Rwanda Budget Brief

Theme: "Inclusive economic transformation through domestic resource mobilization and resilient strategic investment for job creation and improved livelihoods."

June 2025

Economic Performance

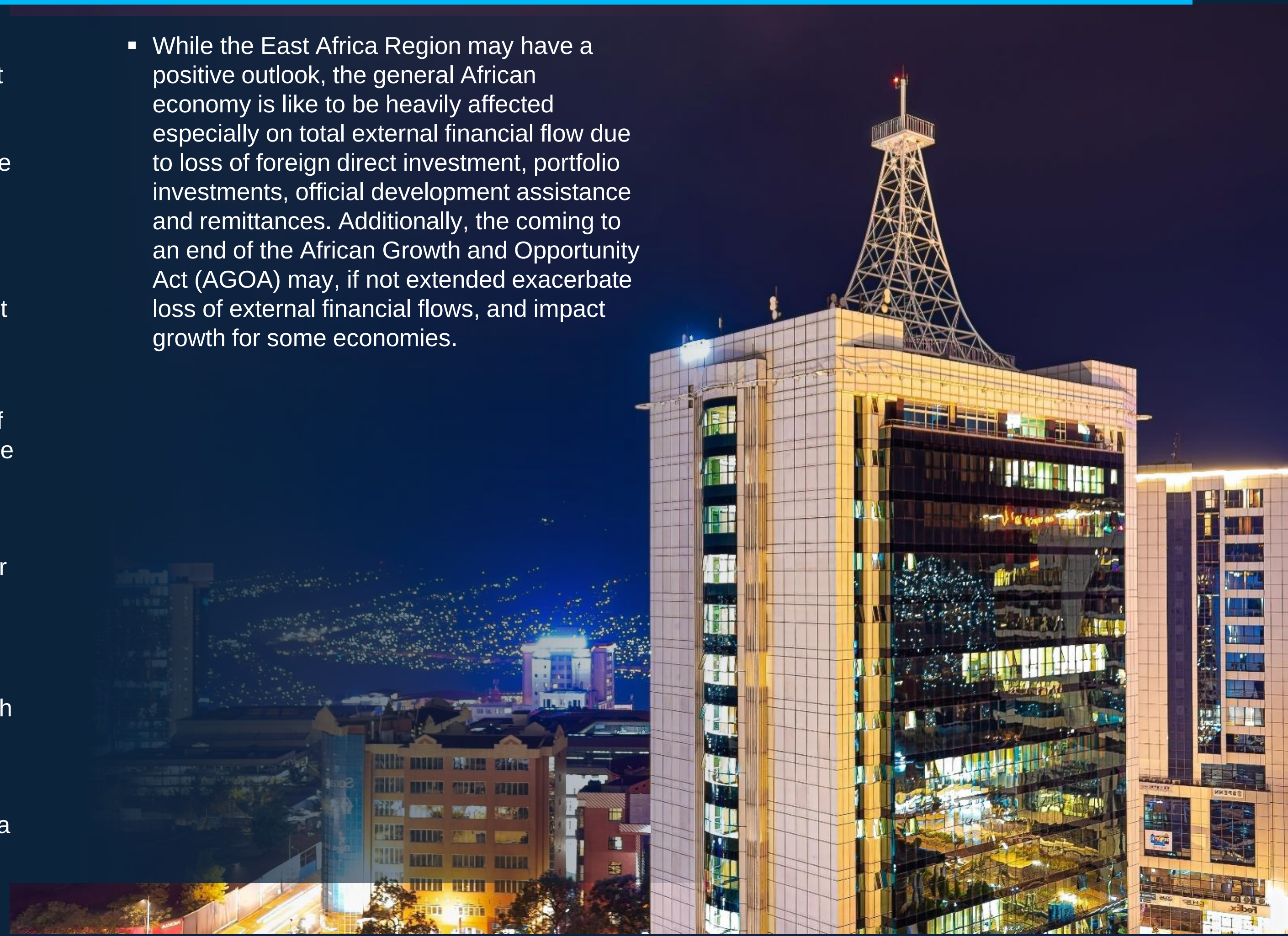
Global Highlights

- The global real Gross Domestic Product (GDP) grew by 3.2 percent in 2024 from 3.3 percent in 2023 despite high energy and food prices and tight monetary policies.
- On the other hand, OECD economies grew by 1.7%, primarily driven by easing of monetary policies, strong domestic demand and investments. This contrasts with Emerging Markets and Developing Economies (EMDEs), which experienced a decline in growth from 4.4 percent in 2023 to 4.2 per cent in 2024. This decline was mainly due to disruptions in commodity production and shipping.
- The volume of global trade also experienced a significant rebound, growing by 3.4 per cent compared to 0.4 percent in 2023. This was largely due to growth in business services, tourism, and recovery of consumption in the USA.
- Global unemployment remained steady and unchanged at 5.0 percent in 2024 attributed to expansion of employment opportunities, particularly in advanced economies.
- Globally, inflation is projected decline to 4.2 per cent in 2025, an improvement from 5.7 per cent in 2024. Advanced economies are projected to achieve an average inflation of 2.3 per cent while emerging markets and developing economies will stabilize at 4.8 per cent.
- For the year 2025, it is forecasted that the global economy will continue to stabilize and post an improved performance at 3.3 per cent despite major geopolitical and structural challenges. The growth is set to be supported by easing global inflation and supply chain constraints, stronger performance in the United States and some large emerging market economies. However, the projected growth is expected to be uneven across different regions and countries.

Economic Performance

Africa Highlights

- The African economies are anticipated to grow from 3.3 percent in 2024 to 3.9 percent in 2025 and further to 4.0 percent in 2026. This is despite unprecedented global circumstances such as seismic shifts in trade policies of major economies which has seen significant aid cuts and tariff-induced uncertainties. This has created a funding squeeze for most African countries, that heavily depend on international development assistance.
- On the backdrop of these unprecedented circumstances, it is anticipated that 21 out of the 54 African countries are expected to have growth exceeding 5 percent in 2025. This resilience is the result of effective domestic reforms, relative diversification, and improved macroeconomic management over the past decade.
- Compared to other regions across the continent, the East Africa region is projected to witness stronger economic growth. Growth in the region is projected to accelerate from 4.3 percent in 2024 to 5.9 percent in 2025 and 2026. This growth is mainly pegged on the diversified economies within the region, a growing share of manufactured goods in intra-regional trade and relatively strong regional trade penetration.
- While the East Africa Region may have a positive outlook, the general African economy is like to be heavily affected especially on total external financial flow due to loss of foreign direct investment, portfolio investments, official development assistance and remittances. Additionally, the coming to an end of the African Growth and Opportunity Act (AGOA) may, if not extended exacerbate loss of external financial flows, and impact growth for some economies.



Rwanda Highlights

- In 2024, Rwanda maintained a strong Real GDP growth of 8.9%, higher than the projected 8.3%. Out of this growth, the services contributed a significant portion of 5.2%, industry contributed 1.8%, and 1.2% for the agriculture sector.
- GDP growth is projected at 7.1%, 7.5%, 7.4% in 2025, 2026, and 2027 respectively, before stabilizing at 7.0% in 2028.
- The growth of the agriculture sector was 5% driven by the outstanding growth of food crops that grew by the same percentage due to the good harvest of both agricultural seasons. This sector performance is projected at 5.3% in the next year.
- The industry growth was 10%, driven by mining & quarrying, and construction where each one increased by 12%, while manufacturing activities increased by 7%. The growth in manufacturing was boosted by outstanding growth in the manufacturing of metal products, machinery & equipment (20%); non-metallic mineral products (15%); chemicals, rubber & plastic products (15%); and textiles, clothing & leather (10%).
- The growth of the services sector was 10%, driven by trade, tourism, transport, and telecommunication and will be 6% in 2025.

The Budget 2025/2026

Objectives and polices over the medium term are by and large guided by the National Strategy for Transformation (NST2). The Budget for FY 2025/26 and the medium term indicates continued normalization of fiscal policy for recovery from different crises including the COVID-19 pandemic, the inflation crisis, the May 2023 floods, and the Marburg disease, but also, implementation of strategic projects such as the new Kigali International Airport being built in Bugesera district and RwandAir expansion while preserving fiscal consolidation.

The budget for the year 2025/26 amounts to FRW 7,032.5 billion. The proposed budget is 21% higher than the FRW 5,816.4 billion approved in the 2024/25 revised budget.

The budget amount is made up of domestic revenues amounting to FRW 4,105.2 billion which is 58.3% of the total budget, comprising FRW 3,628 billion from tax revenue and FRW 477.2 billion from other revenue collection.

External grants are estimated at FRW 585.2 billion which is 8.3% of the budget whilst external loans are estimated to be FRW 2,151.9 billion which 30.5%.

Domestic borrowing and financial assets drawdown amount to FRW 136.6 billion and FRW 53.7 billion, respectively.

The expenditures are projected to increase from 26.8% of GDP in the FY 2024/25 to 28.7% of GDP in FY2025/26 reflecting spending linked to priority investment projects accounting for 3.9% of GDP, expenditure are projected to decline to 27.8% of GDP in the FY 2026/27and 26.4 % of GDP in 2027/28 to preserve fiscal consolidation.

The recurrent expenditures will increase from 17.7% of GDP in 2024/25 to 17.8% of GDP in 2025/26, mainly to reflect subsidies to RwandAir, RSSB pension reforms, but also adjustments made to accommodate these two.

In the medium term, recurrent spending will reduce to about 17.3% of GDP in 2027/28 reflecting consolidation efforts.

Government investment (Capital spending) is projected to increase from 8.4% of GDP in FY 2024/25 to 8.8% in the medium term reflecting both spending on Bugesera and RwandAir projects as well as the slowdown on other capital spending to accommodate the two.

The budget for FY2025/26 also includes an increase in the cost of fertilizers and social protection interventions.

Despite the indicated Government spending on priority projects, the underlying fiscal framework maintains the fiscal consolidation with a deficit path at a necessary level to bring the debt level to or below 65% of GDP by 2033.

The fiscal deficit for FY 2024/25 is projected at 5.5% of GDP, while, for FY2025/26 the deficit is projected at 7.4% of GDP reflecting spending on priority investment projects (the new Kigali International Airport being built in Bugesera district and RwandAir) and will decline to 5.4% in 2026/27 and 3.6% of GDP in 2027/28.

2025/26 and Medium-Term Detailed Resource Allocation to NST2 pillars

Policy priorities for the Medium-Term Expenditure Framework (MTEF) period are guided by Vision 2050 objectives and priorities embedded in the National Strategy for Transformation (NST2, 2024-2029), Presidential pledges and other strategic documents.

- In the **Economic Transformation Pillar**, the main objective is to accelerate inclusive growth in agriculture, industry and services, increasing climate resilience in all productive sectors, development of domestic manufacturing industries and exports to reduce the trade deficit, developing a vibrant financial sector as well as creating sustainable and decent jobs.

- **The Social Transformation Pillar** will focus on improving the quality and relevance of education, enhancing quality of health and strengthening health systems, enhancing nutrition and early childhood development to reduce stunting as well as promoting graduation from poverty and increasing resilience.

- In the **Transformational Governance Pillar**, the focus will be on improving the quality-of-service delivery and public finance management, ensuring the rule of law, strengthening citizen engagement and participation, sustaining peace and security as well as enhancing international cooperation.

Budget Resource Allocation

Policy priorities for the MTEF period are guided by Vision 2050 objectives and priorities embedded in the National Strategy for Transformation (NST2, 2024–2029), presidential pledges, and other strategic documents, as follows:

1. **Economic Transformation Pillar**
2. **Social Transformation Pillar**
3. **Transformational Governance Pillar;**

NST Pillar/NST Sector	Allocation in billion
1. Economic Transformation Pillar	**4,417.2**

The activities under this pillar have been allocated FRW 4,417.2 billion which represents 62.8 % of the total budget for 2025/2026. The focus areas will include;

- Agricultural and livestock productivity.
- Water, sanitation, and hygiene.
- Energy sector.
- Transporting people and goods.
- Urban development and rural settlements.
- Private sector and youth employment.
- Financial sector.
- Media and technology.
- Sustainably conserve the environment and natural resources.

NST Pillar/NST Sector	Allocation in billion
2. Social Transformation Pillar	**1,526.9**

The activities under this pillar are to ensure that citizens are empowered and equipped with the necessary knowledge, living in well-being and safety.

To achieve this overarching goal, the following key interventions will be prioritized: Education sector, universal health care, social welfare, sports development, youth development and promoting gender equality.

NST Pillar/NST Sector	Allocation in billion
3. Transformational Governance Pillar	**1,088.4**

This pillar is aimed at strengthening prioritized justice delivery system, foreign affairs, good governance, promoting Rwandan unity and civic responsibility and strengthening public resource management.

Revenue Collections

Domestic Revenue Collections

Tax Revenue Collections

- Total tax revenue collections for the Treasury are projected to reach FRW 3,628 billion in FY 2025/26, accounting for 51.5% of the budget. This amount is an increase of FRW 677.6 billion compared to the revised projection of FRW 2,950 billion for FY 2024/25. The upward revision in tax revenue reflects the current and expected strong performance of economic activities, supported by recently approved tax policy measures and other tax strategies outlined in the medium-term Revenue Strategy.

Other Revenue Collections

- In Fiscal Year 2025/26, non-tax revenue is projected at FRW 477.2 billion (6.7% of the budget), down from FRW 492.4 billion in the revised FY 2024/25 budget. This decline is mainly due to reduced UN reimbursements for peacekeeping operations.
- The estimated figure for Peace Keeping Operations (PKO) reimbursements in the fiscal year 2025/26 is FRW 197.2 billion, which is FRW 28 billion lower than the figure of FRW 209 billion projected in the revised budget for fiscal year 2024/25.

> **Total tax revenue collections for the Treasury are projected to reach FRW 3,628 billion in FY 2025/26.**

External Resource Projection

External grants projection

- For Fiscal Year 2025/26, total grants are projected at FRW 585.2 billion (8.3% of the budget), comprising FRW 145.9 billion in budgetary grants and FRW 439.3 billion in capital grants. This represents a FRW 36 billion decrease from the revised FY 2024/25 budget of FRW 621.2 billion.

External loans projection

- For Fiscal Year 2025/26, total loans are projected at FRW 2,151.9 billion (30.5% of the budget), marking an increase of FRW 648.4 billion from FRW 1,503.5 billion in the revised FY 2024/25 budget.
- Budgetary loans for FY 2025/26 are expected to total FRW 1,529.5 billion, up FRW 682.1 billion from the FY 2024/25 revised budget estimate of FRW 847.4 billion. This rise is primarily driven by borrowing for the second phase of the new Kigali International Airport in Bugesera District and the expansion of RwandAir.
- On the side of project loans, FRW 622.3 billion is projected for the fiscal year 2025/26 and is FRW 33.7 billion lower than the projected amount of FRW 656.1 billion estimated for revised budget of the fiscal year 2024/25, reflecting slowdown in foreign financed projects to accommodate the new Kigali International Airport being built in Bugesera district and Rwandair projects.

Projection of Expenditures

Recurrent Expenditures

- The allocated amount of FRW 4,298.6 billion in fiscal year 2025/26 is FRW 852.1 billion higher than the allocated amount of FRW 3,446.5 billion in the fiscal year 2024/25 revised budget. The compensation of employees' category is estimated at FRW 1,182.9 billion which is higher by FRW 123 billion in the fiscal 2024/25 revised budget, which reflects the implementation of recent pension reforms, employment growth in civil servants, horizontal promotion and bonuses as well as well as the restructuring of different public institutions.
- The other recurrent spending (recurrent non-wage) allocations also include a spending amount of FRW 197.2 billion for Peacekeeping Operations in the fiscal year 2025/26. The allocated envelope for recurrent expenditures in the fiscal year 2024/25 includes an amount of FRW 1,071.1 billion for debt service payments. Additionally, there is an increase in subsidies to RwandAir reflecting its expansion.

Capital Expenditure

- The total capital spending for the fiscal year 2025/26 is estimated at FRW 1,876.9 billion. This figure is FRW 211.4 billion less than the amount of FRW 2,088.3 billion allocated in the revised fiscal year 2024/25 budget. This reduction is attributed to slowdown of foreign financed projects reduced by FRW 38.7 billion as compared to revised budget of FY 2024/25. The amount for the 2025/26 fiscal year is made of domestically financed projects of FRW 843.3 billion and FRW 1,036.9 billion of foreign financed portion.

Policy lending

- Outlays under loans in the fiscal year 2025/26 have been estimated at FRW 58.8 billion. This amount is made up of the allocated amount on Economic Recovery equivalent of FRW 24.8 billion and provision for payment of KCC loan amounting to FRW 34 billion.

Equity and investment fund shares

- For Fiscal Year 2025/26, Equity and Investment Fund shares are projected at FRW 701.8 billion, comprising FRW 699.4 billion allocated to the Bugesera Airport construction account and FRW 2.4 billion for Development Bank of Rwanda (BRD) projects.

Growth in different sectors in 2025 is projected as follows:

Agriculture sector performance is projected at 5.3%.

Industry sector performance is projected at 10.2%.

However, the service sector is expected slow down to 6.6% in 2025.

Possible Downside Risks To Economic Performance And Budget Implementation

- The global and Rwanda economy remains uncertain as the country continues to face several challenges, including but not limited to ongoing geopolitical tensions like the wars in Ukraine, the Middle East, and East African regional tensions coupled with global trade frictions and climate related shocks intensifying across. These factors have led to heightened inflation and tighter monetary conditions.
- However, the government has assured continued measures on monitoring of both domestic and external economic developments closely and will take all necessary steps to ensure that the macroeconomic projections presented and the budget for 2025/26 is fully implemented. In doing so, Government will Endeavor to uphold its main policy objectives of promoting growth and welfare of the population through economic recovery measures whilst maintaining macro-economic stability.

Summary of Measures Proposed To Achieve Projected Tax Revenues (Newly Introduced Laws)

On May 27, 2025, significant changes were made to the taxation landscape in Rwanda with the introduction of several new laws aimed at enhancing the country's revenue generation and addressing environmental concerns.

- Law nº 009/2025: Amending the VAT framework established by Law nº 049/2023.
- Law nº 010/2025: Imposing an environmental levy on imported items packaged in plastic.
- Law nº 011/2025: Establishing an excise duty on specific goods.
- Law nº 012/2025: Introducing levies on petrol and gas oil for the establishment of strategic reserves.
- Law nº 015/2025: Implementing a tourism tax on accommodation.

Additionally, the ministerial order nº 003/25/10/TC of 16/04/2025 determining the amount of registration fees for imported and imported and already Registered Vehicles In Rwanda has been introduced.

Summary Of Measures Proposed To Achieve Projected Tax Revenues

In the 2025/2026 Budget, the Government of Rwanda has proposed several changes to the customs and tax regime, aimed at accelerating the adoption of electric vehicles, protecting the environment, supporting industrial development, and encouraging the consumption of locally made products.

1. Support for electric and hybrid vehicles

To promote the use of environmentally friendly transport and reduce greenhouse gas emissions:

- Electric and hybrid vehicles will continue to benefit from full customs duty exemptions.
- For electric vehicles valued at less than or equal to USD 60,000, a reduced EAC Common External Tariff (CET) of 25% will apply, along with applicable domestic taxes.
- Electric vehicles valued above USD 60,000 will be fully exempted from customs duties.

2. Revised customs duties on selected imports.

To improve access to essential goods and reduce the cost of doing business, the following changes are proposed:

- Imported rice will attract a reduced duty of 45%, down from 75%.
- Wheat imports will be exempt from customs duty, previously taxed at 35%.
- Sugar will be subject to a 25% customs duty, down from 100%.
- Goods imported for army forces’ shops will be fully exempt, down from 25%.
- Road construction equipment will enjoy a 0% customs duty, down from 10%.

Summary of Measures Proposed to Achieve Projected Tax Revenues

Public transport buses with capacity above 25 passengers will pay 10%, down from 25%, while those carrying 50 passengers or more will be fully exempted.

3. Industrial and manufacturing support

To promote domestic production and reduce reliance on imports:

- Heavy machinery and basic equipment used in the textile and footwear industry will be exempt from customs duties, down from 10% for textiles and 25% for footwear.
- Raw materials and essential inputs used in local manufacturing classified under the priority list will be exempted, instead of attracting previous rates of 10%, 25% or 30%.
- Digital payment tools such as ATM cards and Point-of-Sale (POS) machines used by businesses will also be exempt from customs duty.

4. Other key adjustments

- Cooking oil will be subject to 25% customs duty, down from 35%.
- In a bid to support the Made-in-Rwanda initiative, the customs valuation methodology for second-hand clothing and footwear has changed:
  - Second-Hand Clothes (caguwa) will be taxed at USD 2.5 per kilogram, instead of 35%.
  - Used shoes will be taxed at USD 5 per kilogram, instead of 35%.
- Imported metals used in roofing sheet production will now be exempt from customs, down from 10%.

5. Protection of local industries

To shield domestic manufacturers from unfair competition, the following imported goods will attract a 35% customs duty instead of existing rate of 25% :

- Steel tubes;
- Wheelbarrows; and
- Handbags made from plastic or textile materials.

Contacts

Wilson Kaindi

Managing Partner
KPMG Rwanda
E: wkaindi@kpmg.com

Stephen Ng'ang'a

Partner
Tax and Regulatory Services
KPMG East Africa

T: +254 709 576 259
E: swnganga@kpmg.co.ke

Joel Namanya

Manager
Tax and Regulatory Services
KPMG Rwanda

T: +250 788 319 843
E: jnamanya@kpmg.com