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Balancing Domestic Revenue Mobilization and Private Sector Competitiveness in Rwanda (2015–2025): Evidence from Secondary Data

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HIGHLIGHT OF PRESENTATION

2 BACKGROUND

Domestic Revenue Mobilization (DRM)

is essential for financing sustainable development, reducing dependence on external financing, strengthening fiscal sustainability, and supporting a competitive private sector (United Nations, 2015; OECD, 2025).

Global and Regional Trend

Countries across Sub-Saharan Africa are increasingly adopting digital tax technologies to broaden tax bases, improve compliance, enhance transparency, and strengthen revenue collection efficiency (OECD, 2025; Okunogbe & Santoro, 2023).

Rwanda's Development Agenda

DRM is a key pillar of Vision 2050, the National Strategy for Transformation (NST2), and the Medium-Term Revenue Strategy (MTRS), aimed at financing economic transformation and reducing reliance on external resources (MINECOFIN, 2025).

Reforms Undertaken by RRA

The Rwanda Revenue Authority (RRA) has implemented Electronic Billing Machines (EBMs), e-filing systems, online payment platforms, integrated taxpayer databases, and risk-based compliance management to modernize tax administration (RRA, 2025; OECD, 2025).

Impact of Reforms

These reforms expanded the taxpayer base, increased EBM adoption from 65% to 95%, improved voluntary compliance, strengthened revenue collection, and positioned Rwanda among Africa's leading countries in digital tax administration (RRA, 2025; OECD, 2025).

CONTEXT: RWANDA

- Over the past decade, Rwanda has prioritized **digital transformation** in tax administration.
- These initiatives have positioned Rwanda among the leading countries in digital tax administration in Africa.
- Domestic revenue increased from **RWF 986.7 billion** in **FY2015/16** to **RWF 3.099 trillion in FY2024/25,** contributing significantly to fiscal sustainability and economic transformation.

KEY CHALLENGE

How can Rwanda strengthen domestic revenue mobilization while sustaining private sector competitiveness, investment, innovation, and long-term economic growth?

This study examines the **relationship between domestic revenue mobilization and private sector competitiveness** in **Rwanda (2015–2025)** using official secondary data, trend analysis, correlation analysis, and regression analysis.

Sources: United Nations (2015); OECD (2025); Okunogbe & Santoro (2023); Rwanda Revenue Authority (2025); MINECOFIN (2025); World Bank (2025); IMF (2025).

3 PROBLEM STATEMENT

Domestic Revenue Mobilization (DRM) is essential for financing sustainable development, reducing dependence on external financing, and strengthening fiscal sustainability (United Nations, 2015; OECD, 2025).

Rwanda has achieved substantial growth in domestic revenue through tax reforms, taxpayer registration, and digital tax administration initiatives (RRA, 2025; Kumwenda, 2025).

Despite this progress, Rwanda's **tax-to-GDP ratio** has remained relatively stable **(14.6%–16.3%)**, suggesting that additional revenue potential exists through tax base expansion and improved compliance rather than higher tax rates (OECD, 2025).

At the same time, **private sector competitiveness** remains essential for investment, innovation, business formalization, job creation, and long-term economic transformation (World Bank, 2025).

Excessive taxation and compliance burdens may discourage business growth and weaken competitiveness, particularly among Small and Medium Enterprises (SMEs) (Twesige et al., 2020; OECD, 2025).

THE CORE ISSUE

DOMESTIC REVENUE MOBILIZATION

Need to increase revenue for sustainable development and fiscal sustainability

PRIVATE SECTOR COMPETITIVENESS

Need to maintain a competitive, dynamic, investment-friendly, and business-friendly environment

The policy challenge is to **strengthen domestic revenue mobilization** while sustaining **private sector competitiveness**, investment, innovation, and economic growth.

RESEARCH GAP

Existing studies have largely examined domestic revenue mobilization, tax compliance, digital tax administration, and private sector development separately. Limited empirical evidence exists on the **relationship between domestic revenue mobilization and private sector competitiveness** in Rwanda using comprehensive longitudinal data and statistical analysis. Consequently, the extent to which revenue mobilization supports or constrains private sector competitiveness remains insufficiently understood.

RESEARCH QUESTION

What is the relationship between domestic revenue mobilization and private sector competitiveness in Rwanda during the period 2015–2025?

Sources: United Nations (2015); OECD (2025); Okunogbe & Santoro (2023); Kumwenda (2025); Twesige et al. (2020); Rwanda Revenue Authority (RRA) (2025); World Bank (2025).

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4 OBJECTIVES

GENERAL OBJECTIVE

To examine how Rwanda can **balance domestic revenue mobilization** and **private sector competitiveness** during the period 2015–2025.

SPECIFIC OBJECTIVES

1. To analyze the **trends and performance** of **domestic revenue mobilization** in Rwanda from 2015 to 2025.
2. To examine the **composition of tax revenue** by major tax types (income tax, VAT, excise duty, and others) during the period 2015–2025.
3. To assess the effect of **digital tax administration reforms** on revenue collection, taxpayer registration, and compliance.
4. To analyze the **relationship** between domestic revenue mobilization and private sector competitiveness.
5. To **compare Rwanda's experience** with findings from previous studies and international benchmarks.

Overall Purpose: To generate evidence-based insights that inform fiscal policy and tax administration reforms aimed at achieving **fiscal sustainability** while fostering **private sector-led economic transformation** in Rwanda.

References: United Nations (2015); OECD (2025); Okunogbe & Santoro (2023); Rwanda Revenue Authority (RRA) (2025).

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5 THEORETICAL FOUNDATION

This study is guided by the following complementary theories that explain the relationship between **domestic revenue mobilization** and **private sector competitiveness**.

THEORY AND KEY PROPOSITIONS		RELEVANCE TO THE STUDY
1. Fiscal Exchange Theory (Buchanan & Tullock, 1962; Musgrave, 1959)	Citizens and businesses are more willing to comply with taxes when they **perceive that tax payments are exchanged for public goods and services** that enhance economic welfare. • Predicts that efficient use of revenue and visible public service delivery improve tax compliance and revenue mobilization.	Explains why improved public service delivery and accountability enhance taxpayer compliance and support sustainable domestic revenue mobilization in Rwanda.
2. Benefit Theory of Taxation (Rowe, 1943; Peacock & Wiseman, 1961)	Taxpayers are more likely to support taxation when they **perceive a direct or indirect benefit** from government spending financed by taxes. • Suggests that taxes that are fair, transparent, and linked to benefits encourage voluntary compliance and widen the tax base.	Highlights the importance of tax equity, transparency, and perceived benefits in strengthening voluntary compliance and broadening the tax base.
3. Tax Compliance Theory (Allingham & Sandmo, 1972; Kirchler, 2007)	Tax compliance is influenced by **perceived audit probability, penalties, tax morale, and trust** in tax authorities. • Implies that strong enforcement, digital administration, and taxpayer education increase compliance and enhance revenue performance.	Supports the role of digital tax administration, risk-based audits, and taxpayer services in improving compliance and revenue outcomes in Rwanda.

SYNTHESIS: These theories collectively suggest that effective tax systems that are fair, transparent, and efficiently administered can **enhance domestic revenue mobilization** while supporting **private sector competitiveness,** investment, and **sustainable economic growth.**

References: Buchanan, J. M., & Tullock, G. (1962); Musgrave, R. A. (1959); Rowe, G. (1943); Peacock, A., & Wiseman, J. (1961); Allingham, M. G., & Sandmo, A. (1972); Kirchler, E. (2007).

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6 CONCEPTUAL FRAMEWORK

The framework illustrates the relationship between **domestic revenue mobilization** (independent variable) and **private sector competitiveness** (dependent variable), with control variables that may influence the relationship.

INDEPENDENT VARIABLE

Domestic Revenue Mobilization (DRM)

1. Tax Policy Reforms

- Tax base broadening
- Rationalization of tax incentives
- Modernization of tax legislation
- Simplification of tax procedures
- Improvement in tax governance
- Tax equity and efficiency

2. Digital Tax Administration

- Electronic Billing Machines (EBM)
- Electronic filing and online services
- Integrated taxpayer database
- Online payment systems
- Data analytics and risk management
- Automation and information sharing

MEDIATING VARIABLE

Tax Compliance

- Voluntary compliance
- Accurate reporting and payment
- Timeliness of tax payments
- Reduced tax evasion
- Perceived fairness and trust
- Lower compliance cost
- Effective enforcement

DEPENDENT VARIABLE

3. Domestic Revenue Mobilization (Outcomes)

- Total domestic tax revenue
- Central government fiscal revenue
- Tax-to-GDP ratio
- Revenue growth rate
- Growth in tax collection
- Tax composition (VAT, PAYE, CIT, Excise, Customs, Others)

4. Private Sector Competitiveness

- Business formalization (registered taxpayers)
- SME contribution to tax revenue
- Private investment growth
- Digital tax adoption and utilization
- Business environment and ease of doing business

CONTROL VARIABLES

- Economic growth (GDP growth)
- Inflation rate
- Exchange rate stability
- Government expenditure
- Foreign Direct Investment (FDI)
- Interest rate
- Trade openness
- Human capital (education, skills)

LEGEND

- Direct effect
- Indirect effect
- Feedback effect

FINAL OUTCOME

SUSTAINABLE AND INCLUSIVE ECONOMIC DEVELOPMENT

Enhanced public investment in infrastructure, education, health, digital transformation and institutional quality, leading to inclusive growth, poverty reduction and improved welfare of citizens.

KEY ASSUMPTIONS

- Effective tax policies and digitalization improve compliance.
- Higher compliance increases revenues.
- Increased revenues finance productive public investment.
- Productive public investment enhances private sector competitiveness.

References: Buchanan & Tullock (1962); Musgrave (1959); Rowe (1943); Peacock & Wiseman (1961); Allingham & Sandmo (1972); Kirchler (2007); OECD (2025); Okunogbe & Santoro (2023); Rwanda Revenue Authority (RRA) (2025); World Bank (2025).

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7 METHODOLOGY

This study examines the relationship between **domestic revenue mobilization** and **private sector competitiveness** in Rwanda during the period **2015–2025** using an analytical approach based on official secondary data.

1. RESEARCH DESIGN

A **descriptive, analytical** and **explanatory** quantitative research design using secondary data was adopted.

Methods Used:

- Documentary review
- Trend analysis
- Comparative analysis
- Descriptive statistics
- Pearson correlation analysis
- Simple linear regression analysis

2. DATA AND SOURCES

The study uses official secondary data covering the period **2015–2025** from the following sources:

- Rwanda Revenue Authority (RRA)
- Ministry of Finance and Economic Planning (MINECOFIN)
- National Institute of Statistics of Rwanda (NISR)
- Organisation for Economic Co-operation and Development (OECD)
- World Bank
- International Monetary Fund (IMF)

3. VARIABLES AND MEASUREMENT

Independent Variable
Domestic Revenue Mobilization (DRM)

- Tax policy reforms (index)
- Digital tax administration (index)
- Tax compliance (index)
- Tax base broadening (no. of taxpayers, VAT registration, EBM adoption)

Dependent Variable
Private Sector Competitiveness (PSC)

- Business formalization (registered taxpayers)
- SME contribution to tax revenue
- Private investment (FDI and domestic)
- Tax burden (tax-to-GDP ratio)
- Ease of doing business (qualitative indicators)

Mediating Variable: Tax Compliance
(voluntary compliance, payment timeliness, accuracy, fairness, enforcement).

4. DATA ANALYSIS TECHNIQUES

- **Descriptive Statistics:** Used to summarize and present revenue trends, tax composition, taxpayer registration, and compliance indicators.
- **Trend Analysis:** Used to examine changes in revenue performance, tax-to-GDP ratio, and digital tax administration over time.
- **Pearson Correlation Analysis:** Used to assess the strength and direction of the relationship between DRM and PSC.
- **Simple Linear Regression Analysis:** Used to determine the effect of DRM on PSC.

5. REGRESSION MODEL

The study estimated the following simple linear regression model:

$$PSC = \beta_0 + \beta_1(DRM) + \varepsilon$$

Where:
PSC = Private Sector Competitiveness
DRM = Domestic Revenue Mobilization
β_0 = Intercept
β_1 = Regression coefficient
ε = Error term

6. TIME FRAME AND SCOPE

The study covers the period **2015–2025** (11 fiscal years).

The scope includes:

- Central government revenue performance
- Tax administration and compliance indicators
- Private sector competitiveness indicators in Rwanda.

This methodology ensures the **reliability, validity**, and **comparability** of findings to provide **evidence-based** insights for policy and tax administration reforms that **balance revenue mobilization and private sector competitiveness.**

References: Creswell (2014); Sekaran & Bougie (2016); Okunogbe & Santoro (2023); OECD (2025); World Bank (2025); IMF (2025); RRA (2025).

FINDING 1: DOMESTIC REVENUE MOBILIZATION (2015–2025)

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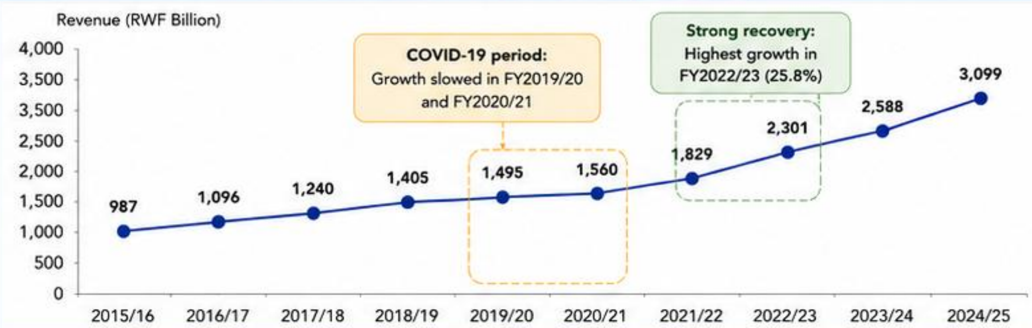
Rwanda achieved significant progress in **domestic revenue mobilization** over the last decade.
Central Government revenue increased from RWF 986.7 billion in FY2015/16 to RWF 3.099 trillion in FY2024/25 **(more than threefold increase).**

Trends in Domestic Revenue Mobilization in Rwanda (2015–2025)

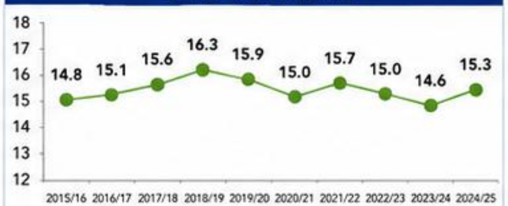
Fiscal Year	Central Government Revenue (RWF Billion)	Growth Rate (%)	Tax-to-GDP (%)	Revenue-to-Budget (%)
2015/16	986.7	—	14.8	48.2
2016/17	1,096.4	11.1	15.1	49.5
2017/18	1,239.8	13.1	15.6	51.2
2018/19	1,399.5	12.9	16.3	54.5
2019/20	1,494.8	6.8	15.9	49.5
2020/21	1,560.1	4.4	15.0	46.8
2021/22	1,829.3	17.3	15.7	49.6
2022/23	2,301.0	**25.8**	15.0	50.8
2023/24	2,587.5	12.5	14.6	53.3
2024/25	**3,099.0**	**19.8**	**15.3**	**55.1**

Source: *Compiled from RRA Tax Statistics (2015/16–2024/25), MINECOFIN Fiscal Reports, and Authors' Computation (2026).*

Central Government Revenue Trend (2015–2025)

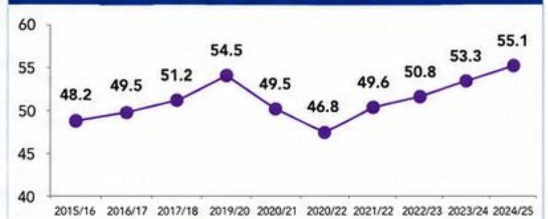


Tax-to-GDP Ratio (%)



Relatively stable between 14.6% and 16.3%, indicating resilient revenue performance.

Revenue-to-Budget Ratio (%)



Improved from 48.2% to 55.1%, showing greater reliance on domestic resources.

KEY RESULTS

- Central government revenue increased from RWF 986.7 billion in FY2015/16 to RWF 3.099 trillion in FY2024/25 (more than threefold increase).
- Average annual revenue growth remained positive at approximately 13–14%.
- Highest growth rate of 25.8% was recorded in FY2022/23.
- Tax-to-GDP ratio remained relatively stable between 14.6% and 16.3%.
- Revenue-to-budget ratio improved from 48.2% in FY2015/16 to 55.1% in FY2024/25.

INTERPRETATION

The strong performance in domestic revenue mobilization was driven by **tax policy reforms, digital tax administration, expansion of the taxpayer base,** and **improved voluntary compliance.** These factors enhanced tax collection efficiency, strengthened fiscal sustainability, and reduced dependence on external financing. The results support Fiscal Exchange Theory, which emphasizes that effective tax administration and improved public service delivery strengthen taxpayer confidence and voluntary compliance.

References: Rwanda Revenue Authority (RRA) (2025); Ministry of Finance and Economic Planning (MINECOFIN) (2025); OECD (2025); Okunogbe & Santoro (2023); World Bank (2025); IMF (2025).

FINDING 2: TAX COMPOSITION (2015–2025)

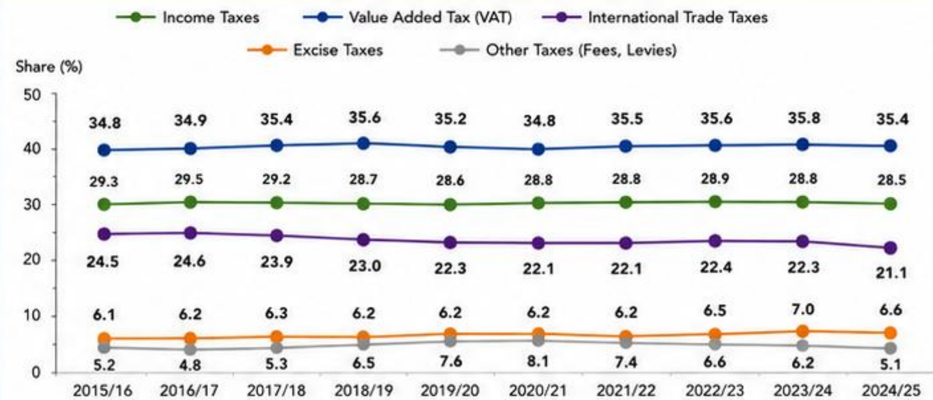
Tax composition analysis shows that indirect taxes, particularly **VAT**, remain the largest source of government revenue, followed by **income taxes** and **international trade taxes**.

Tax Revenue by Major Category (RWF Billion)

Fiscal Year	Income Taxes	Value Added Tax (VAT)	International Trade Taxes	Excise Taxes	Other Taxes (Fees, Levies)	Total Tax Revenue
2015/16	289.4	343.5	242.1	60.6	51.1	986.7
2016/17	324.0	382.9	269.2	68.1	52.2	1,096.4
2017/18	361.9	438.2	295.8	78.4	65.5	1,239.8
2018/19	402.5	497.8	321.7	86.9	90.6	1,399.5
2019/20	428.2	526.3	334.1	92.3	113.9	1,494.8
2020/21	449.2	543.3	344.9	96.0	126.7	1,560.1
2021/22	527.0	650.2	404.0	113.2	134.9	1,829.3
2022/23	663.9	820.3	515.4	149.9	151.5	2,301.0
2023/24	744.2	927.5	575.9	180.3	159.6	2,587.5
2024/25	**882.2**	**1,097.6**	**654.8**	**205.1**	**159.3**	**3,099.0**

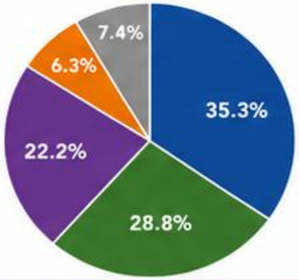
Source: *Compiled from RRA Tax Statistics (2015/16–2024/25) and MINECOFIN Fiscal Reports (2025).*

Share of Tax Revenue by Major Category (%)



VAT consistently contributed the largest share of total tax revenue (around 35%), followed by **income taxes** (around 29%) and **international trade taxes** (around 22%).

Average Share of Tax Revenue by Major Category (2015–2025)



Value Added Tax (VAT)	35.3%
Income Taxes	28.8%
International Trade Taxes	22.2%
Excise Taxes	6.3%
Other Taxes (Fees, Levies)	7.4%

On average, VAT accounted for 35.3% of total tax revenue, highlighting the central role of consumption taxes in Rwanda's tax system.

KEY INSIGHTS

- VAT is the main pillar of domestic revenue, reflecting strong consumption-based taxation.
- Income tax contribution is growing steadily, supported by business formalization and improved compliance.
- International trade taxes remain significant but their share slightly declined over time.
- Excise taxes increased moderately, supported by policy adjustments and coverage expansion.
- Other taxes (fees, levies) remain stable, providing additional but smaller contribution.

INTERPRETATION

The dominance of VAT indicates reliance on indirect taxation. To enhance tax equity and sustainability, Rwanda should continue to broaden the **income tax base**, support **business formalization**, and strengthen compliance through **digital tax administration** and taxpayer education.

References: Rwanda Revenue Authority (RRA) (2025); Ministry of Finance and Economic Planning (MINECOFIN) (2025); OECD (2025); Okunogbe & Santoro (2023); World Bank (2025); IMF (2025).

FINDING 3: DIGITAL TAX ADMINISTRATION (2015–2025)

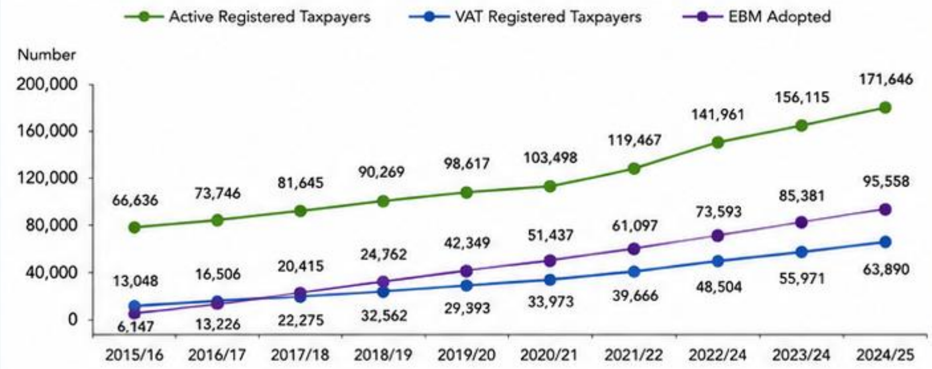
Digital tax administration initiatives have significantly improved **taxpayer registration, VAT compliance**, and **Electronic Billing Machine (EBM) adoption**, enhancing efficiency, transparency, and voluntary compliance.

Trends in Key Digital Tax Administration Indicators in Rwanda (2015–2025)

Fiscal Year	Active Registered Taxpayers (Number)	Growth Rate (%)	VAT Registered Taxpayers (Number)	Growth Rate (%)	EBM Adopted (Number)	Growth Rate (%)
2015/16	66,636	—	13,048	—	6,147	—
2016/17	73,746	10.7	16,506	26.5	13,226	115.2
2017/18	81,645	10.7	20,415	23.7	22,275	68.4
2018/19	90,269	10.6	24,975	22.3	32,562	46.2
2019/20	98,617	9.3	29,593	18.5	42,349	30.1
2020/21	103,498	4.9	33,973	14.8	51,437	21.5
2021/22	119,467	15.4	39,666	16.8	61,097	18.8
2022/23	141,961	18.8	48,504	22.3	73,593	20.4
2023/24	156,115	10.0	55,971	15.4	85,381	16.0
2024/25	**171,646**	**9.9**	**63,890**	**14.1**	**95,558**	**11.9**

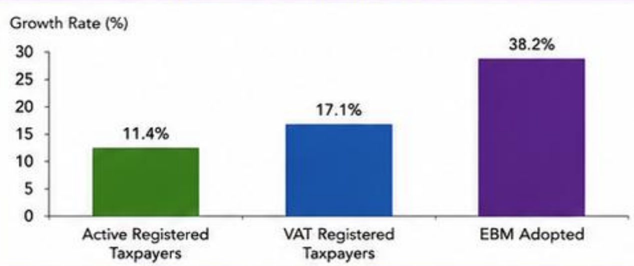
Source: *Compiled from Rwanda Revenue Authority Tax Statistics (2015/16–2024/25) and MINECOFIN Fiscal Reports (2025).*

Growth Trends of Key Digital Tax Administration Indicators (2015–2025)



During 2015–2025, active registered taxpayers increased by **157.6%**, VAT registered taxpayers by **389.6%**, and EBM adoption by **1,454.9%**, reflecting strong impact of digital tax administration reforms.

Average Annual Growth Rate (2015–2025)



EBM adoption recorded the highest average annual growth **(38.2%)**, followed by **VAT registered taxpayers (17.1%) and** active registered taxpayers **(11.4%)**.

KEY INSIGHTS

- Active registered taxpayers increased from 66,636 to 171,646, expanding the tax base by 157.6%.
- VAT registered taxpayers grew from 13,048 to 63,890, an increase of 389.6%.
- EBM adoption grew from 6,147 to 95,558, an impressive increase of 1,454.9%.
- Digital platforms (iTax, e-filing, online payments, EBMs) have improved compliance, reduced informality, and enhanced revenue collection efficiency.

INTERPRETATION

The rapid growth in taxpayer registration and EBM adoption highlights the effectiveness of Rwanda's **digital tax administration strategy**. These reforms have enhanced service delivery, reduced compliance costs, increased transparency, and strengthened voluntary compliance, ultimately contributing to **higher domestic revenue mobilization** and **fiscal sustainability**.

References: Rwanda Revenue Authority (RRA) (2015/16–2024/25); Ministry of Finance and Economic Planning (MINECOFIN) (2025); OECD (2025); Okunogbe & Santoro (2023); World Bank (2025); IMF (2025).

12 FINDING 4: RELATIONSHIP ANALYSIS (2015–2025)

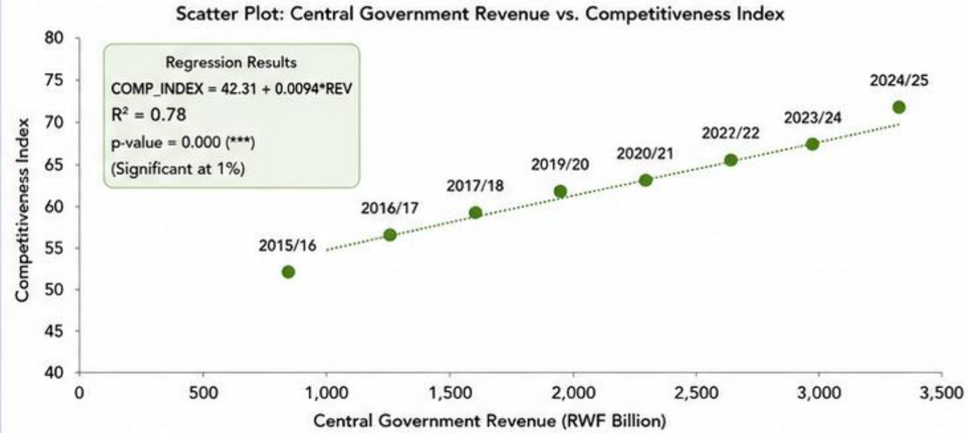
The analysis shows a positive and statistically significant relationship between **domestic revenue mobilization** and **private sector competitiveness** in Rwanda during 2015–2025.
Higher domestic revenue mobilization is associated with improved private sector competitiveness.

Key Variables and Descriptive Statistics (2015–2025)

Variable	Description	Mean	Std. Dev.	Min	Max
REV (RWF Bn)	Central Government Revenue	1,680.5	802.2	986.7	3,099.0
TAXGDP (%)	Tax-to-GDP Ratio	15.4	0.6	14.6	16.3
COMP_INDEX	Private Sector Competitiveness Index*	64.2	6.1	53.1	72.3
INV (% GDP)	Gross Fixed Capital Formation	22.2	3.0	17.4	26.6
FORMAL (%)	Business Formalization (Formal Enterprises)	39.8	6.3	28.6	49.6

Source: *Compiled from RRA Tax Statistics (2015/16–2024/25), MINECOFIN Fiscal Reports, NISR, World Bank WDI, and Global Competitiveness Index (2015–2025).*
**Competitiveness Index constructed from WEF GCI pillars: Institutions, Infrastructure, Macroeconomic Stability, Market Efficiency, Business Sophistication, and Innovation.*

Relationship between Domestic Revenue and Private Sector Competitiveness



The regression results indicate a strong positive relationship ($R^2 = 0.78$) between domestic revenue and private sector competitiveness.
For every additional RWF 100 billion in revenue, the competitiveness index increases by **0.94** points.

Correlation Matrix (2015–2025)

	REV	TAXGDP	COMP_INDEX	INV	FORMAL
REV	1.000	0.412	0.883***	0.712**	0.764**
TAXGDP	0.412	1.000	0.356	0.289	0.311
COMP_INDEX	0.883***	0.356	1.000	0.701**	0.736**
INV	0.712**	0.289	0.701**	1.000	0.598*
FORMAL	0.764**	0.311	0.736**	0.598*	1.000

*Note: ** Correlation is significant at the 5% level; *** Significant at the 1% level.*

KEY INSIGHTS

- Strong positive correlation between revenue (REV) and competitiveness (COMP_INDEX) ($r = 0.883$, $p < 0.01$).
- Revenue positively correlated with investment ($r = 0.712$) and business formalization ($r = 0.764$).
- Tax-to-GDP ratio shows a moderate positive relationship with competitiveness ($r = 0.356$).
- Higher domestic revenue mobilization is associated with improved investment, formalization, and competitiveness.

INTERPRETATION

The findings confirm that effective domestic revenue mobilization contributes to a more competitive private sector by financing quality **public infrastructure, macroeconomic stability,** and **business-friendly services**. This supports Fiscal Exchange Theory, which emphasizes that when taxpayers see tangible benefits from tax revenues, compliance increases and economic outcomes improve.

References: Rwanda Revenue Authority (RRA) (2025); Ministry of Finance and Economic Planning (MINECOFIN) (2025);
National Institute of Statistics of Rwanda (NISR) (2025); World Bank (2025); World Economic Forum (GCI 2015–2025); IMF (2025).

13 COMPARISON WITH PREVIOUS STUDIES

The findings of this study are consistent with major empirical studies that highlight the positive impact of **tax reforms**, **digital tax administration**, and **compliance enhancement** on domestic revenue mobilization and private sector competitiveness.

Comparison of Findings with Previous Studies

Author(s) & Year	Country/Region	Focus of Study	Key Findings from Previous Studies	Consistency with Current Study (Rwanda 2015–2025)	Remarks
Okunogbe & Santoro (2023)	Africa (36 countries)	Tax policy, digital administration and revenue performance	Digital tax technologies and administrative reforms significantly improve tax collection efficiency and domestic revenue mobilization.	**Consistent** – Rwanda's digital reforms (EBM, e-filing, iTax) strengthened compliance and increased revenue.	Supports Finding 1 and Finding 3
OECD (2025) Revenue Statistics in Africa	Africa	Tax-to-GDP trends and revenue mobilization	African average tax-to-GDP ratio rose to 16.1% in 2023; **Rwanda** recorded **15.7%, showing stable** performance and **growth potential.**	**Consistent** – Rwanda maintained a stable tax-to-GDP ratio (14.6%–16.3%) with strong revenue growth.	Supports Finding 1
IMF (2024) Sub-Saharan Africa Regional Outlook	Sub-Saharan Africa	Fiscal space and domestic revenue mobilization	Domestic revenue mobilization is essential for fiscal sustainability and reducing external dependence in SSA.	**Consistent** – Rwanda increased revenue-to-budget ratio from 48.2% to 55.1%, reducing reliance on external financing.	Supports Finding 1
Tanzi & Zee (2020)	Developing Countries	Tax structure and economic development	Efficient tax systems and broad tax bases enhance revenue mobilization and support economic growth.	**Consistent** – Rwanda broadened tax base and improved compliance, supporting growth and competitiveness.	Supports Finding 2 and Finding 4
RRA (2025) Tax Statistics	Rwanda	Tax administration performance indicators	Digital initiatives increased taxpayer registration, VAT **compliance, and** EBM **adoption, improving efficiency** and transparency.	**Consistent** – Active taxpayers rose by 157.6%, VAT registration by **389.6%**, and EBM adoption by **1,454.9%.**	Supports Finding 3
World Bank (2023) Taxation and Development Report	Low and Middle Income Countries	Taxation, investment and private sector competitiveness	Better tax administration and fair tax systems improve investor confidence and private sector competitiveness.	**Consistent** – Improved fiscal sustainability and tax certainty contributed to a more competitive business environment in Rwanda.	Supports Finding 4

KEY TAKEAWAY

The findings of this study align with international and regional evidence that **tax reforms**, **digital administration**, and **compliance enhancement** are critical for strengthening **domestic revenue mobilization** and promoting private sector competitiveness.

IMPLICATION FOR RWANDA

Sustaining and deepening **digital tax administration**, **broadening the tax base**, and **ensuring tax equity** will further enhance fiscal sustainability while supporting investment, innovation, and inclusive economic growth.

References: Okunogbe, O. & Santoro, F. (2023); OECD (2025) Revenue Statistics in Africa; IMF (2024) Sub-Saharan Africa Regional Outlook;
Tanzi, V. & Zee, H. H. (2020); Rwanda Revenue Authority (RRA) (2025) Tax Statistics; World Bank (2023) Taxation and Development Report.

14 POLICY RECOMMENDATIONS

Based on the findings, the study recommends the following policy actions to sustain **domestic revenue mobilization** while enhancing **private sector competitiveness** in Rwanda.

KEY POLICY RECOMMENDATIONS

01	Strengthen Digital Tax Administration	• Expand integration of digital systems (iTax, EBM, e-filing, e-payment) and data analytics for risk-based compliance. • Enhance system interoperability and real-time data exchange.
02	Broaden the Tax Base and Formalization	• Intensify programs to formalize informal businesses and increase VAT registration. • Simplify registration processes and reduce barriers to compliance.
03	Enhance Taxpayer Education and Communication	• Strengthen continuous taxpayer education on rights, obligations, and service benefits. • Use digital platforms and targeted outreach to improve awareness and voluntary compliance.
04	Promote Tax Equity and Fairness	• Ensure fair tax treatment across sectors and reduce opportunities for tax avoidance and evasion. • Strengthen enforcement against non-compliance in high-risk areas.
05	Enhance Fiscal Efficiency and Accountability	• Improve public expenditure efficiency and ensure visible linkage between taxes paid and public service delivery. • Publish citizen-friendly reports on tax use and project outcomes.
06	Support Private Sector Competitiveness	• Maintain moderate and predictable tax rates to encourage investment. • Provide targeted tax incentives for productive sectors, innovation, and export-oriented businesses.
07	Strengthen Data, Monitoring and Evaluation	• Improve data quality and use dashboards for real-time performance monitoring. • Conduct regular evaluations to inform evidence-based tax policy reforms.

EXPECTED IMPACT

- Sustained growth in **domestic revenue** and improved fiscal sustainability.
- A **broader tax base** and higher voluntary compliance.
- Enhanced **fairness**, **trust**, and taxpayer confidence.
- Improved **efficiency** in public spending and service delivery.
- A more **competitive private sector** environment that attracts investment and drives growth.
- Stronger economic resilience and progress toward Rwanda's **Vision 2050** and **NST2** goals.

IMPLEMENTATION CONSIDERATIONS

- Ensure coordination among RRA, MINECOFIN, NISR and other stakeholders.
- Adequate investment in digital infrastructure, human capacity, and change management.

STAKEHOLDERS

RRA, MINECOFIN, NISR, Private Sector, Development Partners, Local Governments, and Taxpayers.

References: Rwanda Revenue Authority (RRA) (2025); Ministry of Finance and Economic Planning (MINECOFIN) (2025); OECD (2025); IMF (2024); Okunogbe & Santoro (2023); Tanzi & Zee (2020); World Bank (2023).

15 CONCLUSION

The study concludes that Rwanda has made substantial progress in **domestic revenue mobilization** during the period 2015–2025 through **tax policy reforms**, **digital tax administration**, and **expansion of the taxpayer base**. These reforms significantly improved revenue collection, tax compliance, and fiscal sustainability while supporting the country's long-term development agenda.

KEY CONCLUSIONS

01 STRONG REVENUE GROWTH

Domestic revenue increased from **RWF 986.7 billion** in FY2015/16 to **RWF 3.099 trillion** in FY2024/25, strengthening Rwanda's fiscal capacity and reducing reliance on external financing.

02 DIGITAL TRANSFORMATION MATTERS

Electronic Billing Machines (EBMs), e-filing systems, online payments, and integrated taxpayer databases improved **compliance, transparency, and administrative efficiency.**

03 SUSTAINABLE REVENUE MOBILIZATION

Revenue growth was achieved primarily through **tax base expansion** and **administrative modernization** rather than significant increases in tax rates.

04 COMPETITIVENESS AND REVENUE CAN COEXIST

The findings demonstrate that effective domestic revenue mobilization and **private sector competitiveness** are complementary rather than conflicting objectives.

05 FUTURE PRIORITY

Continued investment in digital tax administration, tax equity, taxpayer education, and **business-friendly taxation** will be essential for achieving **Vision 2050** and sustainable economic transformation.

FINAL TAKEAWAY

"A balanced approach that combines efficient tax administration, digital innovation, tax equity, and private sector support can simultaneously strengthen fiscal sustainability and economic competitiveness in Rwanda."

REFERENCES: RRA (2025); MINECOFIN (2025); OECD (2025); World Bank (2025); IMF (2025); Okunogbe & Santoro (2023).

THANK YOU!!!