	9.6	7	5.6	5.6	5.8	5.8	5.7	5.7	5.7
Deposit rate	10.6	9	8.6	8.9	8	8.3	8.1	9.3	8.7
Lending Rate	17.7	17.8	16.9	17.45	17.1	16.8	17.4	17.2	17.5

Source: National Bank of Rwanda

III. Tax Structure

After the 1994 genocide Rwandan government in its process of reform and restructuring of public Institution decided to establish Rwanda Revenue Authority in 1998 as a first priority

III.1 History of Tax system in Rwanda

The history of taxes in Rwanda indicates that the first tax legislation was inherited from colonial regimes. This tax legislation included the Ordinance of August 1912, which established graduated tax and tax on real property. There was another Ordinance on 15th November 1925 adopting and putting into application the Order issued in Belgian Congo on 1st June 1925, establishing a profits tax.

This law was amended from time to time in order to comply with the changing economic environment. Such other legislative instruments include the 1973 law governing property tax, the tax on license to carry out trade and professional activities, the law N°. 29/91 of 28th June 1991 on sales tax /turnover tax (now repealed and replaced by the law N°. 06//2001 of 20/01/2001 on the Code of Value Added Tax (VAT).

A substantive Law governing Customs was enacted on 17th July 1968 accompanying the Ministerial Order of 27th July 1968, putting into application the Customs Law.

The administration and accountability of taxes and duties in Rwanda was initially under the Ministry of Finance and Economic Planning. This was later vested into an independent body - the Rwanda Revenue Authority - that was established by law no 15/97 of 8th November 1997.

In 2005, the parliament adopted law number N°25/2005 of 04/12/2005 on tax procedures, amending Decree-Law of December 28, 1973 relating to Personal Tax, law n° 06/2001 of January 20, 2001 on the Code of Value Added Tax and law n° 9/97 of June 26, 1997 on the Code of Fiscal Procedures.

Similarly, LAW N° 16/2005 OF 18/08/2005 2005 on direct taxes on income was adopted replacing Law n° 8/97 of 26/6/1997 on Code of Direct Taxes on Different Profits and Professional Income, and Law n° 14/98 of December 18, 1998 establishing the Rwanda Investment Promotion Agency, especially in its Articles 30, 31 and 34. Con

The parliament also adopted Law N°. 21 of 18/04/2006 establishing the customs law, replacing the Law of July 17th 1968 concerning the Customs law as amended and completed to date.

However, on July 1, 2009, Rwanda adopted the EAC Customs Management Act 2004, An Act of the Community to make provisions for the management and administration of Customs and for related matter.

Enactment of new laws and amendments of old ones is a continuous process, the following are the compiled tax laws and regulations used in Rwanda

1. Law No 34/2015 of 30/06/2015 establishing the infrastructure develop levy on imported goods.
2. Law No. 37/2015 of 30/06/2015 modifying and complementing law No 26/2006 of 27/05/2006 determining and establishing consumption tax on some imported and locally manufactured products as modified and complemented to date
3. Law No. 02/2015 of 25/02/2015 modifying and complementing law No 37/2012 of 09/09/2012 establishing the Value Added Tax
4. Law No. 59/2011 of 31/12/2011 establishing the source of revenue and property of centralized entities and governing their management
5. Law no 55/2013 of 02/08/2013 on mineral law
6. Law No. 28/2012 of 27/07/2012 modifying and complementing law No 16/2005 of 18/058/2005 on direct taxes on income as modified and complemented to date
7. Law no 37/2012 of 0/11/2012 establishing the Value Added Tax
8. Law No. 38/2012 of 20/12/2012 modifying and complementing law No 25/2005 of 04/12/2005 on procedures as modified and complemented to date
9. Law No. 01/2012 of 03/02/2012 modifying and complementing law No 25/2005of 04/12/2005 on procedures as modified and complemented to date
10. Law No 08/2009 of 27/04/2009 determining the organization functioning and responsibilities of Rwanda Revenue Authority(RRA)
11. Law no 73/2008 and Law no 74/2008 of 31/12/2008 modifying and implementing law no. 16/2005 of 18/08/2005 on direct taxes on income
12. Law no 57/2011 of 31/12/2011 modifying and complementing law no 26/2006 determining and establishing consumption tax on some imported and locally manufactured products as modified and complemented to date

13. Law no 19/2006 of 30/06/2009 modifying and complementing law no 26/2006 determining and establishing consumption tax on some imported and locally manufactured products
14. Presidential Order no 25/01 of 25/02/2015 modifying and complementing Presidential decree no 85/01 of 02/09/2002 regulating general traffic police and road traffic as modified and complemented to date
15. Ministerial Order no 002/13/10/TC of 31/07/2013 on modalities of use of certified electronic billing machine
16. Commissioner General rules no 002/13/2013 of 12/09/2013 implementing the ministerial order no 008/2009 of 01/12/2009 determining the amount of registration for imported and already registered vehicles in Rwanda
17. Commissioner General rules no 001/2013 of 06/03/2013 implementing the law no 16/2005 of 18/08/2005 on direct taxes on income

III.2 RRA Mission, Vision and Core Values

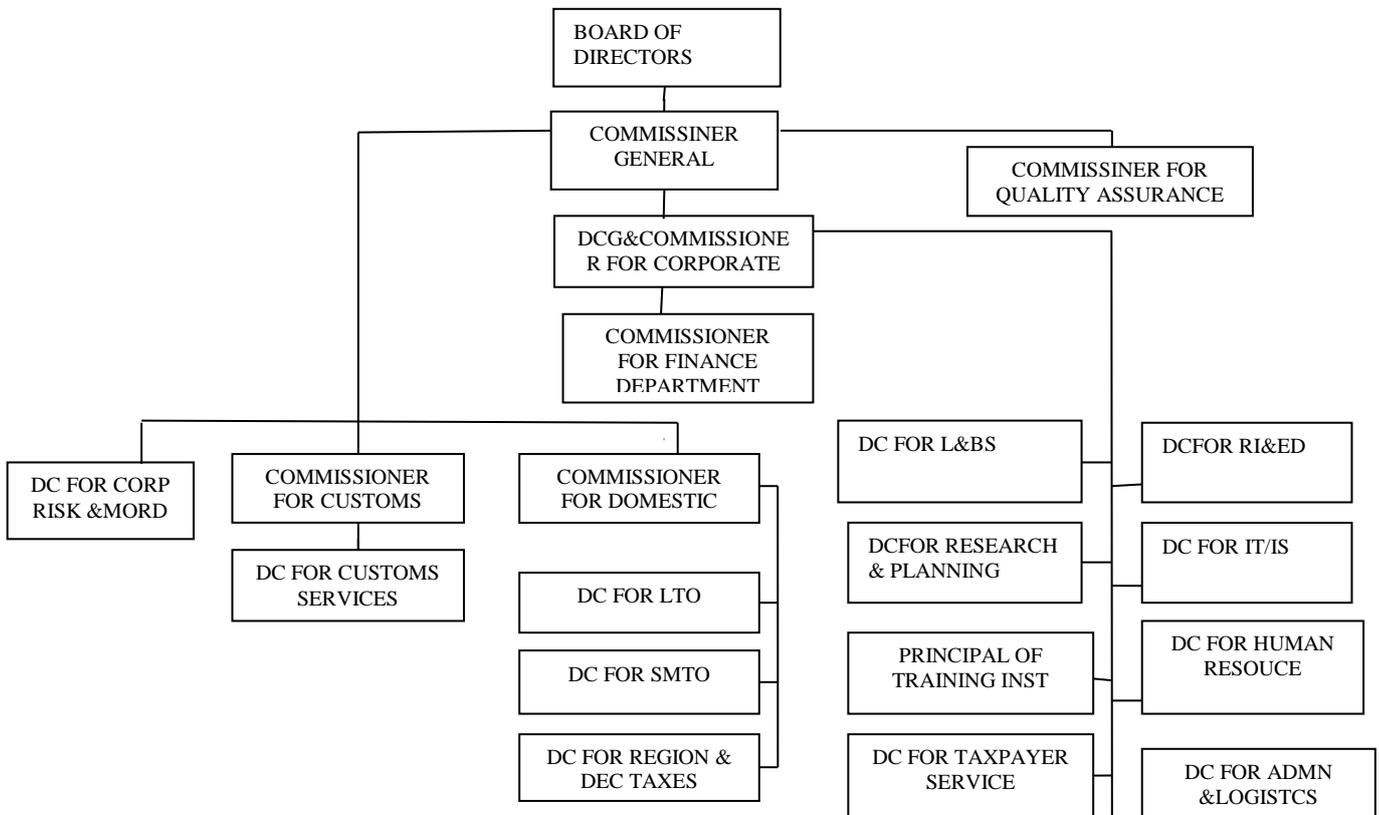
RRA vision is “To become a world class efficient and modern revenue agency, fully financing national needs”

RRA mission is “Mobilize revenue for economic development through efficiency and equitable services that promote business growth”

RRA core strategy values are:

1. Integrity;
2. Customer focus;
3. Transparency;
4. Professional service delivery
5. Teamwork

Figure 6: Rwanda Revenue Authority organization structure



III.3 Board of directors

RRA board of directors is governed by the board chair person who is appointed by the Prime Minister on the recommendations of the cabinet, It is composed of eight permanent board members including the RRA Commissioner General, The Governor of the Central bank, permanent Secretary in the Ministry of Finance and economic planning, the permanent secretary in the ministry of trade and industry others are non-permanent members from private sector federation. The RRA board of directors is responsible for formulating and communicating day to day RRA policies

III.4 Taxation

The responsibility and accountability of taxes in Rwanda is under Rwanda Revenue Authority (RRA), taxes are collected by operational department which include Domestic Tax department and Customs department

Domestic tax department is responsible for collection of domestic taxes, non fiscal revenues, social security fund and taxes for local government; Customs department is in charge of collection of customs duties.

III.5 Taxpayers Registration

According to the Rwandan tax law any corporation or individual who starts profit making activities that may be taxable must be registered in the tax administration within seven (7) days from the beginning of the business activity. After registration the tax payer will be issued the Tax Identification Number (TIN).This is used in filling tax declaration and on all other tax related documents. The taxpayer is obliged to use the same number in all his business activities

Any change, related to the taxpayer’s activities or him/her self must be notified in writing to the tax administration within seven days (7) from the day of the notice of the change. The procedures and instructions regarding taxpayer’s registration and cancellation of registration for persons who no longer carry out business activities is issued by the Commissioner General.

III.6 Types of taxes in Rwanda

III.6.1 Personal Income Tax (PIT)

Personal income tax is levied on income received by individual. A resident taxpayer is liable to income tax per the tax period from all domestic sources and foreign sources in accordance with the law.

A nonresident tax payer is only liable to income tax which has a source in Rwanda. Taxable income is composed of the following:

- 1. Employment income
- 2. Business income
- 3. Investment income

Taxable income is rounded to the nearest thousand (1,000) to the following table:

Table 17: PIT rates

Annual taxable income	Tax rate
0-360,000	0%
360,001-1,200,000	20%
1,200,000 and +	30%

Source: Rwanda Revenue Authority

Tax rates in the table does not apply for small and micro enterprises, the lump sum tax of 3% applies to small businesses with the annual turnover between Rwf 12,000,000 and Rwf 50,000,000, for micro enterprises with annual turnover below Rwf12,000,000 the flat amount estimated as summarized in the table below:

Table 18: Flat tax amount

Annual turnover	Annual flat amount of tax due in Rwandan francs
From 2,000,001 to 4,000,000	60,000
From 4,000,001 to 7,000,000	120,000
From 7,000,001 to 10,000,000	210,000
From 10,000,001 to 12,000,000	300,000

Source: Rwanda Revenue Authority tax law

An individual who receives taxable income prepares an annual tax declaration in accordance with the procedures specified by the Commissioner General and he or she presents the declaration to the tax administration with payments not later than 31st March of the following tax period. Except newly established businesses others are subject to quarterly prepayments 25% of tax declared in the previous tax period

III.7.2 Withholding

Pay As You Earn

When an employer makes it available to an employee the employer must withhold, declare and pay the PAYE tax to Rwanda Revenue Authority within 15days following the end of the month for which the tax was due. In the case of engaging casual laborer for less than 30days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the casual labor.

Monthly employment income which includes the amount an employee is paid on an extra ordinary basis as well as the bonus and the benefit he or she receive in kind is subject to tax in accordance with the rate as shown

Table 19: PAYE tax rate

Monthly taxable income	Tax rate
0- 30,000	0%
30,001-100,000	20%
100,000 and +	30%

Source: Rwanda tax law

The same rates are also used for quarterly PAYE calculation.

For taxpayer whose annual income is less than two hundred million (200,000,000) Rwandan francs , the Pay As You Earn shall be quarterly and deposited with payments of the tax due within 15 days after the end of the quarter to which Pay As You Earn is referred.

The Commissioner General shall determine the modalities of the declaration and payment of Pay As You earn on quarterly basis.

Withholding tax on other payments:

A withholding tax of fifteen (15%) percent is levied on the following payments made by resident individuals or resident entities including tax exempt entities

1. Dividends, except those between resident companies
2. interests;
3. Royalties
4. Service fees including management and technical service fees;
5. Performance payment made to an artist, a musician or an athlete irrespective of whether paid directly or through an entity that is not resident in Rwanda;
6. Lottery and other gambling proceeds

Fines related to violation of the a

The withholding agent is required to file a tax declaration and payments within 15 days following the withholding month.

Withholding Tax on Imports and Public Tenders

A withholding tax of five percent (5%) is levied on the value of goods at the importation in customs on CIF (cost insurance and freight) value before the goods are released from customs.

The total withholding on public tender is 8% which includes 3% and 5% for Profit and VAT withholding taxes for the taxpayers who win the public tenders respectively, the taxpayer whose business is exempt from taxation and those with tax clearance certificate issued by the Commissioner General are exempt from withholding tax.

All withholding taxes mentioned above are treated as advances on tax and are deductible on payment of profit tax and on VAT payable.

III.7.3 Value Added Tax

The value added tax is charged on taxable goods and services and on taxable imported goods and services. All taxpayers with an annual turnover which is above twenty million Rwandan francs (RWF 20,000,000) of the previous fiscal year or five million Rwandan francs (RWF 5,000,000) in the preceding calendar quarter is required to register for VAT with the tax administration within a period of seven days (7) from the end of the year or the end of the quarter mentioned above, registered taxpayer must display the certificate of registration at his/ her principal place of business. The amount of value of tax payable on goods and services or imported goods or services is calculated by applying zero percent (0%) on zero rated goods and eighteen percent (18%) for other goods and services on the transaction value.

The value added tax is payable:

1. on the taxable goods or services is paid to the Commissioner General by the taxpayer who Supplied goods or services in accordance VAT Law;
2. On imported goods or services is paid by the importer.

All goods and services supplied by a person are taxable if they are supplied in Rwanda but excluding exempted goods and services, the list of exempted goods and zero rated goods is provided by VAT tax law, the sale of any asset used in the business is considered as a taxable action.

The declaration and payment of tax is made in fifteen days (15) after the end of the period of tax period a registered tax payer must submit value added tax declaration in accordance with forms and formalities determined by Commissioner General. For taxpayers whose annual turnover is equal or less than two hundred million Rwandan francs (200,000,000Rwf) the value added tax declaration is quarterly and shall be submitted with payment of the tax due within fifteen (15) days after the end of the quarter. However, taxpayers whose annual turnover is equal to or less than two hundred million Rwandan francs (200,000,000 Rwf) who wish may opt for a monthly value added tax declaration.

A registered taxpayer must submit value added tax declaration, whether he/she made sales or not, whether he/she is claiming for refund or whether the difference is zero. Value added tax registered persons are obliged to use a certified electronic billing machine that generates invoices indicating the tax as agreed by the tax administration. An Order of the Minister determines the design of these machines as well as modalities and conditions to be met in the use of those machines.

III.7.4 Corporate Income Tax

Corporate income tax (CIT) is the tax levied on business profit received by entities,

Resident entities are liable to corporate income tax on business profit per tax period whether from domestic or foreign operations; non- resident entities shall be liable to corporate tax on business profit per tax period derived through a permanent establishment in Rwanda.

Taxable Business profit is rounded down to the nearest 1,000 RWF and taxable at a rate of thirty percent (30%).However, a registered investment entity that operates in a Free Trade Zone and foreign companies that have their headquarters in Rwanda that fulfils the requirements stipulated in the Rwandan law on

Investment Promotion is entitled to:

1. Pay corporate income tax at the rate of zero per cent (0%);
2. Exemption from withholding tax
3. Tax free repatriation of profits.

A registered investor shall be entitled to a profit tax discount of:

1. 2% if the investor employs between one hundred (100) and two hundred (200) Rwandans;

2. 5% if the investor employs between two hundred and one (201) and four hundred (400) Rwandans;
3. 6% if the investor employs between four hundred and one (401) and nine hundred (900) Rwandans;
4. 7% if the investor employs more than nine hundred (900) Rwandans.

The tax discount mentioned in the previous paragraph is granted to the investor only if he or she maintains the

Employees for a period of at least six (6) months during a tax period, and are not in the category of employees

Who pay at the rate of zero percent (0%) as stipulated in Article 50 of this law.

Investment allowance

An investment allowance of forty percent (40%) of invested amount in new or used asset may be depreciated excluding motor vehicles that carry less than eight (8) persons, those exclusively used in a tourist business is deductible for a registered investor in the first tax period of purchases or of use of an asset if:

1. The amount of business assets invested is equal to thirty million (30,000,000) Rwandan francs; and
2. the business asset are held at the establishment of at least three (3) tax period after the tax period in which the investment allowance was taken into consideration.

The investment allowance becomes fifty percent (50%) if the registered business is located outside Kigali or falls within the priority sector determined by the investment Code of Rwanda

The investment allowance reduces the acquisition or construction cost, as well as the basic depreciation value

Training and Research

All training and research expenses incurred and declared and earlier agreed and which promote activities during a tax period are considered as deductible from taxable profits, this excludes the purchase of land ,of house of buildings and other immovable properties including refining, rehabilitation and reconstruction as well as exploration expenses and other assets.

Loss carried forward

If the determination of business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five (5) tax period, earlier losses being deducted before later losses. However, foreign sourced losses can neither reduce domestic sourced business profit nor can they reduce future domestic sourced business profits. And the carry back of loss is not permitted by the Rwandan domestic tax law.

Exportation

If a tax payer exports commodities or services that bring to the country between 3,000,000 US dollars and 5,000,000 US dollars in a tax period, he or she is entitled to tax discount of 3%.

If he or she exports commodities or services that bring to the country between 5,000,000 US dollars in a tax period he or she is entitled to a tax discount of 5%

Micro Finance activities

Companies that carryout microfinance activities approved by competent authorities pay corporate income tax at the rate of zero percent 0% for a period of five years from the time of approval of the activity. However, this period may be renewed by the order of the minister

III.7.5 Consumption Tax

Under the law No 26/2006 of 27/05/2006 determining the establishment of consumption tax as modified and complemented as to date on some locally manufactured as well as imported products, the table below shows the rate of consumption tax applicable

Table 20: Exercise tax rates

eee	Tax rate
Juice, Soda and Lemonade	39%
Mineral water	10%
Beer	60%
Wine	70%
Brandies, Liquors and Whisky	70%
Cigarettes	120%
Fuel (excluding jet fuel), Gas oil, Fuel and Lubricants	37%
Vehicle with an engine capacity of above 2500cc	15%
Powdered Milk	10%
Telephone communication	3%

Source: Rwanda Revenue Authority

The taxable value on imported products shall be calculate according to cost, Insurance and Freight upon arrival in the country, for local manufactured products, it shall be calculated according to selling price exclusive of taxes

The tx shall be payable when:

1. The taxable products are cleared out of factory for consumer use, in case of locally manufactured Products

2. The taxable product is due for clearing at the customs under the customs system in case of imports.

The taxpayer is required to keep a register of raw materials, and activity register and the register of inventory of manufactured product.

The register of raw materials shall record the materials to be used in manufacturing of taxable products. In the activity register, there shall be recorded the information concerning the daily status of every equipment used in the factory or industry.

III.7.6 Customs duties

Rwanda as a member of East African community (EAC) customs union with other four member states which are Burundi, Uganda, Kenya and Tanzania. Customs tariffs, rule of origin, and other trade regulations have been harmonized through the EAC. All EAC partner states use the same customs tariff on both imports and exports. For export from Rwanda to EAC member states are exempted from tax except withholding tax and VAT if they are not non agricultural product. The countries which are not from EAC pay customs duties the tariff structure is shown below:

Table 21: The East African tariff structure

Product	Tariff
Raw materials	0%
Capital goods	0%
Intermediate goods	10%
Finished goods	25%

Source: Rwanda Revenue Authority

III.8 Assessment by tax administration

When the Tax Administration discovers a miscalculation, an omission, a misrepresentation, an understatement of income or any other error in the tax declaration or an assessment, it has the right to issue an adjusted assessment

In case the tax declaration form is rectified, the Tax Administration sends a rectification note to the taxpayer. The note contains a draft of the adjusted assessment and all the elements leading to the adjusted assessment. The rectification note contains fines determined by the Tax Administration in case of non-compliance with the tax laws.

Fines

A taxpayer or any other person is subject to a fine if he or she fails to

1. File a tax declaration on time
2. File a withholding declaration on time
3. Withhold

4. Provide proofs required by tax administration;
5. Cooperate with tax audit;
6. Register for tax purposes
7. Communicate on time the capacity or appointment he or she has been given;
8. Comply with the tax law and
9. Pay on time the profit tax advance

III.8.1 Fines fixed amount

Fines related to the violation of provision of paragraph one

1. one hundred thousand (100,000) Rwandan francs if the taxpayer's annual turnover is equal to or less than twenty million (20,000,000) Rwandan francs or
2. Three hundred thousand (300,000) Rwandan francs if the taxpayer's annual turnover exceeds twenty Million (20,000,000) Rwandan francs
3. Five hundred thousand (500,000) Rwandan francs if the taxpayer was informed by tax administration.

that he or she in a large taxpayer's category

III.8.2 Interest rates

In the events taxpayer fails to pay taxes within a set period by the law; he or she is required to pay interest on the amount of tax

The interest rate is fixed at the interbank offered rate of the National Bank of Rwanda, increased by two (2) percent and which is set every year on the January first. Interest is calculated on the monthly bases, non-compounding, counting from the first day after the tax should have been paid until the day of payment.

Interest rate shall always be payable even when the taxpayer has started an administrative appeal against the reassessment. Interest accrued cannot exceed 100 percent of the amount of tax

III.8.3 Late payment fines

If the amount tax shown on a tax declaration or the amount of which is the result of the adjusted assessment by the tax administration is not paid in time, the taxpayer is subject to a fine of ten (10) percent of the tax payable.

III .8.4 Fines imposed to persons who do not comply with provisions of Value Added Tax:

1. in the event of operation without VAT registration where VAT registration is required, fifty percent (50%) of the amount of VAT payable for the entire period of operation without VAT registration;
2. In the event of the incorrect issuance of a VAT invoice resulting in a decrease in the amount of VAT Payable or in an increase of the VAT input credit or in the event of the failure to issue a VAT invoice, one hundred percent (100%) of the amount of VAT for the invoice or on the transaction;
3. For issuing of a VAT invoice by a person who is not registered for VAT is assessed a penalty of one hundred fifty percent (150%) of the VAT which is indicated in that VAT invoice and is due to pay the VAT as indicated on that VAT invoice.

Since 2008, after RRA was established, tax revenue collection has been increasing year after year, the table below show the tax collection from the fiscal year 2010 to fiscal year 2014

Table 22: Total tax collections 2010-2014 (in billion)Rwandan francs

Fiscal year	Total tax revenue(bn)	Total National budget	%contribution tax revenue to National budget
July 09-June 2010	385.2	899.0	47.9
July 10-June 2011	473.9	984.0	48.2
July 11-June 2012	574.5	1194.2	48.1
July 12-June 2013	665.8	1550.3	42.9
July 13-June 2014	782.2	1677.7	46.6

Source: Rwanda Revenue Authority

Rwanda Revenue Authority is also responsible for

1. Collection of non tax revenues which include fees for services rendered by other government institutions
2. Health and pension contribution: In 2010, the government decided to transfer the collection activities of Rwanda social security contributions and medical insurance contributions to Rwanda Revenue Authority.
3. Local government revenue collections: Certain taxes which were formerly collected by local government have been transferred to Rwanda Revenue Authority, these include;
 - The property tax
 - The rental income tax and
 - The trading license

IV. Country Specific Issues

Though Rwandan economy has been growing fast since the year 2003, it faces some challenges which need to be addressed for its consistent growth, these challenges include reliance on rain fed agriculture, transportation problems, low Tax to GDP ratio, High level of shadow economy.

IV.1 Reliance on rain fed agriculture

Rwanda large population depend on agriculture which is vulnerable to climate change, 72.6 percent of Rwandans are farmers, and the Rwanda's exports earnings are mainly commodity products which include minerals and agricultural produce, their prices depend on the global market which fluctuates over time, causing the export earnings not reliable. The volume of exports has been increasing for some times but the balance of payment deficit has not been decreasing mainly because of the unstable prices of export and fluctuating output quantity.

IV.2 Transportation

Rwanda's geographical location which is far from the sea port affects negatively its value of imports in terms of transportation cost. This is because the only means of carriage of goods from the sea ports which are located in the neighboring countries (either port of Mombasa in Kenya or Dar es salaam) in Tanzania is through road transport, while the road infrastructure are not well developed and non tariff barriers like bribery, many roadblocks are some of obstacles that results to high business cost and reduction of business profits to all importers in general, it is also an obstacle to foreign investors who may be willing to invest in the country.

IV.3 Low developed industrial sector:

Rwanda industrial sector has been growing in recent years where by foreign investors have been in increase but it is still low developed, its contribution to total GDP is 14 percent 2013/2014 fiscal year which is an obstacle to the export promotion and import substitution strategy of the government that may reduce the trade balance deficit

IV.4 Poverty level

Rwandan population is still having a big number of poor people 63% of the population live on less than US\$1.25 a day and 45% live below poverty line while 24% live in extreme poverty, this means that the purchasing power is still low and the level of tax base is low because taxes come from local population hence domestic demand is still low, poverty level has been decreasing through the government effort of Economic growth and Poverty Reduction Strategies (EDPRS) but still more efforts are needed to eradicate it.

IV.5 High level of shadow economy

Like many other developing countries, many businesses are characterized by, unrecorded business transactions, understatement of sales, overstatement of expenses for the purpose of reducing the taxable profit, smuggling and other forms of tax evasion and tax avoidance which leads to loss of government revenue.

V. Conclusion: Where We Stand and Where We Go?

Rwanda has been able to recover from the aftermath of 1994 genocide, despite various challenges its economy has been growing at the average rate of 7.7 percent since the year 2000. This strong economic growth has been attributed mainly by its good economic plan described in the vision 2020. Specific priorities were given to agriculture, Trade and manufacturing, ICT and services.

Good performance of tax collection agency “Rwanda Revenue Authority” is among the factors that attributed to the GDP growth where annual tax collection was increased from Rwandan francs 65 billion in the year 2000 to Rwandan francs 751 billion in fiscal 2013/2014

Rwanda was ranked as a major business reformer in the World Bank doing business 2010 report, in its efforts to attract foreign investors through (RDB) the government’s business marketing and registration arm attracted 109 investment projects worth \$381 million from local and foreign investors. The tremendous economic growth registered in recent years has led to rise of per capita income from US\$ 207 in 2000 to US\$ 633 in 2013

Transforming Rwanda from predominantly agricultural economy to knowledge based economy and reducing poverty to GDP per capita (\$1000) in 2020 is one of the priorities that the government is striving to arrive at, and some of indicator has already shown that it is possible for the government to rich on it. On its process to arrive at the knowledge based economy the government has invested in fiber optic cable covering the entire country, a 97 percent GSB coverage of the country was put in place.

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