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Quantifying the revenue implications of the AfCFTA for Rwanda

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Table of Contents

Executive Summary

This paper quantifies the short- to medium-term fiscal effects for Rwanda of implementing the AfCFTA using a product-level partial-equilibrium model (SMART-style) applied to **transaction-level ASYCUDA data** for FY2022/23–2023/24. The microdata capture actual collection rates, exemptions/remissions, and all border taxes (import duty, VAT, excise, levies), overcoming the bias of studies that rely on statutory tariffs alone. In a system where trade taxes account for just over a fifth of total tax revenue, precise measurement matters: statutory-rate approaches tend to exaggerate duty losses, whereas using applied rates shows that tariff cuts are partly backfilled by VAT/excise on expanding import volumes. The simulations consider the EAC Provisional Schedule of Tariff Concessions and three scenarios. Under full liberalisation, import duties fall by **Rwf 4.89 bn**, partly offset by **Rwf 0.94 bn** in VAT/excise/levies, yielding a net **−Rwf 3.95 bn**; under a more realistic Schedule A+B scenario, the net is **−Rwf 3.62 bn**. Crucially, pairing liberalisation with **trade facilitation (TFA)** flips the sign: duties fall by **Rwf 3.89 bn** but VAT/excise/levies rise **Rwf 20.05 bn**, for a net **+Rwf 16.15 bn**. Results are robust to preference-utilisation (70/85/95%), elasticity, and VAT-productivity stress-tests and should be read as conservative, near-term estimates focused on border-tax channels (not services, extensive-margin variety growth, or macro feedbacks). Policy implications follow directly: prioritise TFA (risk-based border management, single-window, NTB resolution SLAs) to unlock the net fiscal gain; protect VAT productivity (refund integrity, e-invoicing, post-clearance audit) as imports scale; and manage revenue risk transparently via a **time-bound, rules-based Schedule C** that targets lines with high tariff-revenue salience, diversion risk, and weak domestic linkages, reviewed periodically. Overall, the message is pragmatic: with TFA and VAT integrity, AfCFTA implementation is fiscally manageable—and potentially positive—while exclusions should be used sparingly and transparently alongside an exemptions/remissions clean-up.

1. Introduction

The African Continental Free Trade Area (AfCFTA) is the largest free trade area in the world by number of member countries and is the latest and most ambitious regional integration commitment by African countries. The effects once fully implemented are anticipated to be large, with the World Bank (2020) estimating potential gains of up to 81% for intra-African exports.

However, as with all trade reforms, the gains across and within African countries will not be equally distributed, and it is possible that countries may experience temporary losses. Specifically,

as tariffs are removed on intra-regional trade, some countries are likely to experience reductions in import duties. For many countries in Africa, trade taxes still contribute significantly to overall government revenue. For example, in Rwanda, import duties and other taxes on imports (value added tax (VAT), excise duties, infrastructure development levy, African Union levy, & other customs revenue) made up just over 22% of government tax revenue in fiscal year 2023/24.[1]

Available estimates of revenue losses from the AfCFTA vary widely (see Table A1 in the Appendix). For example, estimated losses in import duties for Rwanda range from $0.98 million (Edwards et al., 2024) to $41.4 million (Mendez-Parra and Agarwal, 2023). The variation in available revenue loss estimates reflects differences in empirical methodologies, data used and liberalisation scenarios modelled.

Precise estimates of customs revenue losses from the AfCFTA require careful consideration and measurement of several key factors, including: (i) the level of imports with other African countries and the rest of world; (ii) the level of tariffs and other border taxes (e.g. withholding taxes) imposed on these imports; (iii) the granting of exemptions on import duties and the utilization of tariff preferences given rules of origin requirements; and, very importantly, (iv) the specific tariff concessions granted as per the Schedule of Tariff Concessions that categorise products according to Schedule A, Schedule B (sensitive items) and Schedule C (excluded products).

A more comprehensive assessment of revenue losses also needs to consider how losses in tariff revenues may be offset by increases in VAT, excise duties and other trade taxes (e.g. infrastructure development levy) paid on rising imports from African States following implementation of the AfCFTA. To do this, requires very detailed information on imports and duties paid at the transaction level. In the longer-term, growth in domestic firms is also expected to generate tax revenue through corporate income taxes. Consequently, understanding the full implications of the AfCFTA on revenue losses requires detailed analysis that takes all these factors into consideration.

This paper models the revenue implications of the AfCFTA for Rwanda using a product-level partial equilibrium framework applied to import transaction data obtained from the ASYCUDA customs management software for Rwanda. The import transaction data used in the analysis covers the fiscal years 2022/23 and 2023/24 and provides detailed information on trader id (anonymized), product classification, value, quantity, origin, customs processing code, and all border taxes paid (import duties, withholding taxes, excise duties, VAT, etc) for each transaction. This data allows

[1] Rwanda Revenue Authority Annual Report 2023/24.

the study to account for exemptions granted on duties collected, thereby enabling a more precise estimate of revenue losses than other studies. In addition, to account for actual products being liberalised under the AfCFTA, the study draws upon the Provisional Schedule of Tariff Concessions (PSTC) submitted by the East African Community (EAC) secretariat.

The analysis is structured in two parts.

First, the paper commences with a background overview of taxes and levies collected on imports in Rwanda, focusing on their contribution towards overall revenue collected, as well as the sources of revenues on imports by country and product. This analysis provides insight on the relative importance of imports as a source of government revenue, and the potential vulnerability to revenue losses from lower tariff barriers on imports from Africa under the AfCFTA.

Secondly, the study develops a partial equilibrium simulation model (based on the SMART model of Jammes and Olarreaga (2005)) to simulate the tariff revenue implications of the AfCFTA for Rwanda. The simulations account for direct losses in import duties from lower tariffs, as well as indirect losses associated with the diversion of imports from dutiable sources (e.g. imports sourced from outside of the continent) towards AfCFTA Member States. The revenue analysis is extended to capture offsetting revenue effects arising from the collection of VAT, excise duties and other taxes applied to increased imports from African Member States. Finally, the potential trade and revenue implications of excluding high revenue generating items from the agreement is considered.

The broad goal of the paper is to assist policymakers in considering the revenue implications of the implementation of the AfCFTA for Rwanda. …..

The remainder of the paper is structured as follows. The next section presents a background overview of collection of revenue from imports in Rwanda. This is followed by the simulation of the trade and revenue effects of the AfCFTA for Rwanda.

2. Background overview of revenue collection

The vulnerability of Rwanda to revenue losses from the AfCFTA depends on several considerations.

- Firstly, the importance of customs revenues collected on imports. Customs revenues include import duties from import tariffs, as well as VAT, excise duties and revenue from other taxes and levies (e.g. infrastructure development levy, African Union levy, inspection fees, etc.). The more important customs revenues are as a share of overall government revenue, the more vulnerable the economy may be to revenue losses.
- Secondly, the contribution of imports from Africa towards customs revenues collected. This, in turn, depends on the level and composition of imports from Africa, the import tariff rates applied and the exemptions granted. Also important is how the AfCFTA affects entry of duty-free imports into Rwanda under the Common Market for Eastern and Southern Africa (COMESA) free trade agreement (FTA) and the EAC customs union (CU), as well as the diversion of imports away from dutiable sources in the rest of the world towards African partners.
- Thirdly, the AfCFTA tariff liberalization offer that covers products scheduled for immediate reductions in tariffs (Schedule A), sensitive products (Schedule B) where tariff reductions are delayed, and excluded products (Schedule C) where tariff rates are not changed. Countries, for example, may insulate themselves from revenue losses by excluding revenue-sensitive products from the trade agreement.

This section looks at each of these components to provide background insight into the potential revenue implications of the AfCFTA for Rwanda.

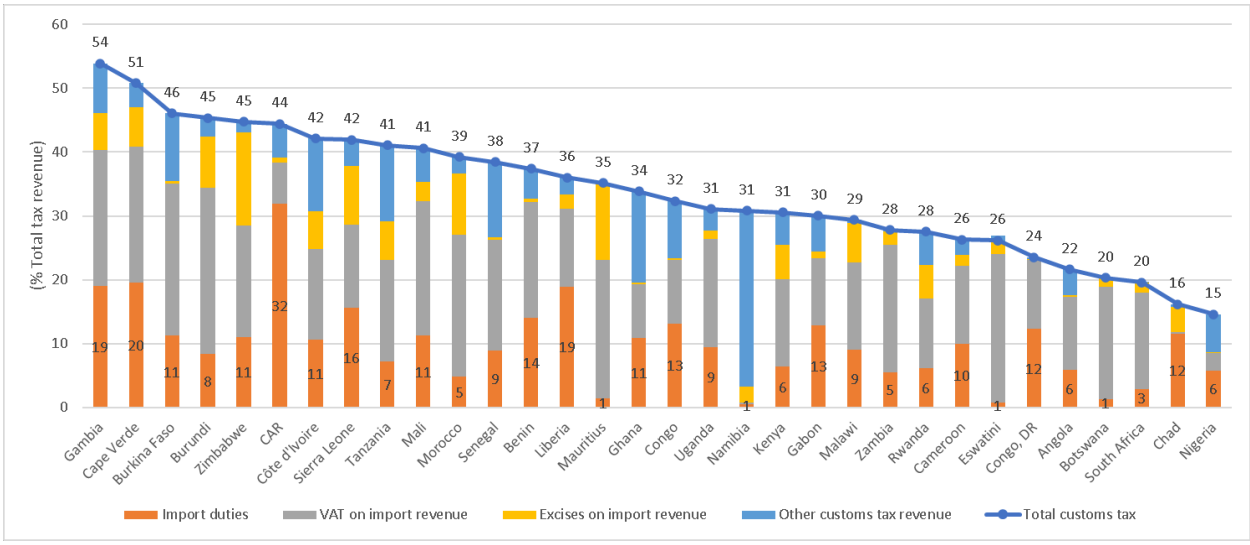
2.1. Importance of customs revenue as a source of government revenue for Rwanda

African economies vary widely in terms of their dependence on customs tax revenues as a source of government revenue. Figure 1 presents a bar chart of customs tax revenues as a share of government tax revenue in 2022 or 2023 for 32 Sub-Saharan African (SSA) countries using data obtained from the African Tax Administration Forum (https://ato.ataftax.org/atafdatabank/data-resources). Total customs tax revenues are disaggregated into different sources, namely: import duty revenue, VAT on import revenue, excises on import revenue and other customs tax revenue.

On average, total customs tax revenue accounts for 34 percent of government tax revenue, but the share varies widely across countries. For example, the share exceeds 50 percent for Cape Verde

and The Gambia, but falls to below 20 percent for Chad and Nigeria. The share in Rwanda slightly below the average for other African countries, equalling 27.5 percent in 2023. Of the 32 SSA countries presented in Figure 1, Rwanda is ranked 9th last in terms of the size of the share.

Figure 1: Comparisons of taxes on international trade as percent of revenue across SSA countries, 2021-24



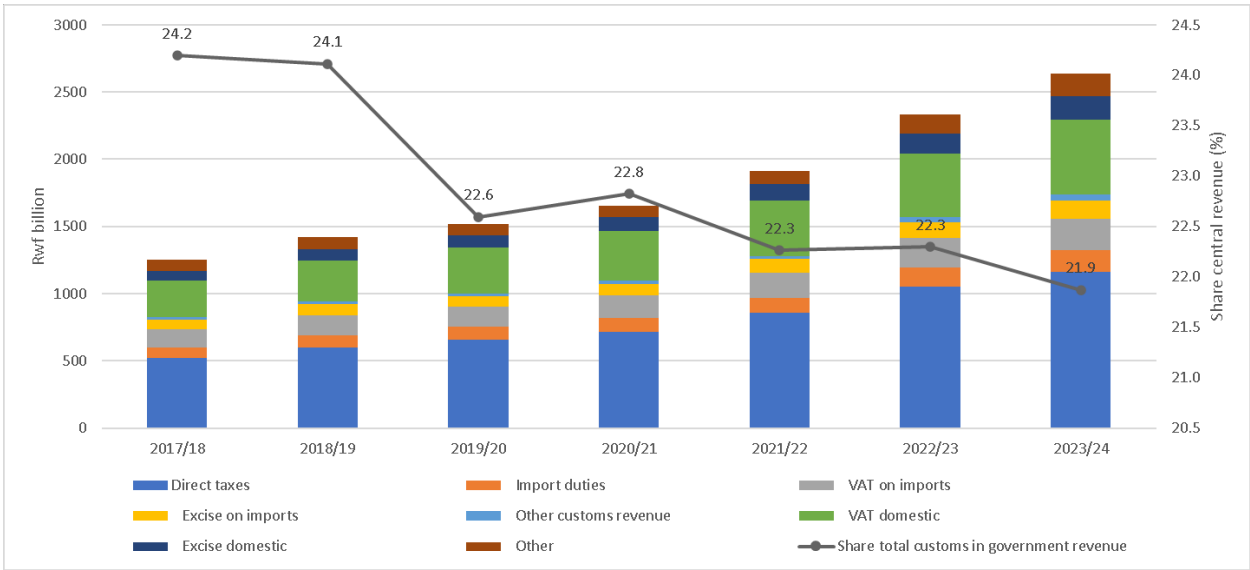
Notes: Own calculations using data obtained from the African Tax Administration Forum. The data is for 2023, with the exception of Angola (2022), Chad (2022), Congo (2022), Mali (2020), and Sierra Leone (2021).

The sources of customs tax revenues also differ widely across countries. For most countries (22 out of 32), VAT collected on imports is a more important source of revenue than import duties collected from import tariffs. VAT on import revenues, for example, makes up 15 percent of government tax revenue amongst the sample of countries, on average, compared to 10 percent for import duties. However, these shares vary across countries, with import duties making up only 1 percent of total tax revenues in Mauritius, and a high 32 percent in the Central African Republic. In terms of other revenues on imports, excise duties account for an additional 4 percent of total tax revenue, on average, while other customs tax revenues make up an additional 5 percent.

Looking more closely at Rwanda, Figure 2 draws on the Rwanda Revenue Authority (RRA) Annual Reports to decompose total central government revenues into the contribution by direct taxes (taxes on income, profits, and capital gains), import duties (from import tariffs), other revenues on imports (incl. VAT and excise) and other tax revenues (VAT and excise on domestic goods, mining royalties, road fund levy, etc.) for fiscal years 2017/18 to 2023/24. Over the period 2017/18 to 2023/24, central government revenue more than doubled from Rwf 1252 billion to Rwf

2639 billion. While customs tax revenues collected on imports also rose strongly, from Rwf 303 billion to Rwf 577 billion over this period, the increase lagged other sources, leading to a declining contribution to central revenue from 24.2 percent in 2017/18 to 21.9 percent in 2023/24.

Figure 2: Sources of Rwanda central government revenue from 2017/18 to 2023/24



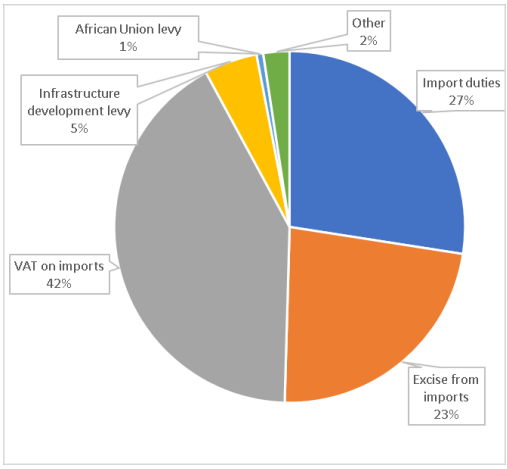
Source: Own construction using the following tables in RRA Annual reports: Table 1: RRA revenue performance against targets for FY 2021/22 (Rwf billion), and Table 2: Tax revenue performance by tax heads for FY 2021/22 (value in Rwf billion). Other includes mining royalties, road fund levy, other revenues. Other customs revenue includes motor vehicle fees, computer fees and quality inspection fees. Local government taxes and fees are excluded, as are grants. The share total customs tax revenue in government revenue is lower using the RRA data than the African Tax Administration Forum as the former accounts for a 15 percent VAT refund on imports.

Figure 2 also provides an indication of the relative importance of import duties compared to other taxes and levies collected on imports for Rwanda. While important, import duties account for only 27 percent of total customs tax revenues collected on imports, on average, over the period. Import duties have also declined as a share of central revenue, falling from 6.5 percent in 2017/18 to 6 percent in 2023/24. This share is also low compared to most other Sub-Saharan African countries (Figure 2).

The bulk of the customs tax revenues collected in Rwanda are attributable to VAT and excise duties collected on imports. This is shown in Figure 3 that presents a pie chart of the average sources of revenue collected on imports, over the periods 2022/23 and 2023/24. VAT collected on imports makes up 42 percent of revenues collected on imports, while excise duties on imports contributes an additional 23 percent. The remaining shares are made up of the infrastructure

development levy (5 percent), the African Union levy (1 percent) and revenue collected on motor vehicle fees, computer fees, quality inspection fees and other fees on imports (collectively 2 percent).

Figure 3: Sources of revenue collected on imports for Rwanda, average 2022/23 and 2023/24



Source: Own construction using tables in RRA Annual reports: Table 1: RRA revenue performance against targets for FY 2021/22 (billion Rwf), and Table 2: Tax revenue performance by tax heads for FY 2021/22 (value in Rwf bn). Other includes motor vehicle fees, computer fees and quality inspection fees.

2.2. Contribution of imports from Africa towards customs tax revenues collected in Rwanda

Two broad implications follow from the background overview of customs tax revenues as a source of government revenue for Rwanda:

- Firstly, while customs tax duties account for a considerable share of total government revenues, the share of import duty revenue is much lower, thereby potentially mitigating the adverse effect of revenue loss from further liberalisation.
- Secondly, the overall revenue implications of the AfCFTA will depend strongly on how changing import patterns affect the collection of VAT and excise duties.

To evaluate these implications further, this section provides a more detailed analysis of the contribution of imports from Africa towards customs tax revenues collected in Rwanda. To do so, the section draws on import transaction data sourced from the ASYCUDA customs management system for fiscal years 2013/14 to 2023/24. As noted earlier, the import transaction data provides rich detailed information on every import transaction. Not only does it provide details on trader id,

product classification, value, quantity, origin, and customs processing code, it also provides information on import duties, withholding taxes, excise duties, VAT, excise duties required by the trader to clear customs.

Also provided are the national custom processing codes that define whether an import is eligible for an exemption of import duties or other taxes. Exemptions from import tariffs are widely used within Africa. For example, according to data from the World Bank (2020), average collection rates are less than half the statutory rates for Republic of Congo, Rwanda and Sao Tomé & Príncipe. For Rwanda, Twum (2019) calculates a weighted average statutory tariff rate of 8.4 percent over the period 2016 – 2017 compared to a collection rate of 5 percent. Consistent with this finding, the Tax Expenditure Reports of the Ministry of Finance and Economic Planning (MINECOFIN, 2025) calculate that actual customs tax revenue collected in financial year 2023/24 is only 56.4 percent of potential tax revenue (excl. VAT and government).

Exemptions and remissions on import duties can be granted through the EAC's Duty Remission Scheme. The duty remissions provide decreased tariff rates (usually for 12 months) to individual firms for specific products, usually raw materials and production inputs, with the names of the beneficiaries published in the EAC gazettes (Rauschendorfer and Twum, 2022). In addition, specific exemptions on import duties and other taxes on imports are provided for approved investment projects, imports by donor agencies, international and regional organisations with diplomatic accreditation, relief goods imported for emergency use, amongst others.[2] Finally, the applied tariff may deviate from the EAC Common External Tariff (CET) because of the widely-used country-specific Stay of Application (SoA) rates applied on imports from outside of the EAC (Rauschendorfer and Twum, 2022). SoA can be higher or lower than the CET rate, although Rwanda largely uses these to decrease tariffs (Rauschendorfer and Twum, 2022). As an example, the 2025/26 budget presented on June 12, provides full customs duty exemptions for electric vehicles above US$60 000 and wheat (normally 50 percent), and reduced tariffs on imported rice (45 percent vs. 75 percent) and sugar (25 percent vs. 100 percent).[3]

[2] For a list of products exempt from import duties see https://www.rra.gov.rw/fileadmin/user_upload/THE_EXEMPTIONS_REGIME.pdf. Additional items include, for example: hotel equipment, items imported for use in licensed hospitals, goods and equipment for use in aid-funded projects, mosquito nets, and approved seeds for sowing. For information on investment incentives for registered investors see https://www.rra.gov.rw/fileadmin/user_upload/RRA_investment_incentives.pdf.

[3] https://kpmg.com/us/en/taxnewsflash/news/2025/06/rwanda-tax-and-customs-proposals-2025-2026.html.

Rwanda's existing tariff structure, particularly the difference between the tariff it charges AfCFTA beneficiary countries and non-member countries, will determine the extent to which Rwanda's import duties are at risk from the AfCFTA. To assess this, Table 1 presents the annual average import value and the import weighted average tariff imposed on these imports by origin for Rwanda over the period 2022/23 and 2023/24. The table presents both the applied tariff (or collection rate) based on actual duties collected as a share of import value, as well as the Most Favoured Nation (MFN) tariff (or general tariff) that would apply if no exemptions on tariffs were granted, or products did not enter duty-free under the EAC customs union or COMESA free trade agreements.

Overall, Rwanda's import-weighted average tariff imposed on all imports is 4.1 percent (Table 1). This is significantly below the MFN tariff of 13.2 percent indicating widespread exemptions on import duties granted. For the EAC customs union and COMESA FTA members most, but not all, imports enter duty free under the preferential trade agreements. Import tariffs are still paid on products from these countries that do not meet the rules of origin requirements. The average applied tariff on goods sourced from the EAC and COMESA FTA is 0.4 percent. The equivalent import weighted average MFN tariff on all imported products from these preferential trade partners is much higher, ranging between 24.5 percent and 27.2 percent. This gap between the applied rate and the MFN rate is a measure of the preference margins granted to exporters from these preferential partners to access the Rwanda domestic market compared to other exporters.[4]

The very high import weighted average MFN tariff associated with imports from the EAC customs union and COMESA FTA members also suggests that the composition of these imports has been strongly shaped by the preference margins. For example, the import weighted average MFN tariff associated with imports from other African countries or the rest of the world are much lower ranging from 1.8 percent for the Economic Community of West African States (ECOWAS) countries to 12.2 percent for the Southern African Customs Union (SACU) members. The product composition of imports from the EAC and COMESA FTA are therefore strongly biased towards products where the external tariff imposed on non-preference partners is relatively high. While the high tariffs provide EAC firms with some protection against external competition, they also incentivise trade diversion, thereby amplifying revenue and welfare losses associated with the trade agreement. The risk of trade diversion losses rises to the extent that these firms are only able to compete within the EAC on the basis of protection.

[4] The MFN rate is applied to all imports, including those eligible for exemptions. To calculate the preference margin precisely, would require the exclusion of imports that are eligible for exemptions from import duties (e.g. for approved investment projects, donor goods, relief goods, etc.).

The import weighted average MFN tariff is also higher than the collection rate for imports from non-preference partners. For example, the collection rate on imports from outside of Africa averages 5.2 percent, compared to the 9.2 percent MFN rate that would apply if no duty remissions or exemptions on import duties were granted. This implies that roughly 43 percent of potential import duties are 'lost' through the exemptions granted. In the case of the Democratic Republic of Congo (DRC), exemptions are widely used, as the applied tariff of 1.5 percent is substantially lower than the 10.9 percent tariff that would apply if no duty remissions or exemptions were granted.[5]

Table 1: Import weighted average tariff imposed on imports by source region, average over fiscal years 2022/23 and 2023/24

	Imports		Import tariffs	
Country/region origin	Rwf billion	Share (%)	Applied tariff (collection rate)	Statutory MFN tariff
EAC customs union	836.8	19.5	0.4	27.7
Other COMESA FTA	122.7	2.9	0.4	24.5
ECOWAS	17.3	0.4	1.2	1.8
SACU	57.6	1.3	6.6	12.2
DRC	45.0	1.0	1.5	10.9
Rest Africa	24.4	0.6	0.4	2.1
Rest World	3183.4	74.3	5.2	9.2
Total	4287.0	100.0	4.1	13.2

Note: Own calculations using Rwanda import transaction data. Import weighted average tariffs are calculated using import values as weights. Data presented are the average annual values over the period 2022/23 to 2023/24. The EAC group only comprises the members of the customs union. COMESA FTA Member States include: Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tunisia (from 2020), Uganda, Zambia, Zimbabwe. The category 'Other COMESA FTA' excludes Burundi, Kenya and Uganda.

Table 2 presents additional information on the average annual value of imports and customs tax revenues collected by Rwanda from the different regions/countries over the fiscal years 2022/23 and 2023/24. Figure 4 presents the corresponding pie charts of these variables.

[5] Although the DRC officially became a member of the East African Community on 11 July 2022, the country does not yet trade as part of EAC customs union. Consequently, we separately model changes in Rwanda imports from the DRC following implementation of the AfCFTA.

Imports from Africa contribute only 5 percent of total import tariff duties collected, despite making up a quarter of Rwanda's aggregate imports. A key reason is that Rwanda has already made significant progress in opening up to trade with Africa through the EAC customs union and the COMESA FTA. Most, but not all, goods imported from Member States of these regional economic communities enter Rwanda duty-free. Some goods do not meet the rules of origin requirements, in which case, import duties are levied. Imports from the rest of the EAC, for example, generated Rwf 3.5 billion in import duties, or 2 percent of total import duties collected over fiscal years 2022/23 and 2023/24.

Rwanda imports very little from Africa outside of the EAC and COMESA FTA (Rwf 144 billion, or 3.4 percent of total merchandise imports), reflecting considerable scope for further integration in the continent through the AfCFTA. The potential loss in import duties from integration under the AfCFTA, however, are low as imports from the remaining African countries only generated Rwf 4.8 billion in import duties (or 2.7 percent of total import duties), with SACU members accounting for most of this.

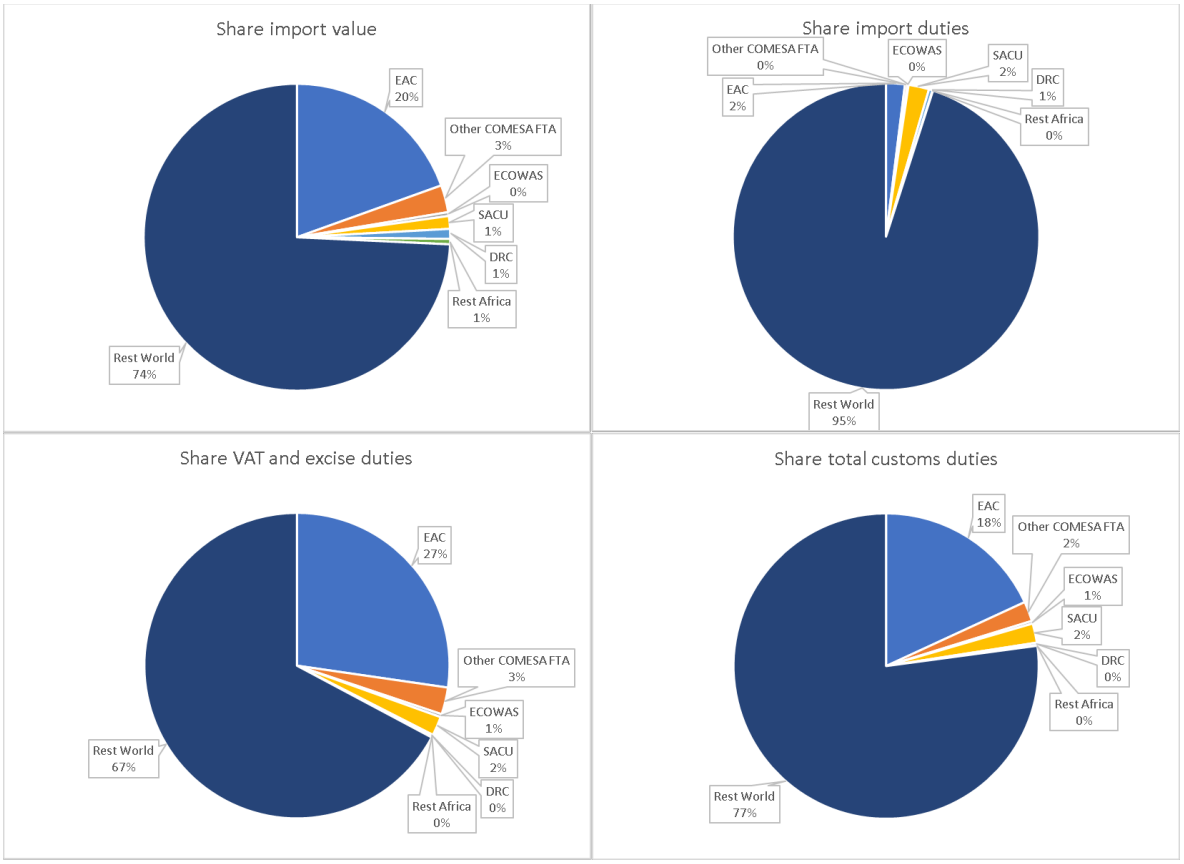
Table 2: Regional composition of imports and customs tax revenues for Rwanda, 2022/23 – 2023/24

	Imports	Import duties	VAT & Excise duties on imports	Other revenue on imports	Total customs tax revenue
Value (Rwf billion)					
EAC customs union	836.8	3.5	102.1	0.8	106.4
Other COMESA FTA	122.7	0.5	10.7	1.2	12.3
ECOWAS	17.3	0.2	1.2	0.3	1.7
SACU	57.6	3.8	7.6	0.5	11.9
DRC	45.0	0.7	0.8	0.1	1.5
Rest of Africa	24.4	0.1	0.3	0.0	0.4
Rest of World	3183.4	166.4	251.5	34.7	452.7
Total	4287.0	175.1	374.2	37.6	586.9
Share column total (%)					
EAC customs union	19.5	2.0	27.3	2.0	18.1
Other COMESA FTA	2.9	0.3	2.9	3.1	2.1
ECOWAS	0.4	0.1	0.3	0.8	0.3
SACU	1.3	2.2	2.0	1.4	2.0
DRC	1.0	0.4	0.2	0.3	0.3
Rest of Africa	0.6	0.1	0.1	0.1	0.1
Rest of World	74.3	95.0	67.2	92.3	77.1
Total	100.0	100.0	100.0	100.0	100.0

Notes: Own calculations using Rwanda import transaction data. Other revenue on imports includes the infrastructure development levy, motor vehicle fees and African Union contribution. Import revenue excludes

quality inspection, and computer fees. Withholding taxes are also excluded as these can be deducted from corporate income taxes. The VAT receipts exclude the 15 percent VAT refund. Further, revenue from all transactions are accounted for, even if the tax liabilities are not yet fully paid. Products can only be released from the warehouse if all VAT, import duties, excise duties, and other duties are paid in full. In the ASYCUDA database, these products are classified as "R" in the SERIE.QUITTANCE field.

Figure 4: Regional contribution towards Rwanda imports and revenues collected on imports, average over fiscal years 2022/23 and 2023/24



Notes: Own calculations using transaction data. Import revenue excludes quality inspection, and computer fees. Only includes import duties, excise & VAT paid on imports, infrastructure development levy, motor vehicle fees and African Union contribution. COMESA FTA Member States include: Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tunisia (from 2020), Uganda, Zambia, Zimbabwe. The category 'Other COMESA FTA' excludes Burundi, Kenya and Uganda.

The contribution of the African continent towards total customs tax revenues, inclusive of import duties, VAT, excise duties, the infrastructure development levy, motor vehicle fees and African Union contribution is substantially higher at Rwf 134 billion, or 22.9 percent of total customs tax revenues. The main contributors of this higher share are VAT and excise duties that are collected on imports, even if they are sourced from the EAC and COMESA FTA member states. Imports

from Africa contributed a third of the overall VAT and excise duties collected on import transactions.

These other revenues on imports from Africa are not 'threatened' by reductions in import tariffs.[6] VAT and excise duties, for example, will continue to be applied to imports from new preference partners. Consequently, the bulk of customs revenues already collected on imports from Africa will remain largely unaffected by the AfCFTA. Should imports from new African partners grow, as is expected following the AfCFTA, then additional revenues from VAT and excise duties will offset losses in import duties from the lower tariffs.

The sources of total customs tax revenues by industry differ for imports from Africa and the rest of the world (Table 2). Imports of food, beverages & tobacco (45.8 percent share) followed by mineral products (12 percent share) contribute the bulk of customs revenue collected on imports from Africa, whereas imports of mineral products (incl. fuels) (17 percent share), transport equipment (16.4 percent share) and machinery (14.9 percent share) are the main sources of customs tax revenues for the rest of the world. In terms of import duties, textiles & clothing and food, beverages & tobacco are relatively important in the case of imports from Africa (approximately 16 percent share each), while textiles & clothing, machinery, transport equipment and base metals each contribute above 12 percent towards total import duties collected on imports from the rest of the world.

Table 2: Industry composition of import duties and total customs tax revenues for Rwanda, 2022/23 – 2023/24

	Import duties				Total customs tax revenues			
	Value (Rwf billion)		Share (%)		Value (Rwf billion)		Share (%)	
	Africa	Rest of world	Africa	Rest of world	Africa	Rest of world	Africa	Rest of world
Animal products	0.0	1.8	0.4	1.1	0.3	2.1	0.3	0.5
Vegetable products	0.7	15.9	7.6	9.6	3.7	21.4	2.7	4.7
Fats & oils	0.3	1.7	3.1	1.0	3.1	2.9	2.3	0.6
Food, beverages & tobacco	1.4	15.2	16.1	9.1	61.5	36.4	45.8	8.0
Mineral products	0.3	2.0	3.8	1.2	16.1	76.7	12.0	17.0
Chemical products	0.7	5.3	8.6	3.2	8.7	11.4	6.5	2.5
Plastic products	0.3	9.9	3.2	5.9	2.9	19.8	2.1	4.4
Raw hides	0.0	1.3	0.3	0.8	0.1	2.3	0.1	0.5
Wood products	0.2	1.0	2.3	0.6	4.7	1.9	3.5	0.4

[6] Lower import tariffs will reduce the amount of VAT collected as VAT is applied on the import duty inclusive value of imports. However, the effect is marginal.

Paper products	0.2	3.1	2.5	1.9	1.9	5.7	1.4	1.3
Textiles & clothing	1.4	23.4	16.2	14.1	3.3	38.7	2.5	8.5
Footwear & other	0.2	6.2	2.3	3.7	1.7	10.4	1.3	2.3
Non-metallic minerals	0.1	5.7	1.5	3.4	5.2	11.1	3.9	2.5
Precious stones & metals	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Base metals	0.9	20.5	10.5	12.3	12.6	40.7	9.4	9.0
Machinery	0.7	23.2	8.1	13.9	4.0	67.3	3.0	14.9
Transport equipment	0.9	21.2	10.2	12.7	2.7	74.1	2.0	16.4
Specialised equipment	0.0	0.3	0.1	0.2	0.1	14.3	0.1	3.2
Misc manufact articles	0.3	8.7	3.0	5.3	1.5	15.4	1.1	3.4
Collectors' pieces	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	8.7	166.4	100.0	100.0	134.3	452.7	100.0	100.0

Notes: Own calculations using transaction tax data for 2022/23 and 2023/24. Total customs tax revenues include import duties, excise & VAT paid on imports, infrastructure development levy, motor vehicle fees and African Union levy, but exclude quality inspection and computer fees. The VAT receipts exclude the 15 percent VAT refund.

The differences in the industry composition of customs tax revenues, in part, reflect stark differences in the composition of imports across regions (Table 3). Imports from EAC and COMESA FTA members are concentrated in agricultural and food products, which together make up over half of Rwanda imports from these countries, compared to less than 15 percent for imports from the rest of Africa or the rest of the world. In contrast, imports from the rest of Africa mainly consist of mineral products (28.8 percent), base metals (10.7 percent) and machinery (12.6 percent). There are also considerable differences in the composition of Rwanda imports across African countries. For example, ECOWAS is a major source of mineral products, but these are almost entirely made up of petroleum products (HS 2710) from Liberia. In the case of the DRC, cement (HS 2523) makes up just over half the value of Rwanda imports from this country, while imports from SACU are highly concentrated in sugar from Eswatini, and electrical machinery and passenger vehicles, from South Africa. Excluding these origins, Rwanda imports from the rest of Africa are almost entirely made up of fertilizer from Morocco.

Rwanda imports from outside of Africa are more diverse, and consist mainly of machinery (21.1 percent), mineral products (fuels) (19.6 percent), transport equipment (9.6 percent) and chemicals (9.4 percent). With the exception of imports from SACU (mainly South Africa), the overlap in the product composition of imports from the rest of the world and the new AfCFTA preferential partners is low, suggesting limited threat of trade diversion. In the case of SACU, diversion threats are mainly concentrated within base metal products, machinery and transport equipment, given the overlap in import share with the rest of the world.

Table 3: Industry composition of Rwanda imports by region, 2022/23 – 2023/24

	Value (Rwf billion)			Share (%)		
	EAC & COMESA FTA	Other Africa	Rest of world	EAC & COMESA FTA	Other Africa	Rest of world
Animal products	26.2	0.2	20.0	2.7	0.2	0.6
Vegetable products	287.6	3.4	182.9	30.0	2.4	5.7
Fats & oils	23.5	3.0	118.3	2.4	2.1	3.7
Food, beverages & tobacco	165.2	12.3	92.6	17.2	8.6	2.9
Mineral products	84.2	41.5	625.0	8.8	28.8	19.6
Chemical products	85.2	27.9	297.7	8.9	19.3	9.4
Plastic products	30.0	1.0	150.3	3.1	0.7	4.7
Raw hides	0.2	0.1	7.0	0.0	0.0	0.2
Wood products	25.7	2.9	6.0	2.7	2.0	0.2
Paper products	23.8	1.2	59.8	2.5	0.8	1.9
Textiles & clothing	15.3	3.2	122.4	1.6	2.2	3.8
Footwear & other	9.4	0.4	30.6	1.0	0.3	1.0
Non-metallic minerals	35.9	1.2	39.1	3.7	0.8	1.2
Precious stones & metals	0.0	0.0	0.7	0.0	0.0	0.0
Base metals	109.8	15.5	232.5	11.4	10.7	7.3
Machinery	24.9	18.2	672.5	2.6	12.6	21.1
Transport equipment	2.7	8.7	307.0	0.3	6.1	9.6
Specialised equipment	0.9	2.1	149.0	0.1	1.4	4.7
Misc manufact articles	8.9	1.3	70.1	0.9	0.9	2.2
Collectors' pieces	0.0	0.0	0.1	0.0	0.0	0.0
Total	959.5	144.2	3183.4	100.0	100.0	100.0

Notes: Own calculations using transaction tax data for 2022/23 and 2023/24.

Looking at more disaggregated product-level (HS 8 digit) data reveals high levels of product concentration in import values and import duty revenue. Over the fiscal years 2022/23 and 2023/24, Rwanda imported 3618 products (defined at the HS 8-digit level) from Africa and 4538 from the rest of the world. However, the top 10 products generating import duties accounted for between 31 percent and 32 percent of total import duties from each region. For imports from Africa, imports of diesel passenger vehicles contributed the most (6.3 percent, or Rwf 0.54 billion) towards import duties, followed by worn clothing (4.8 percent, or Rwf 0.42 billion) and then apples (3.3 percent, or Rwf 0.28 billion). Other major products include other non-alcoholic beverages, soya-bean oil, lubricants, wines and beauty or make-up preparations. For the rest of the world, imports of rice (9.3 percent, or Rwf 15.5 billion) and worn clothing (4.2 percent, or Rwf 6.9 billion) and used passenger vehicles (Rwf 5.1 billion) were the most important goods contributing towards import duty revenues.

2.3. Revenue by EAC tariff concession offer

A further consideration in assessing the potential impact of the AfCFTA on revenue is the Schedule of Tariff Concessions (STC) being offered by the EAC to the rest of Africa. Each country or regional economic community is required to submit a schedule of tariff concessions that categorises products as non-sensitive (Schedule A covering 90% of tariff lines, to be phased out over 10 years), sensitive (Schedule B covering up to 7% of lines, to be phased out over 13 years) and excluded (Schedule C covering 3 percent of lines, covering a maximum of 10 percent of intra-Africa trade outside of the regional economic community). Schedule A and B products are to be liberalised fully, with the latter phased out over a longer period, while Schedule C products are excluded from the agreement.

While the EAC has submitted a Provisional STC (PSTC) to the AfCFTA secretariat for validation, only Schedule A products have been classified, as the final decision on these awaits the conclusion of the rules of origin negotiations (see EAC (2022)). Nevertheless, the available STCs provide some insight into the degree to which the AfCFTA will reduce tariff barriers on intra-Africa trade.

Table 4 presents an overview of the EAC PSTC. The EAC PSTC covers 5954 tariff lines defined at the HS 8-digit level. Of these 90 percent are categorised under Schedule A, with the remaining 10 percent (601 lines) unclassified. Schedule A products disproportionately cover low or zero tariff line items. The simple average common external tariff for Schedule A products is 12 percent, with nearly 42 percent of these tariff lines already facing a tariff rate of zero. In contrast, the average tariff on the combined Schedule B & C products is 30 percent. The products included in this category include many of the products falling in the 35 percent tariff band and the sensitive item list of the EAC CET.

Table 4: Overview of EAC PSTC

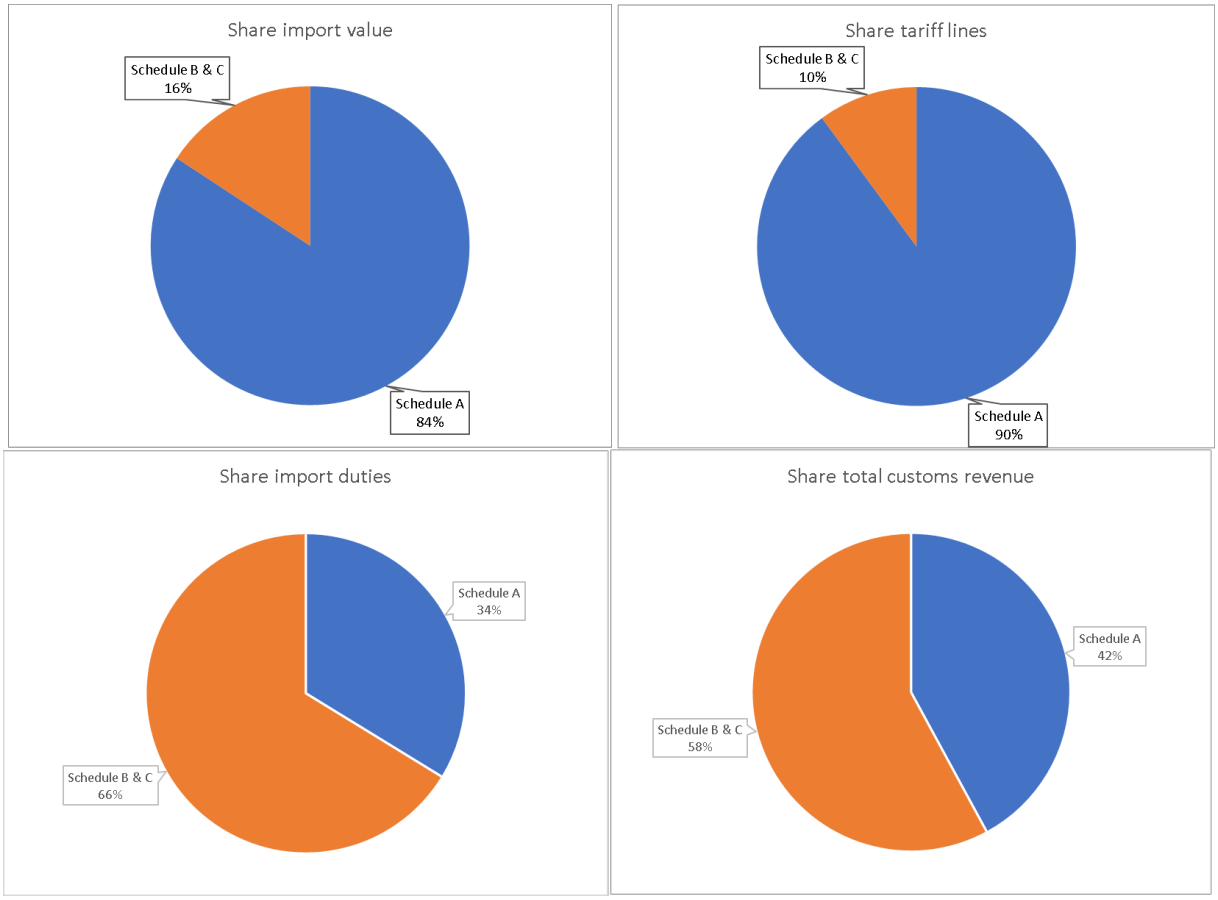
Schedule	Average CET	Number tariff lines	Share total lines	Number zero tariff rates	Share zero in Schedule category
A	12	5353	89.9	2245	41.9
B/C	30	601	10.1	0	0.0
Total	14	5954	100.0	2245	37.7

Notes: Own calculations based on EAC (2022). CET denotes common external tariff.

Figure 5 applies the EAC PSTC to the Rwanda import transaction data to present the share of imports, import duties and total customs tax revenues collected on Rwanda imports from Africa outside of the EAC and COMESA FTA agreements according to the different Schedules. A key observation is that Schedules B and C disproportionately cover high tariff revenue generating items

sourced from new preferential trade partners in Africa under the AfCFTA. While the PSTC Schedules B and C account for 10 percent of tariff lines and 16 percent of import value, they cover 66 percent of import duties and 16 percent of total customs revenue. Without further information on Schedule B and C products, it is not possible to isolate how much of existing import duties will be protected by excluded products. Nevertheless, the pie charts illustrate that the PSTC offered by the EAC attenuates or delays the potential loss in import duties for Rwanda from reduced tariffs under the AfCFTA.

Figure 5: Share contribution of PSTC offer towards import value, customs revenue and total revenues on Rwanda imports from African countries outside of the EAC and COMESA FTA.



Notes: Based on EAC (2022). Only includes imports from African countries outside of the EAC and COMESA FTA over the period 2022/23 to 2023/24.

2.4. Summary of implications

Several implications for the possible impact of the AfCFTA on customs revenue for Rwanda follow from the background analysis:

- Firstly, import duties from import tariffs, while an important source of government revenue, account for a fraction (27 percent) of overall revenues generated from imports. VAT and Excise duties collected on imports are the main source of customs tax revenues generated from imports (65 percent share). The overall revenue implications of the AfCFTA will therefore also depend strongly on how changing import patterns affect the collection of VAT and excise duties.
- Secondly, the potential import duty losses for Rwanda from lower import tariffs under the AfCFTA appear to be low. Rwanda has already made significant progress in opening up to trade within the African continent through its membership in the EAC customs union and the COMESA FTA. Imports from other African countries contributed only Rwf 4.8 billion in import duties. This is equivalent to 2.7 percent of total import duties, or 0.19 percent of central government revenues. The low shares arise mainly from the very low value of imports from African countries outside of the EAC and COMESA FTA, in part because of high tariff barriers. By reducing trade barriers, the AfCFTA has the potential to significantly increase Rwanda's trade with the rest of Africa. Additional VAT, excise revenue, and other border taxes collected on increased imports from new preference partners will offset some of the customs revenue losses. Increases in domestic production and employment can also be expected to raise corporate and personal income taxes.
- Thirdly, widespread exemptions and remissions on import duties are granted. The implication is that the tariff collection rates are substantially lower than the statutory MFN rates. These exemptions and remissions further diminish the potential losses in import duties from lower tariffs.
- Fourthly, the EAC PSTCs attenuates or delays potential losses in import duties for Rwanda from reduced tariffs under the AfCFTA. The Schedule B (delayed phase-down products) and Schedule C (excluded products) tariff line items account for two thirds of import duties collected on imports from African countries outside of the EAC and COMESA FTA, despite only making up 10 percent of all tariff lines. One reason for this is that Schedule B and C cover products with higher average tariff rates than Schedule A. This highlights a trade-off between boosting intra-Africa trade and protecting import duties – exclusion of products with high tariffs will protect import duties, but will also diminish growth in imports following implementation of the AfCFTA.
- Finally, Rwanda's imports from the EAC and COMESA FTA member states are concentrated in products facing high common external tariffs. The high levels of protection grant large preference margins to exporters from member states of these trade agreements selling goods to Rwanda. To the extent that exporters' competitiveness depends only on this protection, it results in welfare and revenue losses through the diversion of imports from more efficient producers. By opening up the Rwanda market to more competition, the AfCFTA will help to correct some of the welfare-reducing trade diversion associated with Rwanda's membership in the EAC customs union and COMESA FTA. De Melo and Regalo (2014) refer to this as 'trade correction'.

3. Implications of the AfCFTA on Rwanda Revenues

To provide further insight into the potential trade and revenue implications of the AfCFTA for Rwanda, a product-level partial equilibrium modelling approach is adopted. This section first presents an overview of the model used, which is then followed by an analysis of the simulated results.

3.1. Model development:

The simulation analysis builds off the product-level partial equilibrium model developed and applied by Edwards and Kamutando (2025) to analyse the trade and revenue impact of the AfCFTA for Rwanda, and follows the structure of the SMART model that has been widely used to model the potential effects of free trade agreements (Laird and Yeats, 1986; Jammes and Olarreaga, 2005). The SMART model simulates import changes in response to preferential tariff reductions from the perspective of the importer. The model is designed to simulate changes in imports and revenues arising from three channels: (i) trade creation, (ii) trade diversion and (iii) trade correction:

- Trade creation occurs when tariff reductions lower the price of imported goods from new FTA members (relative to domestic produced goods), thus stimulating increases in demand for imported goods. Import duties collected fall in response to the lower tariffs, but the rise in imports generates new revenue from VAT and Excise duties.
- Trade diversion occurs when the price of imports from the new FTA member falls relative to non-members. The effect is a substitution by consumers towards imports of the FTA member and away from other countries. Trade diversion can exacerbate revenue losses as the government loses import tax revenue from the diverted imports.
- Trade correction arises from a redirection of imports away from existing FTA member countries (e.g., the EAC and COMESA for Rwanda), towards new FTA members. This trade correction reflects a reversal of trade diversion associated with the implementation of the original FTA agreements (de Melo and Regalo, 2014). There are no import duty implications from trade correction, but welfare increases as consumers face lower prices of imports.

Most simulations of trade agreements use publicly-sourced bilateral trade and tariff data at the product level (see Mendez-Parra and Agarwal, 2023). The limitation of these studies is that they cannot account for exemptions on duties, and consequently exaggerate the trade gains and import

duty losses from tariff reductions. Further, these studies frequently exclude changes in revenues from VAT, excise duties and other taxes imposed on imports.[7]

We, therefore, apply the SMART model using transaction level trade and tariff data for Rwanda, while also including VAT, excise duties and other border taxes applied on imports. In doing so, the model explicitly accounts for exemptions on import duties and other taxes granted on imports. To avoid the influence of large fluctuations in bilateral trade flows across years, the model is based on average values over the period 2022/23 to 2023/24. Import transactions are restricted to cover imports for home consumption (CPC codes 4000 up to, but not including, 5000). The model assumes that transactions exempted from import duties remain exempted after the AfCFTA, and consequently simulates no change in imports of these products.

The model only simulates changes in existing trade flows (i.e., intensive margin), and, consequently, cannot account for new products imported from existing or new origins (extensive margin) in response to lower trade costs. The results of the simulation, therefore, can best be seen as short or medium-term outcomes of the trade agreement. However, the primary focus of this analysis are revenue losses, which are largely based on existing trade flows, so the exclusion of new products does not induce substantial bias in the analysis.

Simulated changes in trade flows are highly sensitive to the choice of import demand and substitution elasticities. The approach in this study is to draw upon the simple average at the HS 4-digit level of the HS6-digit level import demand elasticities for African countries used in the SMART model of the World Bank.[8] These elasticities have been widely used in other SMART model simulations and are based on estimates by Kee et al. (2008). The simple average import demand elasticity is 2.2, but varies from 2.1 to 11.8. Following other studies (Edwards and Kamutando, 2025; Mendez-Parra and Agarwal, 2023) and the default value used by the World Bank, the elasticity of substitution is assumed to be 1.5. Further, given rules of origin requirements, not all goods from preference partners enter under the preference agreement. Consequently, the simulations assume a 95 percent preference utilisation rate. This is calculated as the share of preference eligible imports from COMESA FTA members that are imported duty free using the Rwanda transaction data.

[7] Exceptions include the TRIST (Tariff Reform Impact Simulation Tool) (see Brenton et al., 2011) model used by de Melo and Regolo (2014) to study the revenue and welfare implications for Rwanda and Uganda of the Economic Partnership Agreement with the European Union, as well as Twum (2019) and World Bank (2020).

[8] The simple average across African countries at the HS4-digit level is used to avoid the effect of large country and product-level outlier elasticities driving simulated outcomes.

One limitation is that the EAC PSTC does not separately classify Section B and C products. To broaden the pool, we follow the World Bank (2020) and construct a hypothetical C category for the EAC that includes the EAC top tariff revenue generating imported products (at HS6-digit level, based on statutory tariffs) from Africa outside of the EAC, subject to the constraints that the share of African import value covered is no more than 10 percent, and the share of total product lines is no more than 3 percent. This yields 13 HS6-digit products that jointly account for 10 percent of EAC imports from the rest of Africa (See Appendix Table A2 for details). The hypothetical Schedule C covers 7.2 percent of Rwanda imports and 10.5 percent of import duties from Africa outside of the EAC and COMESA FTA (Table 5).

Table 5: Summary table of import value and import duties collected by Rwanda on imports from Africa outside of EAC and COMESA FTA by Schedule of PSTC

	Import value (Rwf bill)	Share (%)	Import duties (Rwf bill)	Share (%)
Schedule A	121.5	84.2	1.6	33.8
Hypothetical Schedule B	12.3	8.6	2.7	55.8
Hypothetical Schedule C	10.4	7.2	0.5	10.5
Total	144.2	100.0	4.8	100.0

Notes: Own calculations based off EAC (2022) The EAC Schedule of Tariff Concessions for the African Continental Free Trade Area (AfCFTA) for Category A products, Legal Notice No. EAC/321/2022. The hypothetical C category includes the EAC top tariff revenue generating imported products (at HS6-digit level) from Africa outside of the EAC based on import data sourced from UNComtrade, subject to the constraints that the share of African import value covered is no more than 10 percent, and the share of total product lines is no more than 3 percent.

3.2. Impact of the AfCFTA on imports and import revenue for Rwanda

To analyse the impact of the AfCFTA on Rwanda trade flows, three scenarios are simulated:

- Scenario (1) simulates the liberalisation of tariffs on all products imported from Africa (i.e. liberalises Schedule A, B and C products).
- Scenario (2) simulates AfCFTA tariff liberalisation where tariffs are eliminated on Schedule A and the 'hypothetical' Schedule B products imported from Africa.
- Scenario (3) extends Scenario (2) by including the implementation of a trade facilitation agreement (TFA) that reduces import and export trade costs within Africa.

Even though full liberalisation under Scenario (1) is not currently applicable for AfCFTA, we include it as a benchmark to evaluate the other Scenarios, and to inform policy on the selection of Schedule B & C products by providing estimates of the major products/sectors that could be affected by the AfCFTA in terms of revenue generation. Following Edwards and Kamutando (2025), we incorporate Scenario (3) in order to cover implementation of a trade facilitation agreement (TFA) in accordance with Annex 4 of the AfCFTA Protocol on Trade in Goods. The aim of the trade facilitation agreement is to simplify and harmonise trade procedures and logistics to expedite the movement, clearance and release of goods (including transit trade).[9]

To simulate declines in trade costs from a TFA, we follow de Melo and Sorgho (2019) and calculate ad valorem equivalent cost reductions from lower times in customs associated with the implementation of the World Trade Organisation TFA. As in the AfCFTA study by the World Bank (2020), we assume a TFA that achieves half the WTO agreement, with a cap on reductions in trade costs of 10 percentage points. The outcome is a reduction in trade costs between 10 percentage points for Nigeria, to 0.3 percentage points for Senegal. These reductions are assumed to apply to imports from and exports to all African countries (i.e., on MFN basis), with no change assumed for trade with the rest of the world. The TFA is also assumed not to affect imports of products for which import duty exemptions have been granted, as some of these imports are driven by approved investment programmes rather than by trade costs. Minerals, petroleum products and precious metals (HS 25-27, 71) are also excluded from the TFA simulation.[10] The TFA, however, is assumed to positively affect trade of Schedule C products, even though these are excluded from the AfCFTA. Further, we do not assume any reductions in non-tariff barriers as in the World Bank (2020). Scenario (3) thus provides a conservative estimate of the trade effects that can be expected should all the Annexes to the Protocol on Trade in Goods be implemented.

Finally, in all simulations, we treat the EAC as only including Burundi, Kenya, Rwanda, Tanzania and Uganda, and exclude the partner states of the Democratic Republic of the Congo, Somalia and the Republic of South Sudan as they are not yet members of the EAC customs union. Some of the simulated revenue losses could, therefore, be attributable to their joining of the EAC customs union in the future, as opposed to arising from the AfCFTA.

[9] Further details on trade facilitation and the institutional arrangements under the AfCFTA, see https://www.tralac.org/blog/article/15270-trade-facilitation-and-institutional-arrangements-under-the-african-continental-free-trade-agreement.html

[10] Liberalisation of services trade, and improvements in customs management and diminished use of non-tariff barriers expected under Annex 3 on Customs Cooperation and Mutual Administrative Assistance (CC&MAA), Annex 5 on Non-tariff barriers to trade (NTB), and Annex 6 on Technical barriers to trade (TBT) are not accounted for.

Imports

Table 6 and Figure 6 present the simulated impact on Rwanda imports from the implementation of the AfCFTA. The main insight from the table is that the AfCFTA has the potential to boost Rwanda imports substantially, particularly if a TFA agreement is reached.

Under full liberalisation (Scenario 1 in column 1) total imports from new FTA partners in Africa (i.e. African countries outside of the EAC customs union and COMESA FTA) increases by Rwf 10.9 billion–representing a 7.6 percent increase from their initial value. SACU, with a value of Rwf 8.6 billion is the primary source of this increase, followed by imports from the DRC (Rwf 1.4 billion) (Table 6 and Figure 6). Nearly two thirds (71 percent) of the increase in imports from new FTA partners by Rwanda is from trade creation, reflecting new trade flows, with diversion of imports away from the rest of the world making up Rwf 3.1 billion. Trade correction associated with a re-direction of imports from EAC and COMESA FTA members towards other African countries in response to the lower tariffs contributes an additional Rwf 0.7 billion.

Scenario 2 results (column 2) present the trade outcomes following liberalisation of Schedule A products in the EAC PSTC and the hypothetical Schedule B products. The exclusion of the hypothetical Schedule C products reduces the trade effect marginally, with total imports from new FTA partners in Africa rising by Rwf 10 billion (7 percent increase). SACU is again the dominant source of the increase in imports. After accounting for trade diversion (Rwf 2.9 billion) and trade correction (Rwf 0.7 billion), aggregate imports for Rwanda rise by Rwf 9.3 billion, or by 0.2 percent. This low percentage increase in aggregate imports reflects the very low share of imports currently sourced from African countries outside of the EAC and COMESA FTA. However, in the longer-term, as new trade relationships emerge, imports from the new African FTA partners can be expected to rise further.

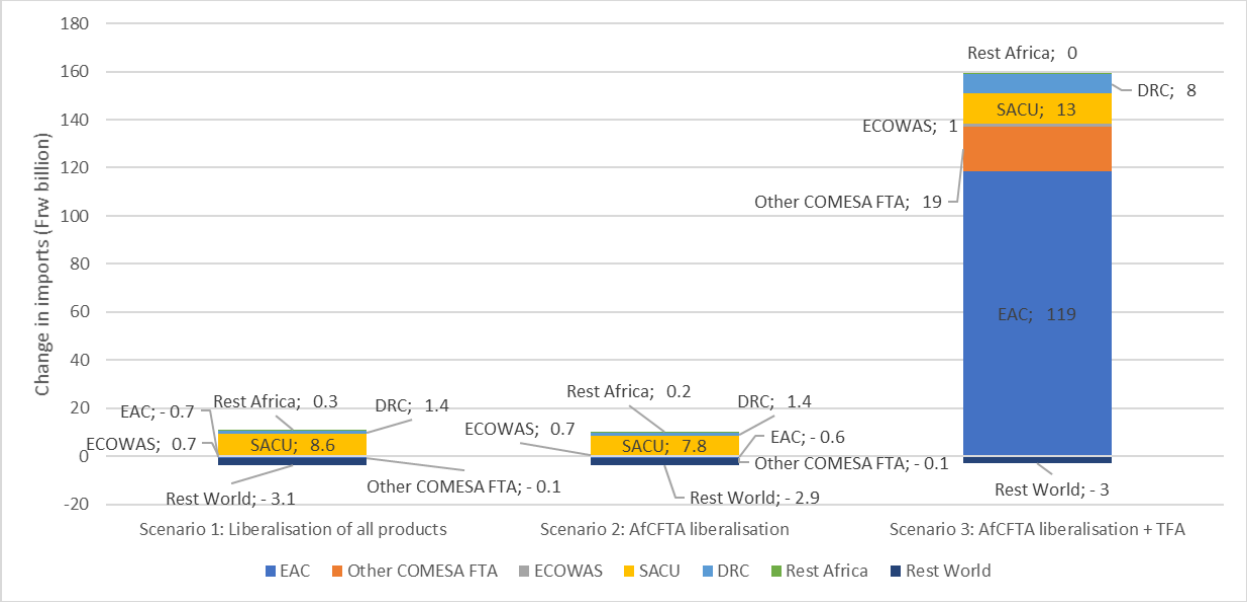
Scenario 3 in column 3 presents the trade results following liberalisation of Schedules A and B, together with a TFA. The inclusion of the TFA amplifies the trade effects. By reducing trade costs in accessing the domestic market, Rwanda's imports from new African FTA partners rises by Rwf 22.3 billion, or 15.5 percent. Imports from the EAC and COMESA FTA member states also rise in response to lower trade costs, leading to a Rwf 159.5 billion (14.5 percent) increase in total imports from Africa. The increase in imports from the EAC customs union and COMESA FTA members reflects the potential to substantially boost intra-EAC and intra-COMESA FTA trade by lowering trade costs within the regional economic communities, irrespective of the implementation of the AfCFTA.

Table 6: Impact on Rwanda's imports of goods

	Scenario 1: Liberalisation of all products	Scenario 2: AfCFTA liberalisation	Scenario 3: AfCFTA liberalisation + TFA
	(1)	(2)	(3)
Change value imports from new FTA partners in Africa (Rwf bill)	10.9	10.0	22.3
ECOWAS	0.7	0.7	1.0
SACU	8.6	7.8	12.6
DRC	1.4	1.4	8.3
Rest Africa	0.3	0.2	0.4
% Change in total imports, new FTA partners (%)	7.6	7.0	15.5
Change value imports from new FTA partners, by trade creation, diversion and correction (Rwf bill)			
From: Trade creation (Rwf bill)	7.1	6.4	6.4
From: Trade correction (Rwf bill)	0.7	0.7	0.7
From: Trade diversion (Rwf bill)	3.1	2.9	2.9
From: TFA (Rwf bill)		-	12.3
Change value imports, other countries (Rwf bill)	-3.8	-3.6	134.3
From: EAC and COMESA FTA (Rwf bill)	-0.7	-0.7	-0.7
From: Rest of world (Rwf bill)	-3.1	-2.9	-2.9
From: TFA (Rwf bill)			137.9
Change total value imports from Africa (Rwf bill)	10.2	9.3	159.5
% Change in total imports from Africa (%)	0.9	0.8	14.5
Change total value imports (Rwf bill)	7.1	6.4	156.6
% Change in total imports (%)	0.2	0.2	3.7

Note: the group *New FTA partners* cover all African countries, excluding those that are members of the EAC customs union and the COMESA FTA. Scenario 3 only covers increased imports from African countries. The TFA only considers improvements in customs procedures affecting trade between African countries. The change in total value of imports equals the sum of trade creation and TFA. In all scenarios, a preference utilisation rate of 95% is used. This is based on the actual preference utilisation rates on imports from EAC and COMESA FTA obtained from the transaction data.

Figure 6: Impact of FTA on Rwanda's imports under different liberalisation scenarios (Rwf billion)

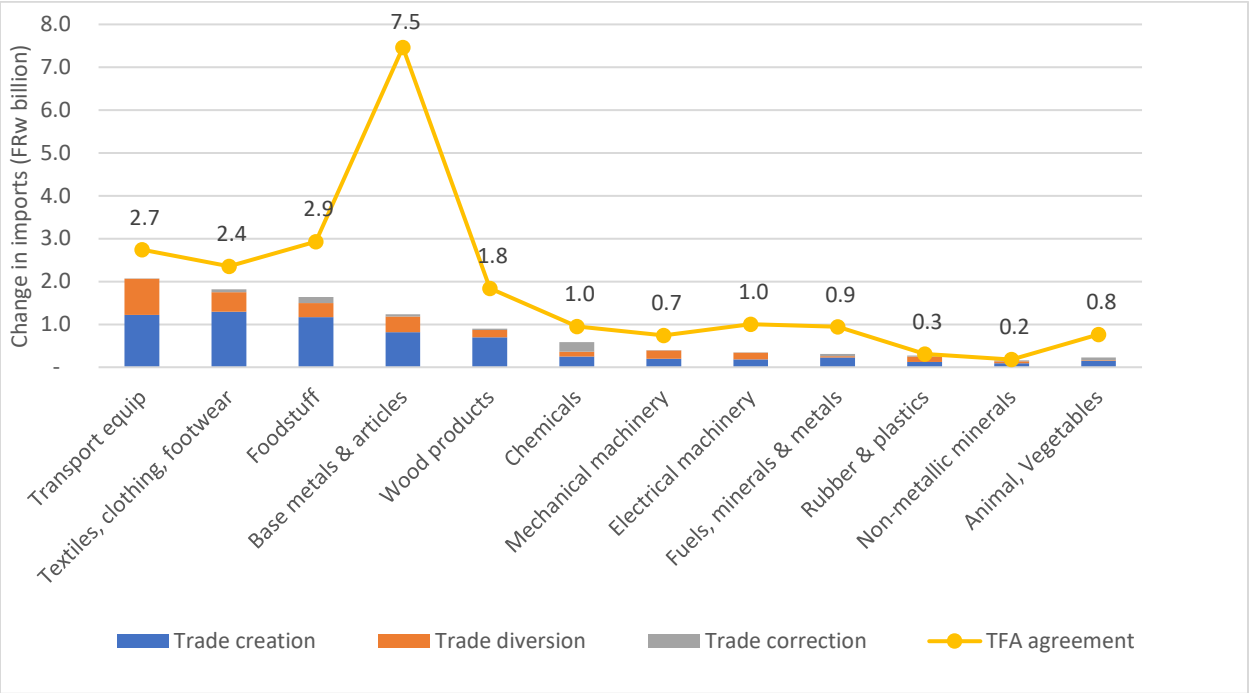


Note: See notes to Table 6.

In addition to stimulating intra-African trade, the AfCFTA also has the potential to realise the government objectives of promoting industrialization and supporting economic diversification. Kamutando et al. (2025), for example, estimate that Rwanda's exports to African countries outside of the EAC customs union and COMESA FTA could increase by $17.7 million (or 23.1 percent) following implementation of the AfCFTA. If a trade facilitation agreement is implemented, the increase in exports rises to $79.9 million. The increase in exports is broad-based, thus supporting export diversification. The largest increases in export value are found in animal and vegetable products ($ 13.1 million), base metals ($ 1.25 million) and transportation equipment ($ 1.13 million).

Similarly, the increase in intra-Africa imports by Rwanda is broad based. Figure 7 presents the simulated increase in Rwanda's imports from the new African FTA partners by industry under Scenario 2. Products from all the industries experience rising imports, with the largest increase in value found in transport equipment (mainly from SACU) (Rwf 2.1 billion or 23.7 percent increase), followed by textiles, clothing & footwear (Rwf 1.8 billion or 49.4 percent increase) and food products (Rwf 1.6 billion or 13.3 percent increase). The lowest increase in import value is for animal and vegetable products (Rwf 0.1 billion or 1.3 percent increase), followed by non-metallic minerals (Rwf 0.2 billion or 13.4 percent increase). In all cases, the TFA boosts imports further, with the largest additional increase occurring for base metals & articles thereof.

Figure 7: Impact of FTA on Rwanda's imports from new African preference partners, Scenario 2 (Rwf billion)



Notes: Based on partial-equilibrium simulation model using 2022/23-2023/24 Rwanda import transaction data. The values only cover African countries outside of the EAC and COMESA FTA. Foodstuff covers prepared food, beverages, tobacco, sugars, residues of leguminous plants.

Revenue collected

To analyse the revenue implications of the AfCFTA, Table 7 summarizes the simulated annual impact of the AfCFTA on customs tax revenues collected by Rwanda authorities after the phase-down of tariffs has been completed. The main insight from the simulated results is that the loss in import tariff duties from the AfCFTA is modest, and accounts for a small share of total government revenue. Further, additional revenues (VAT, excise duties, and other import levies) on higher imports, particularly if a TFA is implemented, help offset the loss in import duties.

Column (1) of Table 7 presents the simulated results assuming full liberalisation of tariffs on intra-Africa trade (Scenario 1). Import duty revenue falls by Rwf 4.89 billion, which is equivalent to 2.79 percent of annual import duty revenues collected each year from 2022/23 to 2023/24. The reduction in import duties collected arises from the removal of tariffs on imports from the new African preference partners, as well as from reduced imports from the rest of world that are diverted to the new preference partners.

However, the increase in imports following the AfCFTA generates additional revenues from VAT, excise duties, infrastructure development levies, motor vehicle fees and the African Union levy. A breakdown of these revenues is presented in Table 8. These additional revenues add up to Rwf 0.94 billion. Excise duties make up slightly more than half of this (Rwf 0.45 billion, partly in response to imports of beverages from South Africa), VAT contributes Rwf 0.36 billion and the infrastructure development levy a further Rwf 0.11 billion, with the remainder attributed to the African Union levy and motor vehicle fees. The additional revenue partly offsets the loss in import duty revenue. After accounting for lost import duties, and additional revenues on imports collected, the total decline in government revenue from imports under Scenario 1 is estimated to be Rwf 3.95 billion, which is equivalent to 0.16 percent of total central government revenue.

Table 7: Impact of the AfCFTA on Rwanda revenue

	Scenario 1: Liberalisation of all products	Scenario 2: AfCFTA liberalisation	Scenario 3: AfCFTA Liberalisation + TFA
Change in import duty revenue (Rwf bill)	-4.89	-4.36	-3.89
Change in other revenues on imports (VAT, excise, etc.) (Rwf bill)	0.94	0.73	20.05
Total change in total customs tax revenue (Rwf bill))	-3.95	-3.62	16.15
% change import tariff duties (%)	-2.79	-2.49	-2.22
% change total customs tax revenue (%)	-0.67	-0.62	2.75
% change total government revenue (%)	-0.16	-0.15	0.65

Notes: Total customs tax revenues include VAT, excise duties, infrastructure levies, motor vehicle fees and African Union levy. They exclude the withholding tax (some of which is deductable from income taxes), computer fees, quality inspection fees and strategic reserves levy on fuel that are also applied on imports. The TFA only considers improvements in customs procedures between Rwanda and African partner countries. It does not take into account improvements in customs procedures affecting imports from the rest of the world. Total government revenue is obtained from RRA Annual reports and excludes grants and local taxes and revenues (Rwf 2485 billion average between 2022/23 and 2023/24).

Table 8: Impact of the AfCFTA on Rwanda revenues collected on imports, by source

	Scenario 1: Liberalisation of all products	Scenario 2: AfCFTA liberalisation	Scenario 3: AfCFTA Liberalisation + TFA
Import tariff duties (Rwf bill)	-4.89	-4.36	-3.89
Excise (Rwf bill)	0.45	0.31	7.26

VAT (Rwf bill)	0.36	0.31	12.25
Infrastructure development levy (Rwf bill)	0.11	0.10	0.46
Motor levy (Rwf bill)	0.00	0.00	0.01
African Union levy (Rwf bill)	0.01	0.01	0.06
Total (Rwf bill)	-3.95	-3.62	16.15

Notes: See notes to Table 8.

Losses in customs tax revenues are concentrated in a few products. Table 9 presents the top 10 products accounting for the decline in total customs tax revenue under Scenario (1). Jointly, these products make up nearly half (46 percent, or Rwf 1.83 billion) of the decline in customs tax revenue. Losses in customs tax revenues are highest for motor vehicles with spark-ignition engines (1500cc to 2500 cc) (Rwf 0.58 billion, or 5.44 percent), which is driven mainly by lower duties collected on imports from South Africa. This is followed by a Rwf 0.27 billion (or 72.7 percent) decline in customs tax revenue collected on imports of fresh apples, also mainly from South Africa. The very large percentage decline in customs tax revenue arises because most fresh apple are sourced from within Africa, outside of the EAC and COMESA FTA areas. Other products facing large declines in customs tax revenues include iron/steel structures, beauty preparations, other passenger vehicles, liqueurs and cordial, and several woven fabric products.

Of the list of top 10 customs tax revenue loss products, only Woven fabrics of synthetic fibres, mixed with cotton, of a weight exceeding 170 g/m². (HS 55141900) are classified under Schedule A. This finding corroborates the earlier finding that Schedule A primarily targets products with low import tariffs. Should minimising revenue losses be a priority for the Rwanda revenue authorities, then Table 8 provides a guide on products the authorities should lobby to be included in Schedule C of the EAC schedule of tariff concessions. However, these products are also those that drive much of the potential increases in imports following implementation of the AfCFTA. Together, they make up 33 percent of the rise in import values. The government, therefore, faces a trade-off in the selection of Schedule C products between protection revenues and promoting intra-Africa trade.

Table 9: Main products driving change in total customs tax revenue, assuming full liberalisation under AfCFTA (Scenario 1)

HS code	Description	Initial total customs tax revenue (Rwf bill)	Change import duties (Rwf bill)	Change other customs duties (Rwf bill)	Change total customs tax revenue (Rwf bill)	Change total customs tax revenue (%)	Schedule	Main country
87033290	Passenger vehicles, diesel, cc > 1.500 cm³ but <= 2.500 cm³	10.72	-0.62	0.04	-0.58	-5.44	B	SA

08081000	Fresh apples	0.37	-0.27	0.00	-0.27	-72.67	C	SA
73089099	Structures and parts of structures, of iron or steel, n.e.s.	6.14	-0.18	0.01	-0.17	-2.70	B	SA
33049900	Beauty or make-up preparations and preparations for the care of the skin, other	3.36	-0.16	-0.01	-0.17	-4.92	B	SA
52085190	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 100 g/m², printed	0.35	-0.17	0.01	-0.15	-43.66	B	DRC
87033390	Passenger vehicles, diesel, cc > 2.500 cm³	8.55	-0.14	-0.01	-0.14	-1.68	B	Japan, then SA
73143100	Zinc coated, welded wire fencing	0.24	-0.12	0.01	-0.11	-45.22	B	SA
22087000	Liqueurs and cordials	0.81	-0.09	-0.02	-0.11	-13.05	B	SA
55141900	Woven fabrics of synthetic fibres, mixed with cotton, of a weight exceeding 170 g/m².	0.74	-0.12	0.05	-0.07	-9.49	A	Malawi
21039000	Sauces & condiments, other	1.94	-0.07	0.00	-0.07	-3.60	B	DRC
	Total	33.23	-1.92	0.09	-1.83	-5.52		
	Share total	5.66	39.24	9.11	46.43			

Notes: Total customs tax revenues include VAT, excise duties, infrastructure levies, motor vehicle fees and African Union levy. SA denotes South Africa. Because VAT and excise rates are applied to the duty inclusive price of imports, VAT and excise collections actually fall on existing imports facing lower tariff duties, as well as on imports diverted from dutiable sources. Consequently, other customs duties may actually fall, despite a rise in import value, as can be seen in several instances in the table.

Column (2) of Table 7 and Table 8 present the revenue effects under Scenario 2, where we exclude a 'hypothetical' Schedule C list of products from the AfCFTA. Of these products, only fresh apples (HS 080810) fall within the top 10 revenue loss products for Rwanda. The decline in import duty revenue at Rwf 4.36 billion is marginally smaller than under full liberalisation (Scenario 1). After accounting for other revenues collected on rising imports (Rwf 0,73 billion), the total decline in customs tax revenues (Rwf 3.62 billion) is equivalent to only 0.15 percent of total government revenue.

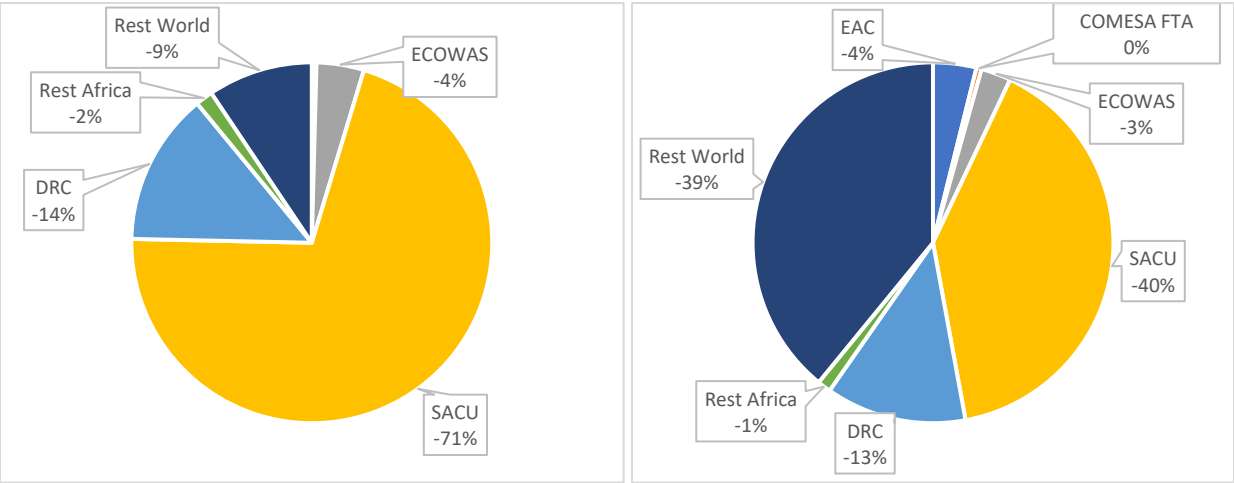
Figure 8 presents pie charts of the regional/country origins of the decline in Rwanda's import duty revenues and total customs tax revenues under Scenario 2. Reduced import duties from SACU account for a share of just over 70 percent, while imports from the DRC account for an additional 14 percent share. Loss of import duties following a diversion of imports from the rest of the world accounts for 9 percent of the total loss in import duties collected.

The share allocations are considerably different when looking at the decline in total customs tax revenues. SACU again dominates, accounting for a 40 percent share, but the rest of the world rises in importance reaching 39 percent share. This outcome is driven by the relative importance of VAT and excise duties as sources of revenue collected on imports. The loss in revenues attributed to SACU, ECOWAS, the DRC and the rest of Africa fall as new revenues are collected on rising imports from these countries. In contrast, the VAT, excise and other customs revenues contributed

by members of the EAC customs union, COMESA FTA and rest of world fall as imports are diverted from these countries to the new African FTA partners.

Figure 8: Country/regional sources of decline in Rwanda import duties and total customs tax revenues after completion of the AfCFTA tariff phase-down (Scenario 2)

(a) Import duty revenue *(b) Total customs tax revenue*

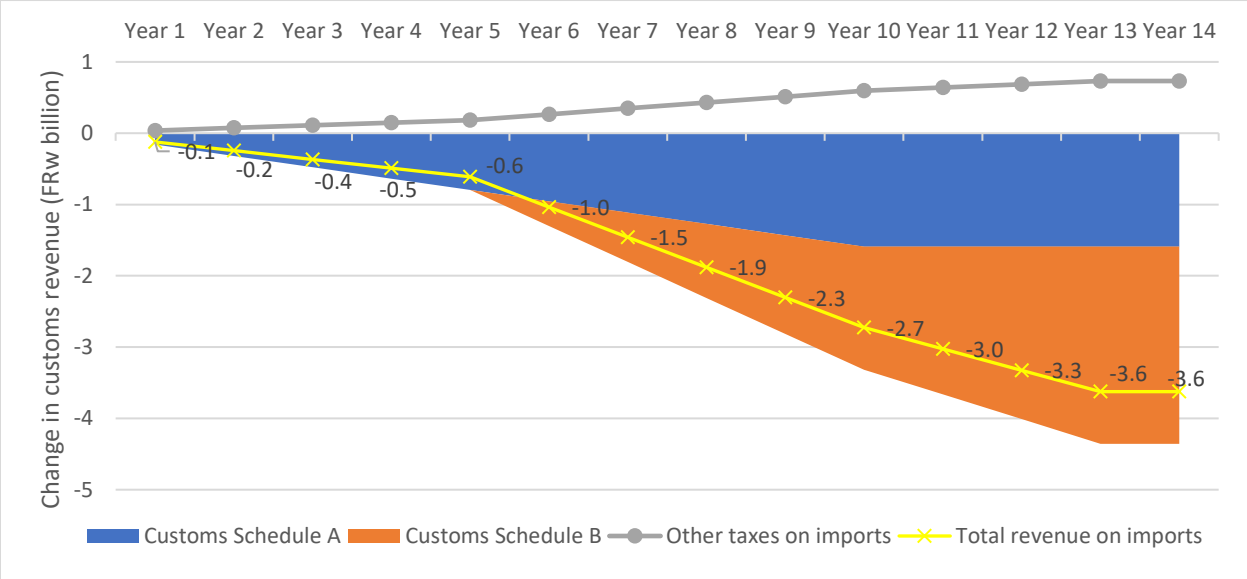


Notes: Based on Scenario (2) simulation. The decline in import duty revenue is Rwf 4.36 billion, while the decline in total customs tax revenue is Rwf 3.62 billion. Import duties collected on imports from EAC customs union and COMESA FTA members do not change as tariffs are already zero.

The inclusion of a TFA in Scenario 3, alters the estimated revenue losses considerably. Strong increases in imports from Africa generate large additional revenues of Rwf 20 billion, primarily through VAT (Rwf 12.3 billion) and excise duties (Rwf 7.3 billion) (see Table 8). The additional revenues from increased imports more than offset the losses in import duties, leading to a net positive revenue effect of Rwf 16.2 billion from imports. The increase in revenue is equivalent to 0.65 percent of the annual central government revenue over the period 2022/23 to 2023/24.

The long tariff phase-down period of the AfCFTA implies that the tariff losses are not immediate. Figure 9 plots the evolution of customs revenue losses under Scenario 3 over the 13-year phase-down period. Revenue losses are initially gradual, but then increase as Schedule B tariff reductions commence (assumed from year 6). The cumulative loss in import duties over the 13 years is Rwf 26 billion, which is just under 1 percent of total government revenue in 2023/24. Also shown in the figure is the rising positive revenue contribution from VAT, excise duties and other taxes/levies collected on growing imports from Africa over the tariff phase-in period. The revenue gains attenuate the reduction on revenue associated with falling import duties.

Figure 9: Evolution of customs revenue losses during the phase-down of tariffs under Scenario 2



Notes: Based on Scenario (2) simulation.

Robustness of findings

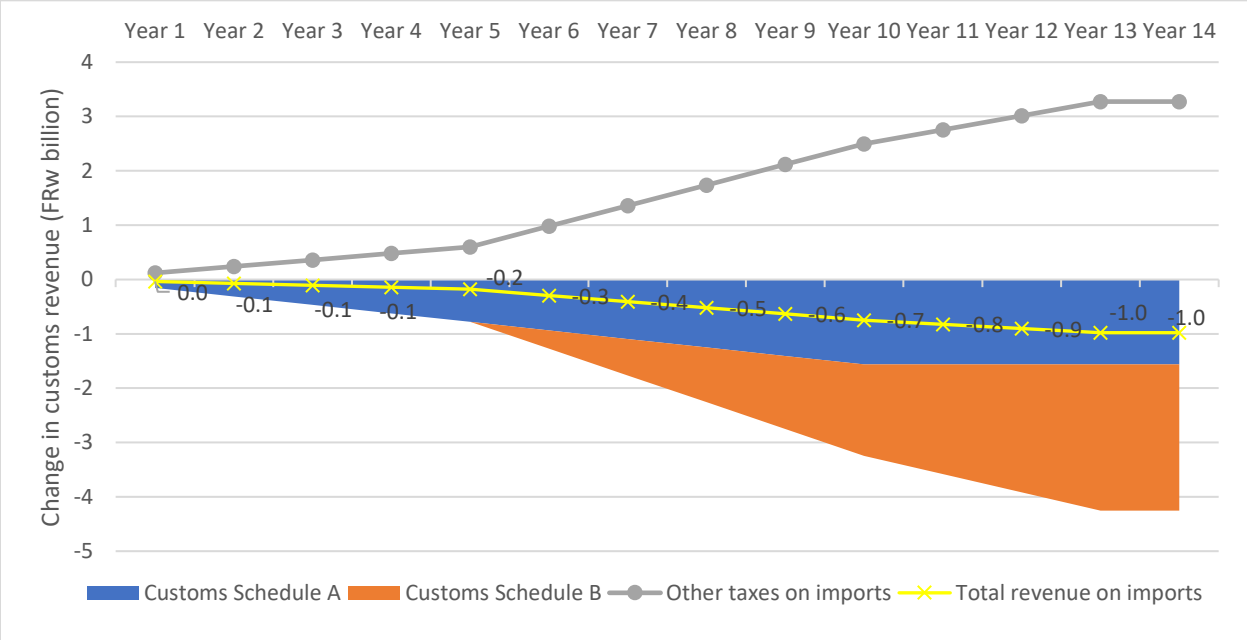
As noted, simulations of the trade and revenue effects of trade agreements are sensitive to the choice of elasticities of demand and substitution. As a check on the sensitivity of our estimates to choice of import demand elasticity, additional simulations are run using estimates of import demand elasticities at the HS4 digit level for Rwanda obtained from Utoktham et al. (2020). These demand elasticities are used in the Trade Intelligence and Negotiation Advisor (TiNA) simulation model developed by the United Nations Economic and Social Commission for Asia and the Pacific.[11] The mean import demand elasticity for Rwanda at 3.6 is higher than the 2.2 average used in the prior simulations, and ranges from 0.53 to 6.54. The elasticity of substitution is retained at 1.5.

Figure 10 presents the evolution of customs revenue losses during the tariff phase-down under Scenario 2 using the TiNA import demand elasticities. The loss in import duties is largely unaffected by the choice of import demand elasticity. However, the loss in annual customs tax revenues after the phase-down of tariffs is complete fall considerably from Rwf 3.6 billion to Rwf

[11] https://tina.trade/app/dashboard/HKG-SOM/home. To deal with outlier values, the elasticities are restricted to lie between the 5th and 95th percentile.

1 billion. This arises because the higher average import demand elasticities result in substantially higher import responses. For example, imports from new African FTA partners rises by Rwf 17.7 billion (12.2 percent) compared to the Rwf 10 billion in the prior simulations. This increase in imports raises additional VAT, excise and other import tax revenues, which offset most of the loss in revenue from import duties. Overall, the results using the alternative import demand elasticities, broadly corroborate the prior finding of relatively low revenue losses for Rwanda from the AfCFTA.

Figure 10: Evolution of customs revenue losses during the phase-down of tariffs under Scenario 2 using TiNA import demand elasticities



Notes: Scenario 2 simulation using HS 4-digit import demand elasticities for Rwanda obtained from Utoktham et al. (2020).

Revenue losses as a share of duty exemptions

Rauschendorfer and Twum (2022) highlight the wide-spread use of Stays of Application (SoA) and firm-level duty exemptions through the Duty Remission Scheme (DRS). Further, duty remissions reduce potential revenue that is collected on imports. In addition, exemptions on

VAT[12], excise duties and other taxes on imports are widely granted. For example, lists of goods exempt from VAT are provided by Ministry of Health and Ministry of Agriculture and Animal Resources provide, while VAT and duty exemptions are granted to approved investors, including on construction material for the Manufacture and Build to Recover Programme (MBRP).

To evaluate these exemptions further, Table 10 draws on the import transaction data to present the average annual value of tariff duties and VAT on imports that is collected and exempted over the fiscal years 2022/23 and 2023/24. Exempted import duties exclude goods imported duty free under the EAC customs union and COMESA FTA. Further, the calculation of exempted duties assumes import values would remain unchanged if the import duties or VAT were imposed, which will exaggerate the value of potential revenue lost, as imports would be expected to fall in response to higher duties. Nevertheless, the effect of wide-spread exemptions on potential duties collected is evident in the table.

On average, Rwf 143 billion in import duties were exempted each year, implying that up to 45 percent of potential import duties were 'lost' through exemptions.[13] Collection efficiency was lowest on imports from COMESA FTA members (4.6 percent), followed by imports from the rest of Africa group (15 percent). Using the national customs processing code (cpcnat) to identify why the exemptions were granted reveals that more than half (57 percent) of the remissions from import duty are attributed to imports by approved investors.[14]

'Lost' revenue from exemptions of VAT on imports are substantially larger. In total, the VAT exemptions on imports are equivalent to Rwf 314 billion. This implies a VAT collection efficiency rate of only 45.5 percent. The bulk of this is made up of VAT exemptions on imports from the rest of world group (given its high import value), but when looking at collection efficiency, the lowest rates are found for Rest of Africa (9.3 percent) and ECOWAS (27.7 percent). Goods imported by approved investors account for 38 percent of the exempted revenue, followed by goods appearing on the Ministry of Health list (10.9 percent), non-specific transactions (9.8 percent) and then imports of petroleum (8 percent).

[12] See, for example, https://www.rra.gov.rw/fileadmin/user_upload/Law_amending_the_2023_VAT_law___May_2025.pdf

[13] Note that potential loss in revenue is exaggerated upwards by assuming import values would remain constant if the duties were imposed.

[14] Investors under R67 and Gazetted for ICD exemption (cpcnat code RD9) and RDB Investor with ICD removed by gazette/Duty remission (cpcnat code RD6).

What are the implications of these values for offsetting revenue lost from the AfCFTA? Offsetting the Rwf 3.6 billion loss in total customs tax revenue under simulation 2, would require an improvement in collection efficiency of import duties from the rest of the world group by one percentage point from 57.5 percent to 58.7 percent. To offset the revenue loss through increasing VAT revenue, would require increasing the VAT collection rate by 0.6 percentage points from 45.5 percent to 46.1 percent. While crude estimates, these numbers indicate that small improvements in collection efficiency would be sufficient to offset the losses in customs tax duties from the AfCFTA.

Table 10: Tariff duties and VAT on imports collected and exempted, average for fiscal years 2022/23 and 2023/24

	Import duties			VAT		
	Collected (Rwf billion)	Exempted (Rwf billion)	Collection efficiency (%)	Collected (Rwf billion)	Exempted (Rwf billion)	Collection efficiency (%)
EAC	3.5	5.4	39.2	70.7	32.4	68.6
Other COMESA FTA	0.5	9.4	4.6	10.3	7.3	58.6
ECOWAS	0.2	0.1	67.1	0.2	0.4	27.7
SACU	3.8	1.1	77.2	4.9	4.4	53.1
Rest Africa	0.8	4.3	15.0	1.1	10.3	9.3
Rest World	166.4	123.2	57.5	175.2	259.5	40.3
Total	175.1	143.4	55.0	262.2	314.2	45.5

Notes: Own calculations using Rwanda import transaction data for 2022/23 and 2023/24. Exempted import duties exclude goods imported duty free under the EAC customs union and COMESA FTA. VAT values exclude a 15 percent refund. Revenue from all transactions are included, even if the tax liabilities are not yet fully paid (i.e. products not classified as "R" in the SERIE.QUITTANCE field are included). Exempted duties assume import values would remain unchanged if duties were imposed, which will exaggerate the value of potential revenue lost, as imports would be expected to fall in response to higher duties.

4. Conclusion and recommendations

This paper presents an analysis of the revenue implications of the AfCFTA for Rwanda. It extends available estimates by using transaction level data for imports by Rwanda over the fiscal years 2022/23 and 2023/24. This data allows us to identify whether import duties are actually collected on imports or exempted. The extensive use of exemptions and rebates on import duties imply that the statutory tariff rate is an inadequate measure of the applied rate. Available studies using statutory tariff rates, therefore, present distorted and exaggerated estimates of the revenue losses

from the AfCFTA. Further, the study provides a more comprehensive assessment of the total loss in customs tax revenue after accounting for VAT, excise duties and other customs duties imposed on imports. While the elimination of import tariffs on intra-Africa trade reduces import duties (directly and from the diversion of imports away from the rest of the world), rising imports from new African FTA partners generate new revenues from VAT, excise duties and other customs taxes that can offset these losses. The import transaction data also reports whether the VAT, excise and other duties on import transactions are collected or exempted, thereby enabling more precise estimates of change in total customs tax revenues associated with the AfCFTA. Finally, the study draws on the EAC PSTC, thereby aligning the simulations of the effect of AfCFTA more closely to the actual tariff offer being made.

Our estimates are short- to medium-term and focus on border-tax channels. They include preference-induced tariff reductions, associated VAT/excise collections on higher import volumes, and current exemption/remission behaviour. They do not include: (i) services-trade liberalisation, (ii) domestic production responses and value-chain deepening, (iii) extensive-margin variety gains, (iv) compliance drift (up or down) beyond observed baselines, or (v) macro feedbacks through firm entry/exit and factor incomes. Where choices were required, we adopted conservative assumptions to avoid overstating net positives.

Several key findings follow from the analysis. Firstly, the AfCFTA has the potential to significantly boost Rwanda's trade within the continent, particularly if the agreement is accompanied by implementation of a trade facilitation agreement. Rwanda has already made considerable progress in opening up to intra-Africa trade through is membership in the EAC customs union and the COMESA FTA. However, high tariff barriers continue to restrict trade with the rest of the continent leading to very low values of imports that are concentrated in few products. The simulations indicate that the AfCFTA has the potential to boost Rwanda's existing imports from outside of the EAC and COMESA FTA by 7 percent in the short- to medium-term. This rises to over 15 percent if intra-Africa trade costs are reduced through implementation of a TFA. Other research shows that the AfCFTA also has the potential to boost Rwanda's existing exports into Africa by up to 23 percent (Kamutando et al., 2025). In the longer-term, intra-Africa trade flows will rise further as trade in new products is stimulated. The increases in intra-Africa trade are largely manufactured goods and processed agricultural products, thereby contributing towards the government objectives of promoting industrialization and supporting economic diversification (Government of Rwanda, 2024).

Secondly, the potential loss in import duties from integration under the AfCFTA are modest. Liberalisation of all products is estimated to only reduce import duties by Rwf 4.89 billion, or 2.79

percent of total revenue from import duties. Excluding a sample of high revenue generating products for EAC members, reduces this loss further to Rwf 4.36 billion. However, the net loss in revenue is smaller, as rising imports from Africa generate additional revenues from VAT, excise duties and other customs taxes imposed on imports. Including these additional revenues results in a net reduction in total customs tax revenue of Rwf 3.62 billion, which is equivalent to 0.6 percent of total customs tax revenue or 0.15 percent of total government revenue. If a TFA is imposed, the large boost in imports from Africa more than offsets the loss in import duties, leading to a net gain in revenue of Rwf 16.2 billion. Finally, the revenue losses are attenuated or delayed by the inclusion of many high import revenue-generating items in Schedule B and C of the EAC PSTC. This provides the Rwandan authorities with time to implement alternative revenue generating policies to offset the decline in import duties.

Several policy implications follow from the analysis.

A. Reducing trade costs

The imperative of reducing trade costs, not only within Rwanda and the EAC, but also within Africa has already been widely emphasised (World Bank, 2020; Kamutando et al., 2025). Lower trade costs will be realised through implementation of the annexes to the AfCFTA Protocol on Trade in Goods covering topics such as Customs Cooperation, Trade Facilitation, Non-Tariff Barriers, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Transit, Trade Remedies, Tariff Schedules, and Rules of Origin. Rwanda, for example, has made good progress in extending the mandate of their existing National TFC to cover AfCFTA implementation and related issues (Sebahizi et al., 2023). However, realising the gains from lower trade costs requires co-ordinated action across AfCFTA member states.

Suggestions include strengthening the institutional structures, such as the establishment of a supra-regional EAC-level Trade Facilitation Committee (TFC), to harmonizing, align and drive the implementation of each country's AfCFTA and World Trade Organisation (WTO) trade facilitation agreements (Kamutando et al. 2025). Erasmus (2020) also argues that the resolution of identified non-tariff barriers is undermined by the lack of a supra-national institution mandated to ensure compliance with regards to implementation of the AfCFTA annexes. Currently, disputes on non-tariff are to be resolved bi-laterally with the home states acting on behalf of traders or firms. This process is argued to be ineffective by Erasmus (2020), as countries are loath to declare formal disputes against each other.

B. Tax policies to mitigate customs revenue losses from the AfCFTA.

The revenue losses from the AfCFTA are modest and, therefore, do not necessarily require substantial changes in existing policies to improve revenue collections. However, these minimal losses are driven by the ability of VAT revenues to offset tariff revenue reductions. In the absence of strong compliance and the presence of a narrow taxbase, these replacements effects evaporate. Therefore, continued tax policy reforms by the Rwandan Revenue Authorities to broadening the tax base, streamlining expenditures, and enhancing compliance, enforcement, and tax collection efficiency are of great import.[15] [16] New measures approved by Cabinet on 10 February 2025 include VAT on mobile phones and selected telecommunication equipment, increases in the fuel levy and registration fees for imported vehicles, gambling taxes, excise tax increases on beer, tobacco, and telecommunication services, import duty on cosmetics, and reinstating the VAT on hybrid vehicles (IMF, 2025).

The estimates presented in this paper, suggest that marginal reductions in the granting of duty exemptions and/or VAT exemptions have the potential to offset the losses in customs tax revenues. Not calculated here are the potential losses in import duties arising from the Stays of Application that Rwanda primarily uses to lower the cost of productive inputs (Rauschendorfer and Twum, 2022). Historically, Rwanda has been relatively generous in providing tax incentives for foreign direct investment and domestic investment (Action Aid, 2011). Tightening up on the granting of exemptions and use of Stays of Application, however, would require careful considerations of the cost implications for importing firms and the impact on production and for consumers when these exemptions/Stays of Application apply to intermediate inputs or key consumer goods (e.g. wheat, maize).

Nevertheless, there is considerable scope to rationalise the use of duty rebates and Stays of Application. One reason duty rebates are used extensively, as argued by Frazer and Rauschendorfer (2019), is to deal with the misclassification in the EAC CET of intermediate goods used by manufacturing firms in production. Re-classifying products in the CET to ensure tariffs on intermediate inputs are zero, would improve cost competitiveness of Rwandan exporters (Rauschendorfer et al., 2021). Rwanda could also make greater use of the Stays of Application that apply to all importers rather than the firm-specific duty remissions that are more accessible to large firms (Kamutando et al., 2025).

[15] See for example, the measures approved by the Cabinet on 10 February 2025 (https://www.minecofin.gov.rw/index.php?eID=dumpFile&t=f&f=118017&token=8c7ac3c148ee55e908856a91fb896e802c4b1a3f) and published in the Rwanda Government Special Gazette dated 2025-05-29.

[16] Analysis of the VAT tax data for Rwanda by Mascagni et al. (2019), for example, reveals potential losses in VAT revenue from discrepancies in the reporting of transactions by one of the trading partners.

C. Exclusion of Schedule C products from the AfCFTA

The EAC is still in the process of finalising the list of Schedule B and C products to be included in the STC. Our analysis of the PSTC reveals that Schedule A has largely targeted products with tariffs that are already low. Further, the simulation of a full liberalisation scenario reveals that the revenue losses from the AfCFTA are concentrated in a few products. Passenger vehicles (HS 87033290 and HS 87033390), for example, make up 18 percent of the overall loss in customs tax revenue. One option is for Rwanda authorities to lobby for the inclusion of these high customs tax revenue generating items to be excluded from the AfCFTA. This can be achieved by for example, prioritising Schedule C candidates with (i) top decile tariff-revenue per HS6 line, (ii) high diversion risk from ROW, and (iii) low forward/backward linkages to domestic value chains.

Consideration should also be placed on the extent to which the increased imports are driven by trade diversion. Trade diversion reduces the welfare gains from the AfCFTA in that consumers do not fully benefit from lower prices following the tariff reductions, and the government loses tax revenue (Kamutando et al., 2025). High tariffs, including the 25 percent on assembled passenger vehicles, raise the potential for trade diversion. For example, 41 percent of the imports of assembled passenger vehicles from South Africa following liberalisation is driven by trade diversion, compared to 29 percent average for all products. Other products with high tariffs include food products. However, excluding these from the AfCFTA will disproportionately affect poor consumers who spend higher shares of their expenditure on food products. In these cases, the option is for the government to avoid trade diversion is to lobby for lower EAC CET, or, if this is not feasible, to make use of the Stays of Application to reduce external tariffs for these goods imported into Rwanda.

Lastly, a majority of trade tax revenues in Rwanda emanate from trade with the rest of the world apart from African trading partners. As such efforts towards growing Rwandan trade and diversifying trading partners and products will be key to the preservation and growth of related fiscal revenues from trade.

In general, a strategy whereby Rwanda authorities implement policies to lower trade costs, improve domestic supply conditions and facilitate the finding of new markets for exporters following the AfCFTA, will be more effective in generating revenues through increased corporate and personal income taxes from exporter growth, than the exclusion of products from the AfCFTA.

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Annex A: Additional tables and figures

Table A1: Estimates of revenue loss for Rwanda following implementation of the AfCFTA

Study	Effect	AfCFTA tariff liberalisation	Model
Tariff revenue change ($ millions)			
Jensen & Sandrey (2015)	-3.0	100% tariff liberalisation	GTAP CGE Static model (database 9.2) with base year data for 2011, 24 sub-regions in Africa and 20 sectors.
Jensen & Sandrey (2015)	-2.0	100% tariff liberalisation with 20% reduction in time cost to transit	GTAP CGE Static model (database 9.2) with base year data for 2011, 24 sub-regions in Africa and 20 sectors.
Shinyekwa, Bulime & Nattabi (2020)	-3.9	Liberalisation of Schedules A & hypothetical B	SMART model using trade and statutory applied tariff data for 2018 and Schedule of Tariff Concessions proposed by Kenya.
Mureverwi (2016)	-5.0	100% tariff liberalisation	Uses Dynamic GTAP model with GDyn v8.1 database benchmarked to 2007 data, 31 sectors and 21 countries or regions.
UNECA (2020)	-6.0	100% tariff liberalisation	GTAP withGTAP 10.0 database, base year data for 2014, six individual countries in East Africa, a 'Rest of East Africa' group and 10 sectors.
Mendez-Parra and Agarwal (2023)	-41.4	100% tariff liberalisation	SMART model based on 2021 trade and statutory tariff data.
Edwards et al. (2024)	-6.4	100% tariff liberalisation	SMART model based on 2019 trade and statutory tariff data.
Edwards et al. (2024)	-0.98 to - 3.1	Liberalisation of Schedules A & hypothetical B	SMART model based on 2019 trade and statutory tariff data, with collection efficiency estimates ranging from 64% to 100%, and preference utilisaton rates from 60.8% to 100%.
Kamutando et al. (2025)	-5.5, or - 4.8 if TFA implemented	Liberalisation of Schedules A & hypothetical B	SMART model based on import transaction data for 2018
Tariff revenue change (%)			
World Bank (2020)	-0.28%	90% tariff lines liberalised. Annual losses from year 6	TRIST model based on trade and statutory tariff data (year not shown)
Total customs tax revenue change ($ million)			
Kamutando et al. (2025)	-4.36, or 5.4 if TFA included	Liberalisation of Schedules A & hypothetical B	SMART model based on import transaction data for 2018

Table A2: List of hypothetical Schedule C products

HS Code	Short Description
170199	Cane or beet sugar, refined (excl. flavoured/coloured)
100590	Maize (corn), other than seed
721420	Bars and rods of iron/steel, hot-rolled, twisted
080810	Apples, fresh
340250	Surface-active washing preparations (incl. detergent powders)
220421	Wine of fresh grapes, in containers ≤2 litres
721070	Flat-rolled iron/steel, painted, varnished or coated with plastics
854449	Insulated electric conductors, for voltage ≤1,000 V
480256	Uncoated writing/printing paper, weight 40–150 g/m²
721049	Flat-rolled iron/steel, plated or coated with zinc
210210	Yeasts, active
190219	Pasta, uncooked (excl. stuffed or otherwise prepared)
170114	Cane sugar, raw, in solid form without added flavouring/colouring

Notes: Top revenue generating products imported by the EAC from the rest of Africa, based on statutory tariff data.

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