THE REPUBLIC OF RWANDA

U.S.$400,000,000
6.625 per cent. Notes due 2023
Issue Price: 98.213 per cent.

The issue price of the U.S.$400,000,000 6.625 per cent. Notes due 2023 (the "**Notes**") of the Republic of Rwanda ("**Rwanda**", the "**Republic**" or the "**Issuer**") is 98.213 per cent. of their principal amount. Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 2 May 2023.

The Notes will bear interest from 2 May 2013 at the rate of 6.625 per cent. per annum payable semi-annually in arrear on 2 May and 2 November in each year commencing on 2 November 2013. Payments on the Notes will be made in US dollars without deduction for or on account of taxes imposed or levied by the Republic of Rwanda to the extent described under "Terms and Conditions of the Notes–Taxation".

The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes the Issuer which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market.

The Notes are expected to be rated B by Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**") and B by Fitch Ratings Ltd. ("**Fitch**"). All references to S&P and Fitch included in this document are to the entities as defined in this paragraph A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of S&P and Fitch is established in the European Union and registered under Regulation (EC) no 1060/2009 (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation, unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is pending.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS DESCRIBED IN "*RISK FACTORS*" BEGINNING ON PAGE 6.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States only to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on, and in compliance with, Rule 144A ("**Rule 144A Notes**"); and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**") ("**Regulation S Notes**"). Each purchaser of the Notes will be deemed to have made the representations described in "Subscription and Sale" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

Neither the Prospectus nor the Notes are required to be registered or cleared under the regulations of the Rwandan Capital Market Authority (the "**Rwandan CMA**").

The Notes will initially be represented by two global certificates in registered form (the "**Global Certificates**"), one of which will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the "**Restricted Global Certificate**") and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") and the other of which will be issued in respect of the Notes offered and sold in reliance on Regulation S (the "**Unrestricted Global Certificate**") and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Certificates will be made on 2 May 2013 or such later date as may be agreed (the "**Closing Date**") by the Issuer and the Joint Lead Managers (as defined under "*Subscription and Sale*").

JOINT LEAD MANAGERS

BNP PARIBAS **CITIGROUP**

The date of this Prospectus is 26 April 2013

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Issuer, having taken all reasonable care and made all reasonable enquiries to ensure that such is the case, this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer.

Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers or any of their respective affiliates.

None of the Joint Lead Managers or any of their respective affiliates has independently verified or authorised the whole or any part of the information contained herein. Accordingly no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or their respective affiliates as to the accuracy or the completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes.

No Joint Lead Manager or its respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or in any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer of, or an invitation to subscribe for or purchase, any Notes.

IMPORTANT NOTICES

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus, or that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or that any other information supplied in connection with the offering, sale or delivery of Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and their respective affiliates expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes nor to advise any investor in the Notes of any information coming to their attention.

This Prospectus constitutes a prospectus for the purposes of the Prospectus Directive.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "**Subscription and Sale**".

Generally, investment in emerging markets such as Rwanda is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment.

Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Rwanda are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.$**", "**US dollars**" or "**dollars**" are to United States dollars, references to "**€**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**Rwfr**" or "**franc**" are to Rwandan Francs, references to "**£**" or to "**Pound Sterling**" are to Great British Pounds and references to "**RMB**" are to the official currency of the People's Republic of China. References to "**billions**" are to thousands of millions.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In connection with the issue of the Notes, BNP Paribas (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or overallotment must be conducted by the Stabilising

Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

This Prospectus is being furnished on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. This Prospectus is being furnished only (1) to a limited number of investors in the United States only to persons reasonably believed to be QIBs and (2) to investors outside the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of their contents or use of any information herein or therein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Prospectus agrees to the foregoing.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus, as well as written and oral statements that the Issuer and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward-looking statements.

Statements that are not historical facts, including, without limitation, statements about the Issuer's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and similar expressions generally identify forward-looking statements but are not the exclusive means of identifying such statements. Therefore, undue reliance should not be placed on them. The Issuer has based these forward-looking statements on its current view with respect to future events and financial results.

Forward-looking statements speak only as of the date on which they are made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy, including privatisations, and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product, inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (iv) estimates of external debt repayment and debt service.

The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this Prospectus identifies important factors that could cause such differences, including, but not limited, to the following adverse external factors, such as:

- changes in international commodity prices, particularly tea, coffee and certain minerals, foreign exchange rates or prevailing interest rates, which could adversely affect Rwanda's balance of payments and external reserves;
- climate changes or drought;
- a deterioration of global economic conditions which could cause continued volatility in global exchange rates, food and oil prices, reduced net capital inflows and the exposure of Rwandan banks to bad debt; in addition to a decline in tourism levels;
- a delay or suspension in the provision of foreign aid;
- any deterioration in investor perceptions;
- regional political and military instability, particularly in the Democratic Republic of Congo ("**DRC**"), which could have an effect on regional trade; and, if local involvement and resources are required, there could be a further direct material adverse effect on Rwanda's economy,

and the following adverse domestic factors, such as:

- any failure of the Government to meet its economic growth and reform objectives and any failure or inability to continue to implement economic and fiscal reforms;
- any failure of the Government to address high levels of poverty, income inequality, infrastructure and energy inadequacies and the informal sector;
- changes in the economic or other policies of the Government, including monetary and fiscal policy applicable in Rwanda, which could affect inflation, growth rates and/or other aspects of the Rwandan economy;
- any deterioration in political stability; and
- a failure to find solutions to environmental problems, such as deforestation, soil exhaustion and erosion and natural hazards, which could have an adverse effect on the agricultural sector and the economy of Rwanda.

The sections of this Prospectus entitled "*Risk Factors*", "*The Republic of Rwanda*" and "*The Economy*" contain a more complete discussion of the factors that could adversely affect the Issuer. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

EXCHANGE RATE HISTORY

The Rwandan Franc has been selected as the functional and presentation currency for the purpose of this Prospectus, as the majority of Rwanda's operations are denominated, measured, or funded in Rwandan Francs.

The following table sets forth, for the periods indicated, the high, low, average and year end official rates set by the National Bank of Rwanda, in each case for the purchase of Rwanda Francs, all expressed per US dollar. These translations should not be construed as representations that Rwandan Franc amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated as of any of the dates mentioned in this Prospectus or at all.

	Period End	Average	High	Low
	(Rwandan Franc/US Dollar)			
Month				
October 2012	627.17	625.24	627.17	623.04
November 2012	629.73	628.77	629.73	627.37
December 2012	631.41	630.99	631.46	630.05
January 2013	632.24	631.29	632.24	630.41
February 2013	634.16	633.25	634.16	632.35
March 2013	635.75	634.98	635.75	634.06

	Period End	Average	High	Low
	(Rwandan Franc/US Dollar)			
Year				
2007	544.22	547.01	549.54	544.22
2008	558.90	546.85	558.90	542.71
2009	571.24	568.28	571.25	558.90
2010	594.45	583.13	594.45	571.14
2011	604.14	600.30	604.14	594.95
2012	631.41	614.30	631.41	603.96

Source: National Bank of Rwanda

The US dollar versus Rwanda franc National Bank of Rwanda exchange rate on 24 April 2013 was U.S$.638.9078 per 1 Rwandan Franc.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Annual information presented in this Prospectus is based upon 1 January to 31 December periods unless specified as information that is for the fiscal year of the Issuer (which runs from 1 July to 30 June) or unless otherwise indicated. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Issuer including the National Bank of Rwanda, the Ministry of Finance and Economic Planning and the National Institute of Statistics of Rwanda. Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the "**IMF**"), the International Bank for Reconstruction and Development (the "**World Bank**") and other third parties. Where such third party information has been so sourced the source is stated where it appears in this Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by a ministry or an agency of the Issuer may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions or methodology. Certain historical statistical information contained herein is based on estimates that the Issuer and/or its agencies believe to be based on reasonable assumptions. The Issuer's official financial and economic statistics for previous periods are subject to review as part of a regular confirmation process. Accordingly, financial and economic information for previous periods may be subsequently adjusted or revised and may differ from previously published financial and economic information. In particular, estimates of financial and statistical information as at and for the year ended 31 December 2012 in this Prospectus may be preliminary estimates. While the government of the Republic of Rwanda (the "**Government**") does not expect revisions to be material, no assurance can be given that material changes will not be made.

Exchange rates used for import expenditures referenced in this Prospectus are based on the relevant monthly average interbank rate as published by the National Bank of Rwanda.

References to gross domestic product ("**GDP**") are to nominal GDP unless indicated otherwise.

Rwanda participates in the IMF's General Data Dissemination System ("**GDDS**"), which is designed to guide all member countries in the provision of their economic and financial data to the public. Data covered includes the real, fiscal, financial and the external sectors as well as socio-demographic data. By participating in the GDDS Rwanda has undertaken to:

- use the GDDS as a framework for statistical development;
- designate a country coordinator; and
- provide metadata to the IMF describing the current practices and plans for short- and long-term improvements in these practices.

A summary of the methodology under which Rwanda prepares its metadata is found on the internet under the IMF's Dissemination Standards Bulletin Board. Rwanda's metadata may be found on the IMF's website at www.imf.org.

Websites included in this Prospectus and information therein do not form part of this Prospectus.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in jurisdictions outside Rwanda (including judgments predicated upon civil liability provisions of the securities laws of the United States or any state or territory within the

United States) against the Issuer without compliance with the enforcement procedure for foreign judgments in Rwanda. The Issuer will irrevocably appoint the Rwandan High Commissioner in London as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English court. The Issuer has agreed that any claims or disputes arising in respect of the Notes shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration. The Republic of Rwanda is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

A judgment by a Rwandan court will ordinarily be awarded in Rwandan Francs, but may be awarded in a foreign currency. Similarly, when enforcing a foreign judgment awarded in a currency other than Rwandan Francs, a Rwandan court may convert such award into Rwandan Francs. In that event, there may be a discrepancy between the rate of exchange used by the Rwandan court to convert such award into Rwandan Francs, and the rate of exchange which may be obtained in the market to convert such award from Rwandan Francs back into another currency. A Noteholder who is awarded a judgement may therefore incur a loss as a result of such exchange rate differences. A currency indemnity has been included in the terms and conditions (see Condition 16 (*Currency Indemnity*)), however, the cost of enforcement of such condition may nevertheless result in a loss by such Noteholder. Any payment to be made from Rwanda pursuant to any judgment will not require a Rwandan Exchange Control Approval.

To the extent that the Issuer may in any jurisdiction claim or acquire for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer irrevocably agrees for the benefit of the holders of Notes not to claim, and irrevocably waives, such immunity, to the fullest extent permitted by the laws of such jurisdiction. The waiver of immunity will have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and the State Immunity Act 1978 of the United Kingdom and is intended to be irrevocable for the purposes of such acts, but shall otherwise constitute a limited and specific waiver for the purpose of the Deed of Covenant, the Agency Agreement (as defined herein) and the Notes. The Issuer does not thereby waive such immunity from execution or attachment, or like process, in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Issuer or (c) property located in the territory of the Republic of Rwanda of which the ownership vests in the government of the Republic of Rwanda and is dedicated to a public or governmental use (as distinct from property dedicated to a commercial use) and furthermore Rwanda has not consented to service or waived sovereign immunity with respect to actions brought against it under the US federal securities laws or any state securities laws. In the absence of a waiver of immunity by Rwanda with respect to such actions, it may not be possible to obtain a judgment in such an action brought in a US court against Rwanda unless such court were to determine that Rwanda is not entitled under the Foreign Sovereign Immunities Act of 1976 of the United States to sovereign immunity with respect to such action.

Under Organic Law No. 06/2012/OL of 14/09/2012 determining the organisation, functioning and jurisdiction of Commercial Courts, the enforcement of foreign court judgments in Rwanda is subject to the following conditions:

- whether the foreign judgment does not contradict public order or basic legal tenets of Rwandan public laws;
- whether the case was finally heard and determined in accordance with the laws of the country in which the judgment was rendered;
- whether a copy of the judgment is by all means authentic in accordance with the laws of the country in which the judgment was rendered; and
- whether the right of defence was respected.

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OVERVIEW

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" below prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Prospectus. See "The Republic of Rwanda", "The Economy", "Foreign Trade and Balance of Payments", "Public Finance", "Public Debt" and "Monetary System", amongst others, for a more detailed description of the Issuer.

Overview of the Republic of Rwanda

General

The Republic of Rwanda occupies approximately 26,338 square kilometres of landlocked country in Central Africa and is bordered by the DRC to the west, Uganda to the north, Tanzania to the East and Burundi to the south. The capital of Rwanda is Kigali, which is situated in the centre of the country. According to the National Institute of Statistics of Rwanda, the population of Rwanda at the end of 2011 stood at 10,718,379, with 85.2 per cent. (9,132,059) in rural areas and 14.8 per cent. (1,586,320) in urban areas. According to the CIA World Factbook, the annual population growth of Rwanda was 2.75 per cent. in 2012, which represents the 19th highest in the world.

On 1 July 1962 the Belgian trusteeship was terminated and Rwanda gained full independence. Following the civil war and genocide of 1994, Paul Kagame led a transitional coalition government. A new constitution was adopted in 26 May 2003, paving the way for presidential and legislative elections. The new constitution featured the principle of the separation of powers, a bi-cameral parliament in a semi-presidential system, human and civil rights, party pluralism with balances and controls, including a range of institutions established to promote the process of national unity and reconciliation.

The executive branch of government is currently led by Paul Kagame who is a member of the Rwandan Patriotic Front (the "**RPF**") party and who was re-elected for a second and final term in August 2010. The legislative branch consists of the Senate and the Chamber of Deputies, which together constitute the Rwandan Parliament. Following a transitional period (1994-2003), the first legislature of the Chamber of Deputies commenced in 2003 and ended in 2008 and the second legislature commenced in 2008 and will end in 2013. The RPF won the 2008 elections in coalition with six small parties, taking 42 of 53 directly-elected seats in the Chamber of Deputies. As provided in the constitution, 24 seats in the Chamber of Deputies were accorded to women candidates in indirect elections and women now hold 45 of the 80 seats in the Chamber of Deputies. Senators are appointed by a variety of institutions, including local governments and the President. The first legislature of the Senate commenced in 2003 and ended in 2011. The second legislature of the Senate commenced in 2011 and will end in 2019. The next parliamentary elections for the Chamber of Deputies will be held in 2013.

Economy

Rwanda has made substantial progress in stabilizing and rehabilitating its economy to pre-1994 levels and regained its ability to attract private and external investment. GDP has rebounded with an average annual growth of 7.0-8.0 per cent. since 2003 and inflation has been reduced to single digits. Rwanda's nominal GDP per capita was US$519.0 in 2009, US$540.5 in 2010 (an increase of 4.2 per cent.), US$593.0 in 2011 (an increase of 9.8 per cent.) and US$644.0 in 2012 (an increase of 8.6 per cent.).

Rwanda's economy is dominated by subsistence agriculture, which was employing approximately 73.0 per cent. of the workforce as of the end of 2012 and is estimated to have accounted for 33.0 per cent. of GDP in nominal terms in the year. Rwanda's export agriculture is dominated by traditional export products such as coffee and tea, which represented approximately 21.8 per cent. of total export earnings in 2012. See "*Risk Factors–Rwanda's economy is largely dependent on a small number of volatile sectors of the economy*"

Rwanda's industrial sector accounts for less than 20.0 per cent. of GDP. Most manufacturing is in agricultural processing. Rwanda's mining industry is also an important contributor to the economy, generating Rwfr39.0 billion (approximately US$63.64 million) in 2012. Minerals mined include cassiterite, wolframite and coltan, which are used in the manufacture of electronic and communication devices such as mobile phones.

Rwanda's service sector rebounded in 2010, following the late-2000s global economic recession, becoming the country's largest sector by economic output and contributing around 45.0 per cent. of the country's nominal GDP in 2012. Tourism has been one of the fastest-growing sectors and became the country's leading source of foreign currency in 2012.

The biggest challenges for the Government still remain the diversification of the economy and the introduction of reforms to reduce the costs of doing business in Rwanda, improve the competitiveness of the economy and ensure that the rural economy contributes significantly to overall growth. The Government has established various medium and long term programmes aimed at implementing the country's development goals, including Vision 2020, the Government of Rwanda Seven Year Programme and the Economic Development and Poverty Reduction Strategy ("**EDPRS**"), including the second stage of the EDPRS for the years 2013-2018 which is currently under development and due to launch in 2013 ("**EDPRS II**"), with the overall goal of transforming Rwanda into a middle income country.

Overview of Risk Factors Relating to the Republic of Rwanda, the Notes and the Trading Market for the Notes

An investment in the Notes involves significant risks, including (among others):

- investing in securities involving emerging markets such as Rwanda generally involves a higher degree of risk than more developed markets;
- Rwanda is highly dependent on foreign aid;
- Rwanda's economy is largely dependent on a small number of volatile sectors of the economy;
- regional political and military instability may have an adverse effect on Rwanda's economy;
- the Issuer may be unable to meet its economic growth and reform objectives and any failure or inability to continue to implement economic and fiscal reforms may have a negative effect on the performance of the Rwandan economy;
- stability and growth in Rwanda may be threatened if the Government fails to address high levels of poverty, inequality in income and issues relating to inadequate infrastructure and the informal sector;
- challenges in the electricity sector;
- a significant portion of the Rwandan economy is not recorded;
- impact of the global economic crisis on the Rwandan economy;
- Rwanda is a nascent democracy and its political stability is relatively untested;
- Rwanda's natural resources are increasingly under pressure and Rwanda faces challenges to sustainable environmental policy;
- Rwanda's mining sector may create environmental hazards;

- any future borrowing beyond sustainable levels could have a material adverse effect on Rwanda's economy and its ability to service its debt, including the Notes;
- the terms of the Notes may be modified, waived or substituted without the consent of all the holders of the Notes;
- Events of Default;
- English law, which governs the terms of the Notes, may change over time;
- definitive Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade;
- the Notes may not be suitable investment for all prospective investors;
- Rwandan courts may not recognise the choice of English law as the law governing the Notes;
- there may be no active trading market for the Notes;
- Rwanda is a sovereign state. Consequently, it may be difficult for investors to obtain or realise judgments of courts in other countries against Rwanda;
- a claimant may not be able to enforce a court judgment against certain assets of Rwanda in certain jurisdictions;
- fluctuations in exchange rates and interest rates may adversely affect the value of the Notes;
- legal investment considerations may restrict certain investments;
- credit ratings may not reflect all risks; and
- the EU Savings Directive may result in certain holders not receiving the full amount of interest.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

This summary does not purport to be complete and must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this summary.

Issuer..	The Republic of Rwanda.
Risk Factors..................................	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. These are set out under "*Risk Factors*".
Issue Date......................................	2 May 2013 (the "**Issue Date**").
Maturity Date...............................	2 May 2023.
Description of Notes.....................	U.S.$400,000,000 6.625 per cent. Notes due 2023, to be issued by the Issuer on the Issue Date.
Joint Lead Managers...................	BNP Paribas and Citigroup Global Markets Limited.

Interest	6.625 per cent., per annum payable semi-annually in arrear on 2 May and 2 November in each year.
Events of Default	Events of default under the Notes include the non-payment of principal within 15 business days of the due date thereof, the non-payment of any interest due in respect of the Notes or any of them for a period of 30 days from the due date for payment thereof, breach of other obligations under the Notes (which breach is not remedied within 45 days) and certain events related to the Issuer. Notes may be declared due and payable, upon an Event of Default, by a Noteholder, holding at least 25 per cent., in aggregate principal amount of the outstanding Note giving notice in writing to the Issuer. (See "*Terms and Conditions of the Notes–Events of Default*").
Negative Pledge	The terms of the Notes contain a negative pledge provision given by the Issuer in respect of Public External Indebtedness as described in Condition 3 (*Negative Pledge*).
Status of the Notes	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Meetings of Noteholders	The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally (see Condition 12 (*Meetings of Noteholders; Written Resolutions*)). These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Taxation	All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of any Rwandan taxes as provided in Condition 7 (*Taxation*).
Listing and admission to trading	Application has been made to list the Notes on the Irish Stock Exchange and to admit the Notes to trading on the Main Securities Market.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
Form and Denomination	The Notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "*The Global Certificates–Form of Notes*".
Credit Ratings	The Notes are expected to be assigned on issue a rating of B by S&P and B by Fitch. The Issuer has been assigned a rating of B by S&P and B by Fitch. S&P and Fitch are established in the European Union and are registered under the CRA Regulation.

	A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. See "*Risk Factors–Risks Relating to the Notes–Credit ratings may not reflect all risks*".
Selling Restrictions.......................	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfers. See "*Subscription and Sale*" below.
Transfer Restrictions...................	The Notes have not been and will not be registered under the US Securities Act or any US state securities law. Consequently, the Notes may not be offered or sold in the United States except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. See "*Transfer Restrictions*". Neither this Prospectus nor the Notes are required to be registered or cleared under the regulations of the Rwandan CMA.
Use of Proceeds............................	The estimated net proceeds of the issue of the Notes, expected to amount to approximately US$391,000,000 after deduction of the combined management and underwriting commission and estimated expenses incurred in connection with the issue of the Notes, will be used by the Issuer for repayment of external Government loans in relation to the Kigali Convention Centre and the RwandAir strategic development plan (national carrier expansion), as well as financing the completion of the Kigali Convention Centre and the Nyabarongo hydro power project, as follows: • approximately US$120 million to repay two outstanding loans on the Kigali Convention Centre; • approximately US$80 million to repay an outstanding loan on the RwandaAir strategic development plan; • approximately US$150 million to finance the completion of the Kigali Convention Centre; and • approximately US$50 million to finance the Nyabarongo hydro power project.
Fiscal Agent, Paying Agent and Transfer Agent............................	Citibank, N.A., London Branch
Registrar.......................................	Citigroup Global Markets Deutschland AG

	Unrestricted Global Note	Restricted Global Note
ISIN..	XS0925613217	US78347YAA10
Common Code.............................	092561321	
CUSIP..		78347Y AA1

RISK FACTORS

Prospective investors should read the entire Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. The Issuer believes that the following factors may affect the Republic of Rwanda's economy and its ability to fulfil its obligations under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay principal, interest or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes comprise an exhaustive list of the risks inherent in investing in the Notes, and the Issuer may be unable to pay amounts due on the Notes for reasons not described below. Prospective investors should also read the detailed information set out elsewhere in this Prospectus prior to making any investment decision.

Risks Relating to the Republic of Rwanda

Investing in securities involving emerging markets such as Rwanda generally involves a higher degree of risk than more developed markets

Investing in the securities of issuers in emerging markets, such as Rwanda, generally involves a higher degree of risk than investments in the securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, political risk, foreign relations, dependency on foreign aid, instability in neighbouring countries, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities. Generally, investment in securities of issuers in emerging markets, such as Rwanda, is only suitable for sophisticated investors who fully appreciate the significance of risks involved in, and are familiar with, investing in emerging markets and investors are urged to consult their own legal and financial advisers before making an investment.

Investors should also note that emerging markets such as Rwanda are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly.

Rwanda is highly dependent on foreign aid

A significant portion of Rwanda's budget is funded by foreign aid, which was budgeted in the 2012/2013 budget in the total amount of Rwfr441.8 billion (approximately US$681.0 million), comprising 38.4 per cent. of total budget receipts. In a report dated 27 June 2012 from the UN Group of Experts on the Democratic Republic of the Congo (the "**Interim UN Report**"), Rwanda was accused of violating Security Council Resolution 1807 (2008) through the provision of material and financial support to an armed militia group operating in the eastern DRC known as the Mouvement du 23 mars (the "**M23**"). On 21 November 2012, the UN released the final report of the Group of Experts on the Democratic Republic of the Congo (the "**Final UN Report**"), reiterating the allegations that Rwanda continues to violate arms embargo by providing military support to the M23, including recruitment, arms, ammunition, intelligence and political advice. The Government of Rwanda has strongly denied these accusations. However, in light of these accusations certain donor countries such as the United States, Belgium, Germany and the Netherlands, decided to delay an estimated US$40.56 million in aid which was scheduled for disbursement in the first half of the 2012/2013 financial year and had been included in Rwanda's 2012/2013 budget. In addition, aid disbursements from the World

Bank and the African Development Bank ("**ADB**") amounting to US$174.95 million which were scheduled for disbursement in the first half of the 2012/2013 financial year, were delayed.

During the second half of the 2012/2013 fiscal year, Rwanda's donors began to disburse some of the delayed aid payments. In September 2012, the UK government disbursed US$25.99 million in aid payments that had been deferred, as an acknowledgement of Rwanda's strong economic performance and effective use of bilateral aid (further to US$14.13 million which has already been disbursed in July 2012), and on 21 March 2013, the UK government disbursed additional £13.4 million to Rwanda's central government budget, of which £9.0 million was aimed for social protection projects and £4.4 million for education purposes under Rwanda's Vision 2020 framework. An additional £2.6 million was disbursed by the UK government to UN agencies and non-governmental organisations in the country. A final disbursement of £5.0 million from the UK government is expected before the end of the current fiscal year. The German government also announced at the beginning of February 2013 that it would release €7.0 million in aid to Rwanda over the next 12 months for economic development projects. On 14 March 2013, the board of the World Bank approved the disbursement of US$50 million for social protection projects, which was disbursed on 8 April 2013. A World Bank board meeting is also scheduled for 14 May 2013 to approve disbursement of an additional US$50 million and US$35 million has been reprogrammed for the fiscal year 2013/2014. On 3 April 2013, the board of ADB approved disbursement of US$39.95 million in aid to Rwanda for sector budget support and these funds are expected to be disbursed during April-May 2013. As of the date of this Prospectus, a total of US$209.97 million in aid payments has been disbursed by Rwanda's foreign donors, representing 53.2 per cent. of the total US$394.36 million budget support commitments scheduled for the fiscal year 2012/2013 and further US$89.95 million in aid payments is expected to be received before the end of fiscal year 2012/2013 (US$39.95 million from ADB and US$50 million from the World Bank).

If the World Bank, ADB and/or any other foreign donors are unwilling to disburse the remaining aid which has previously been delayed, or if additional future aid is frozen, Rwanda could face significant difficulty in, among other things, repaying public debt (including the Notes), providing social services and subsidies to key industries as well as successfully implementing its reform programmes. Any such unplanned reduction in revenues could require significant reductions in public spending which could negatively affect economic growth and have a material adverse effect on Rwanda's ability to make payments under the Notes.

The UN Group of Experts has made allegations against certain high-ranking Rwandan officials of violating UN sanctions

The Final UN Report included allegations that Rwanda has been providing military and logistical support to the M23 group operating in the eastern DRC. Certain Rwandan officials, including Rwanda's Minister of Defence and officers of the Rwandan armed forces, were specifically identified by the Final UN Report and alleged to have been supporting the rebels.

The Government continues to strongly deny the allegations included in the Final UN Report, including the involvement of any Rwandan officials in the military operations of the M23 in the eastern DRC in violation of UN sanctions. To date, no sanctions have been brought against any Rwandan officials. However, no assurance can be given that there will not be further allegations brought against Rwanda or any Rwandan officials, or that the UN Security Council will not decide to take further measures, including any trade restrictions or individual sanctions against Rwandan officials alleged to be violating sanctions. Certain of these allegations have caused a delay or uncertainty in the receipt of foreign aid which was to be disbursed to Rwanda and should the UN or others make future allegations it may have a material adverse effect on future aid disbursements. As a result, any of these factors may have a material adverse effect on Rwanda's budget and its ability to repay the Notes.

Rwanda's economy is largely dependent on a small number of volatile sectors of the economy

Rwanda is reliant on its agriculture sector which is estimated to have accounted for 33.0 per cent. of GDP in 2012 in nominal terms, and its service sector (which includes tourism) which has become the largest sector by economic output, contributing approximately 45.0 per cent. of nominal GDP in 2012.

Tourism is one of Rwanda's fastest-growing sectors in terms of foreign receipts and as of 2012 became its leading source of foreign currency. The tourism sector is dependent on the international perception that Rwanda is a safe destination, and is currently mainly focussed on visitors wishing to see the endangered mountain gorillas in the Volcanoes National Park. Any political or other internal instability and unrest, or escalating disturbances in neighbouring countries could cause the level of tourism in Rwanda, among other things, to suffer. Deterioration in global economic conditions may also negatively affect Rwanda's tourism sector as discretionary spending in the industrialised world remains low. In addition, if there are delays to planned openings of hotels and the Kigali Convention Centre or infrastructure does not keep pace with growth, the tourism sector may be adversely affected. Any reduction in tourism would significantly reduce Rwanda's supply of foreign currency and lower economic growth.

Agriculture in Rwanda is dominated by subsistence food crops, employing approximately 73.0 per cent. of the total workforce as of the end of 2012. Although the agricultural sector has shown significant improvement during recent years, increasing by approximately 30.0 per cent. in value in terms of real GDP from 2007 to 2012, major concerns for Rwandan agriculture remain adverse weather conditions, limited added value, yield levels which are below what would normally be expected and land shortages. An additional major challenge for the Government is to ensure that food production keeps up with population growth. Latest official estimates established real agricultural GDP grew by 3.0 per cent. in 2012, compared with an overall real GDP growth rate of around 8.0 per cent. and estimated population growth of 2.75 per cent. The Government has been trying to tackle these challenges through the Crop Intensification Programme, the land law passed in 2005 and the rural development strategy developed under the Economic Development and Poverty Reduction Strategy. See "*The Economy−Vision 2020*." Reform of these areas is ongoing and may not succeed in stimulating development as intended. Although cash crops (tea and coffee) contributed over 21.0 per cent. of export earnings in 2012, international coffee prices have been volatile over the last few years, and may continue to be volatile in the future. Additionally, production of tradable tea and coffee is dependent on the performance of the harvest, which is weather dependent and can be unpredictable. As a result, any significant decrease in the price of tea or coffee, or a period of low agricultural production may have an adverse effect on volumes of foreign exports and Rwanda's economy in general.

While Rwanda has been taking significant measures in order to diversify its exports, the country's export base remains less diversified than neighbouring countries, with its only significant export other than tea and coffee being minerals, in particular cassiterite and coltan. The surge in international prices for such minerals has spurred domestic production in Rwanda and foreign direct investment in the sector. As such, the Rwandan mining sector is vulnerable to adverse commodity price fluctuations and any decrease in the price of cassiterite and coltan could have an adverse effect on the volume of mineral exports and the amount of foreign investment in the sector. In addition, there has been limited exploration of deposits and extractable reserves to date and therefore the size of Rwanda's mineral reserves are largely unknown.

The Government enacted a new Mineral Code in 2012 and implemented a nationwide tagging system in collaboration with the International Tin Research Institute (ITRI) Tin Supply Chain Initiative. However, the Final UN Report alleges that a substantial portion of the cassiterite and coltan exported from Rwanda originates and is smuggled from the eastern DRC, as the credibility of the mineral tagging system in place in Rwanda is alleged to be jeopardized by the laundering of Congolese minerals though the illegal sale of tags by mining cooperatives. Although the Government strongly denies these allegations, there can be no assurance that the mineral tagging system put in place by

Rwanda will be sufficient to identify the source of minerals. As a result, no assurance can be given that the current volume of mineral exports can grow or even be maintained in the future. All of these factors could have a negative impact on the mining sector, the level of foreign exports and a general material adverse effect on Rwanda's economy.

A failure to diversify Rwanda's economy or to improve its infrastructure and the competitiveness of the economy, would impact negatively on the Rwandan economy which may in turn result in a material adverse effect on Rwanda's ability to make payments under the Notes.

Regional political and military instability may have an adverse effect on Rwanda's economy

Over the past few years, there has been political and military instability in the east-Africa region, and in particular amongst Rwanda's main trading partners, the DRC and Kenya. Instability in the region has increased since the rebel forces of the M23 initiated military operations in the eastern DRC in early 2012, operations that have escalated in recent months and expanded from the Rutshuru territory to the provincial capital, Goma. Although Rwanda has been able to maintain a relatively stable and orderly political and military regime following the 1994 genocide, instability and unrest involving Rwanda's neighbouring countries, coupled with Rwanda's increased dependency on regional trade as a result of the global economic crisis, may have a material adverse effect on Rwanda's economy and its ability to service the Notes.

Being a landlocked country, Rwanda's main trading partners remain the DRC and the East African Community (EAC) countries, with total trade value between Rwanda and the EAC countries more than doubling in recent years, from US$313.1 million in 2006 to US$801.29 million in 2012. Informal cross-border trade, which is becoming a significant factor in Rwanda's total external trade, has been mainly dominated by the DRC, with total informal exports to the DRC amounting to 77.18 per cent of total informal cross-border exports as of the end of September 2012. The recent military unrest in the DRC, coupled with the allegations raised by the Interim UN Report and the Final UN Report with respect to Rwanda's alleged involvement in the current unrest in the DRC, continues to have a significant negative impact on the trade relations between Rwanda and the DRC and has adversely affected the trade of goods through the Rwanda-DRC border, which may have a material adverse effect on Rwanda's economy.

Failure or inability to continue to implement economic and fiscal reforms may have a negative effect on the performance of the Rwandan economy

Although the Government has announced its intention to pursue a series of economic and fiscal reform initiatives, including those set forth in Vision 2020 and the related EDPRS, including the EDPRS II which is currently under development and due to launch in 2013, no assurance can be given that such initiatives will be adequately funded, achieve or maintain the necessary long-term political support, be fully implemented or prove successful in achieving their objectives. Continued pursuit of long-term objectives such as those set forth in Vision 2020 will depend on a number of factors including continued political support at many levels of Rwandan society and across multiple Government administrations, adequate funding, and significant coordination. The significant funding requirements for these plans may prove difficult or impossible to meet, and the funding requirements for these initiatives may lead to an increase in Rwanda's outstanding debt. Rwanda currently has low levels of foreign direct investment and if this does not improve it could hinder the achievement of its economic growth targets. If fiscal resources prove inadequate or donor aid is delayed or withdrawn, it may not be possible to adequately pursue all of the public capital projects set forth in the Vision 2020, EDPRS and EDPRS II. The economic and other assumptions underlying the objectives set forth in these plans including with respect to GDP growth, inflation, external debt and the fiscal deficit may not be met, which would undermine Rwanda's ability to achieve the stated objectives. Failure to achieve one or more of the objectives or complete certain public capital projects set forth in these plans may render it difficult to achieve other stated objectives.

If the Government is not able to fund or implement its medium-term objectives contained in the EDPRS and EDPRS II, or to maintain its current prevailing growth and development rates, the Government may not be able to meet its long-term strategic objectives set forth in Vision 2020 by 2020.

Stability and growth in Rwanda may be threatened if the Government fails to address high levels of poverty, inequality in income and issues relating to inadequate infrastructure and the informal sector

Despite Rwanda's strong macroeconomic performance over the past decade, allowing Rwanda to reduce poverty levels from 56.0 per cent. of the population in 2005 to 45.0 per cent. in 2011, poverty levels remain high, as does the level of income inequality which amounted to approximately 0.49 per cent. (measured by the Gini coefficient index), according to the Third Integrated Household Living Conditions Survey ("**EICV3**") 2010/2011.

Moreover, Rwanda faces significant challenges in the areas of infrastructure, in particular its transport infrastructure. There are currently no railways in Rwanda and only 1,172 kilometres of Rwanda's 4,698 kilometres of classified roads are paved (out of an overall road network of 14,000 kilometres). Remote areas are accessible only along dirt roads, which are generally not reachable by public transportation. In addition, Rwanda lacks adequate transportation linkages to other countries. Other challenges include low human capital development with a workforce that is largely unskilled.

Rwanda has a large informal sector engaged primarily in agriculture and approximately 73.0 per cent. of the total workforce comprised agricultural workers as of the end of 2012. Failure to improve agricultural productivity could hinder poverty reduction, which in turn could have adverse consequences on the economy and social cohesion. The Government committed under the EDPRS (and intends to continue its commitment under EDPRS II) to realise the objectives of Vision 2020 and undertake various projects to address each of these challenges. Projects are underway to improve human development in order to increase employment rates and generate exports. The EDPRS II has identified four strategic areas: economic transformation, rural development, productivity and youth employment and accountable governance. See "*The Economy−Vision 2020*." However, if these programmes do not succeed, the challenges presented in these areas could have a material adverse effect on Rwanda's economy.

Lack of cost effective and dependable energy

Rwanda experienced a significant decrease in output from its hydroelectric power stations due to lower water levels in early to mid-2000. Diesel generators were installed north of Kigali in 2004-2005 as an emergency measure but are very costly to operate. Generators using diesel, all of which Rwanda imports, were providing approximately 34.5 per cent. of the country's electricity in 2012. Rwanda's limited electricity generation capacity coupled with increased demand due to economic growth, has precipitated a shortfall and widespread loadshedding. As a result, lack of sufficient and reliable electricity supply remains an impediment to Rwanda's economic growth and development. The degree of electrification in Rwanda is low. In 2012, Rwanda produced 111 megawatt electrical ("**Mwe**") of electricity with a customer base of 341,918 households, which represented a 16 per cent. connectivity to the grid out of total population in the country. The Government intends to have 70 per cent. connectivity of total population in the country, 100 per cent. electrification of schools, health facilities and sector offices and electricity generation of 560 Mwe by 2017 through a substantial increase in installed capacity using a variety of lower cost domestic sources of energy, including methane gas, geothermal energy, hydro electrical production and peat. However, these projects to generate electricity from such resources will take many years to complete and may be subject to delays in construction or funding. In addition, some of these methods may create environmental concerns. There can be no assurance that Rwandan power supplies will be able to grow sufficiently to meet future demand or that such power will not be subject to interruptions due to poor infrastructure or other causes. If Rwanda is unable to provide a regular and adequate supply of electricity to its citizens, this could have an adverse effect on Rwanda's economy.

A significant portion of the Rwandan economy is not recorded

A significant portion of the Rwandan economy is comprised of the informal sector, estimated at approximately 65.0 per cent. of GDP as of the end of 2012 (of which 46.0 per cent. is monetized and 19.0 per cent. is non-monetized). The informal economy is not recorded and is only partially taxed, resulting in not only lack of revenue for the Government but also ineffective regulation, unreliability of statistical information (including the possible understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. While the Government is undertaking reforms to address these issues, failure to bring these sectors of the informal economy into the formal economy may adversely affect the Government's tax revenues, thereby increasing Rwanda's dependence on foreign aid. See "*Public Finance–Taxation*".

Impact of the global economic crisis on the Rwanda economy

The global recession and financial crisis in 2008 and 2009 increased investor aversion to risk, resulted in a withdrawal of foreign capital and reduced access of private sector borrowers to external credit lines. The impact of the global recession on Rwanda's economy has also been felt through a reduction in external reserves, significant fluctuations in the Rwandan franc, adverse and volatile fluctuations in food and oil prices, reduced net capital inflows and increased bad debt exposure of Rwandan banks. Any significant exchange rate fluctuations could have a significant adverse effect on the economy, as approximately 70.9 per cent. of Government debt was denominated in foreign currency as of the end of 2012. Rwanda's real GDP growth declined slightly to 8.0 per cent. in 2012, from 8.2 per cent. in 2011. However, these levels were above the levels of 7.2 per cent. in 2010 and 6.2 per cent. in 2009 reflecting an improvement in the global economy. Nonetheless, if the global economy further deteriorates or if any contraction occurs, this could have an adverse effect on the levels of foreign investment, volumes of foreign exports and the cost of imports and the strength of Rwanda's banking sector and of its currency.

Rwanda is a nascent democracy and never had transition of government

Rwanda adopted a new constitution on 26 May 2003 which set the stage for presidential and legislative elections. Since then, there have been two parliamentary elections for the Chamber of Deputies and two presidential elections. In 2003, President Paul Kagame was elected President and in August 2010 he was re-elected President with a majority of around 93.08 per cent. of the vote. The RPF, the majority political party of the 2003 elections, was elected as the majority party in the 2008 elections for the Chamber of Deputies, taking 42 of 53 directly-elected seats in the Chambers of Deputies. Parliamentary elections are due to take place again in 2013, with the next presidential elections in 2017. Under the current constitution President Paul Kagame would be unable to run for third presidential term. Additionally, there was allegations of suppression of various political opposition and the media surrounding the last election in 2010. Given that Rwanda has not had to face a Presidential succession or a change in the majority government since the 2003 Constitution, there can be no assurance that the handing over of power to a new president or political party will be smooth or democratic. Any significant changes in the political climate in Rwanda, including changes affecting the stability of the Government, may have adverse effects on Rwanda's economy, Government revenues or foreign reserves, and, as a result, have a material adverse effect on Rwanda's ability to make payments under the Notes.

Rwanda's natural resources are increasingly under pressure and Rwanda faces challenges to sustainable environmental policy

Rwanda has a significant agriculture sector and its large rural population depends on natural resources as a basis for farming, energy production and housing. According to the National Institute of Statistics of Rwanda, as of the end of 2012, an estimated 85.0 per cent. of energy consumed in Rwanda came from wood, peat and charcoal. Such natural resources are being put under increasing pressure due to deforestation, soil exhaustion and erosion and natural hazards. According to CIA World Factbook, Rwanda's population growth was estimated at 2.75 per cent. in 2012, putting further pressure onto the available natural resources. In addition, environmental degradation in Rwanda has been exacerbated by conflict, repeated population displacement and the clearing of natural areas for the resettlement of refugees.

The Government in Rwanda has made a strong commitment towards "greening the economy" by creating legal frameworks and bolstering institutional support for the conservation of the environment, but there can be no guarantee that these policies will be effective and severe environmental pressure will not continue. If natural resources deteriorate, or if any of the environmental policies are not properly implemented or fail to meet the population growth rate, this could have an adverse effect on the agricultural sector, Rwanda's food security and the general economy of Rwanda.

Rwanda's mining sector may create environmental hazards

Rwanda's mining sector has shown significant growth in recent years and is expected to continue to grow in coming years, moving from a regional trading industry to a local extraction and exporting industry. The sector has shown year-on-year annual average growth of 10.0 per cent. since 1999. While all mining projects are subject to a statutory approval process with regards to potential environmental impact, mining activities create and increase the risk of environmental hazards, in particular the silting of rivers due to erosion of mine soil waste and residue minerals washed to the rivers.

The Government has issued a mining policy as well as legal and regulatory framework to ensure mining sector growth using environmental good practices. In addition, the mining sector is supervised by the Ministry of Natural Resources, which is also responsible for environmental regulation, and enforcement of environmental standards is managed through the Rwanda Environmental Management Authority. However, there can be no guarantee that an incident causing significant environmental damage in Rwanda will not occur, which could have an adverse effect on the planned growth of the mining industry Rwanda's economy.

Any future borrowing beyond sustainable levels could have a material adverse effect on Rwanda's economy and its ability to service its debt, including the Notes

Rwanda's total public and publicly guaranteed total debt amounted to US$1.65 billion (including external central government debt of US$1.17 billion, domestic public debt of US$481.0 million and guaranteed debt amounting to US$103.1 million), representing 24.2 per cent. of GDP as of 31 December 2012. The June 2011 Debt Sustainability Analyses published by the IMF ("**DSA**") indicated that Rwanda has a moderate risk of debt distress and may use nonconcessional borrowing (or non-subsidized borrowing) without unduly affecting debt sustainability. However, any significant future borrowings, including the further issuance of domestic debt to finance Rwanda's fiscal deficits or to finance any further delay in foreign aid disbursements, or the issuance of external debt on international capital markets, could increase Rwanda's risk of default on its external debt. If the Government does not carefully manage its debt strategy, debt levels could rise to an unsustainable level which may have a material adverse effect on Rwanda's ability to make payments under the Notes.

Risks Relating to the Notes

The terms of the Notes may be modified, waived or substituted without the consent of all the Holders of the Notes

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Any such change in the terms of the Notes may adversely affect the trading price of the Notes.

The conditions of the Notes contain a provision permitting the Notes and the conditions of the Notes to be amended without the consent of the Noteholders to correct a manifest error, or if an amendment to the conditions would not be materially prejudicial to the interests of the Noteholders.

Events of Default

The conditions of the Notes contain a provision which, if an Event of Default occurs, allows the holders of at least 25.0 per cent., in aggregate principal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes shall become immediately due and payable, at their principal amount with accrued interest, without further action or formality.

English Law, which governs the terms of the Notes, may change over time

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or changes in English law or practice after the date of this Prospectus.

Definitive Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade

The Notes have denominations consisting of a minimum of US$200,000 plus integral multiples of US$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of US$200,000. In each, such holder who, as a result of trading such amounts, holds an amount which is less than US$200,000 in his account with the relevant clearing system at the relevant time may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to US$200,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of US$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of US$200,000.

The Notes may not be a suitable investment for all prospective investors

Each potential investor in the Notes must determine the suitability of that investment generally in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) changes in economic conditions, interest rates and other factors that may affect its investment and its ability to bear applicable risks.

There may be no active trading market for the Notes

Although an application has been made to list the Notes on the Irish Stock Exchange and to admit the Notes to trading on the Main Securities Market, there is no assurance that such application will be accepted or that an active trading market for the Notes will develop or, if one does develop, that it will be liquid or maintained. If an active trading market in the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

In addition, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. As a result of the above factors, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Rwanda is a sovereign state. Consequently, it may be difficult for investors to obtain or realise judgments of courts in other countries against Rwanda

Rwanda is a sovereign State. As a result, it may be difficult for investors to obtain judgments against Rwanda in foreign or Rwandan courts or to enforce foreign judgments, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States against Rwanda. Although Rwanda will consent in the Terms and Conditions of the Notes to the giving of any relief or the issue of any process in connection with proceedings in England arising out of any dispute arising from or connected with the Notes and will agree to waive any immunity it may have in a suit, execution, attachment or other legal process in respect of any such proceedings, the waiver or immunity does not extend to civil liabilities under securities laws or to any other proceedings and excludes from its scope certain diplomatic, military and other government properties situated within the territory of Rwanda. Moreover, the enforcement of foreign judgments is subject to the conditions and limitations described under "*Enforcement of Civil Liabilities*" and such limitations and conditions may make it difficult for investors to obtain or realise judgments of courts outside Rwanda.

A claimant may not be able to enforce a court judgment against certain assets of Rwanda in certain jurisdictions

The Republic of Rwanda is a sovereign state. There is a risk that, notwithstanding the waiver of sovereign immunity by the Republic of Rwanda, a claimant will not be able to enforce a court judgment against certain assets of the Republic of Rwanda in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without the Republic of Rwanda having specifically consented to such enforcement at the time when the enforcement is sought.

The foreign exchange reserves of the Republic of Rwanda are controlled and administered by the National Bank of Rwanda ("**NBR**"), which under the Law No. 55/2007 of 30/11/2007 ("**NBR Law**") conducts monetary and supervisory activities independently from the Government and acts as banker and fiscal agent to the Republic of Rwanda. Accordingly, such reserves would not be available to satisfy any claim or judgment in respect of the Notes.

A judgment by a Rwanda court will ordinarily be awarded in Rwandan francs, but may be awarded in a foreign currency, depending on the underlying type of contract or transaction. Similarly, when enforcing a foreign judgment awarded in a currency other than Rwanda franc, a Rwanda court may convert such award into Rwandan francs. In that event, there may be a discrepancy between the rate of exchange used by the Rwanda court to convert such award into Rwandan francs, and the rate of exchange which may be obtained in the market to convert such award from Rwandan francs back into another currency. A Noteholder who is awarded a judgment may therefore incur a loss as a result of such exchange rate differences. A currency indemnity has been included in the terms and conditions (see Condition 16 ("*Currency Indemnity*")), however, the cost of enforcement of such condition may nevertheless result in a loss by such Noteholder.

The Rwandan high court has a wide discretion in determining whether or not to enforce a foreign judgement on the grounds of matters of public policy.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes

The Issuer will pay principal and interest on the Notes in US Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than US Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to US Dollars would decrease the Investor's Currency-equivalent yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, the Notes can be used as collateral for various types of borrowing and other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Credit ratings may not reflect all risks

S&P and Fitch are expected to assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit-rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended).

The EU Savings Directive may result in certain holders not receiving the full amount of interest

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a paying agent in the meaning of the EU Savings Directive within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising of 35 per cent., unless in the case of Luxembourg the beneficial owner of the interest payments opts for one of the two information exchange procedures available. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$400,000,000 6.625 per cent. Notes due 2023 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of the Republic of Rwanda (the "**Issuer**") are constituted by and subject to, and have the benefit of a deed of covenant dated 2 May 2013 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of an agency agreement dated 2 May 2013 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the National Bank of Rwanda, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**"), which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection and collection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The full faith and credit of the Issuer is pledged for the due and punctual payment of the Notes.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the relevant Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant

Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

(a) *Negative Pledge*: So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not, save for the exceptions set out below in Condition 3 (c) (*Exceptions*) create, incur, assume or permit to subsist any Security upon the whole or any part of its present or future assets, undertakings or revenues to secure:

(i) any of its Public External Indebtedness;

(ii) any Guarantees in respect of Public External Indebtedness; or

(iii) the Public External Indebtedness of any other person,

without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution of Noteholders.

(b) *Interpretation:*

In these Conditions:

(a) "**External Indebtedness**" means any Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of The Republic of Rwanda;

(b) "**Guarantee**" means any obligation of a person to pay the Indebtedness of another person including, without limitation: an obligation to pay or purchase such Indebtedness; an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness; an indemnity against the consequences of a default in the payment of such Indebtedness; or any other agreement to be responsible for such Indebtedness;

(c) "**Indebtedness**" means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(d) "**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or other juridical entity, state or agency of a state or other entity, whether or not having a separate legal personality;

(e) "**Public External Indebtedness**" means any External Indebtedness which is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market; and

(f) "**Security**" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

(c) *Exceptions*: The following exceptions apply to the Issuer's obligations under Condition 3(a) (*Negative Pledge*):

(i) any Security upon property to secure Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person, in each case incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing;

(ii) any Security securing Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person, in each case incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the sole source of repayments of such Public External Indebtedness and (B) the property over which such Security is granted consists solely of such assets and revenues; and

(iii) any Security securing the Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person which was in existence on 26 April 2013, provided that the aggregate principal amount of any Public External Indebtedness so secured is not subsequently increased.

4. **Interest**

The Notes bear interest from 2 May 2013 (the "**Issue Date**") at the rate of 6.625 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 2 May and 2 November in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (Payments).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.

The amount of interest payable on each Interest Payment Date shall be U.S.$6,625 in respect of each Note of U.S.$200,000 denomination and, where Notes are issued in Authorised Denominations in excess thereof, U.S.$33.125 in respect of each Calculation Amount (as defined below). If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 2 May 2023, subject as provided in Condition 6 (*Payments*).

(b) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that such purchase is made in accordance with the United States Securities Act of 1933, as amended (the "**Securities Act**") and any other applicable securities laws.

(c) *Cancellation*: Any Notes so purchased by the Issuer may be cancelled or held and resold (provided that any resales in the United States must be in accordance with an effective registration statement or in a transaction exempt from or not subject to the registration requirements of the Securities Act). Any Notes so purchased, while held by or on behalf of the Issuer shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of such meetings. Any Notes so cancelled will not be reissued.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by US dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of any Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account maintained by the payee with, a bank that processes payments in US Dollars and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by US dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of any Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a US dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by US dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of any Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day, (B) if the Noteholder is late in surrendering its Certificate (if required to do so) or (C) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Kigali and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

The Issuer agrees that no taxes shall be payable or deductions made in respect of payments under the Notes. All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(i) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or

(iii) held by a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions:

(a) "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 15 (*Notices*);

(b) Any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*); and

(c) "**Relevant Jurisdiction**" means the Republic of Rwanda or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Republic of Rwanda becomes subject in respect of payments made by it of principal and interest on the Notes.

8. **Events of Default**

If any of the following events occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within 15 business days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of any Paying Agent; or

(c) *Cross-default of Issuer*:

(i) any External Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such External Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any person entitled to such External Indebtedness; or

(iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any External Indebtedness within any originally applicable grace period;

provided that (x) the amount of External Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$20 million (or its equivalent in any other currency or currencies); or

(d) *IMF*: the Issuer ceases to be a member of the International Monetary Fund (the "**IMF**") or ceases to be eligible to use the general resources of the IMF; or

(e) *Moratorium*: a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or

(f) *Validity*:

(i) the validity of the Notes shall be contested by the Issuer or any political subdivision thereof or any authority acting on behalf of the Issuer; or

(ii) the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(iii) it shall be or become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or the Agency Agreement, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in The Republic of Rwanda or any ruling of any court in The Republic of Rwanda whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or

(g) *Consents*: if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting, then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer. No delay or omission of any Noteholder or any party to the Agency Agreement to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or other breach of the Issuer's obligations under the Agency Agreement.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes (as defined in the Agency Agreement) to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall, give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders, save as expressly provided therein.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (a) a fiscal agent, a transfer agent and a registrar in any major European city, and (b) a paying agent that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Written Resolutions

(a) *Convening Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer at any time upon the request in writing of holders of at least 10 per cent. of the aggregate principal amount of the outstanding Notes.

(b) *Quorum*

The quorum at any meeting of Noteholders convened to vote on an Extraordinary Resolution will be:

(i) one or more persons present and holding or representing at least 50 per cent. of the aggregate principal amount of the outstanding Notes; or

(ii) where a meeting is adjourned and rescheduled owing to a lack of quorum, at any rescheduled meeting of Noteholders, one or more persons present whatever the aggregate principal amount of the outstanding Notes held by him or them;

provided, however, that any proposals relating to a Reserved Matter may only be approved by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons present and holding or representing at least two thirds or at any adjourned meeting not less than one third of the aggregate principal amount of the outstanding Notes form a quorum.

(c) In these Conditions, "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority of at least:

(i) in the case of a Reserved Matter, 75 per cent. of the aggregate principal amount of the outstanding Notes which are represented at that meeting; or

(ii) in the case of a matter other than a Reserved Matter, two thirds of the aggregate principal amount of the outstanding Notes which are represented at that meeting.

Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and whether they voted in favour or not.

(d) *Reserved Matters*: In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, the definition of "**Extraordinary Resolution**", the definition of "**outstanding**" or the definition of "**Written Resolution**";

(v) to change or waive the provisions of the Notes set out in Condition 1(b) (*Status*);

(vi) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 8 (*Events of Default*);

(vii) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17 (*Governing Law and Jurisdiction*); or

(viii) to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person.

(e) The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

(f) *Written resolutions*: In addition, the Agency Agreement contains provisions relating to Written Resolutions. A "**Written Resolution**" is a resolution in writing signed by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a Reserved Matter, or two thirds of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter. Any Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Any Written Resolution shall be binding on all of the Noteholders, whether or not signed by them.

13. **Noteholders' Committee**

(a) *Appointment*: The Noteholders may, by a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority of at least 50 per cent. in aggregate principal amount of the Notes then outstanding, or by notice in writing to the Issuer (with a copy to the Fiscal Agent) signed by or on behalf of the holders of at least 50 per cent. in aggregate principal amount of the Notes then outstanding (as defined in the Agency Agreement), appoint any person or persons as a committee to represent the interests of the Noteholders if any of the following events has occurred:

(i) an Event of Default;

(ii) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*) become an Event of Default; or

(iii) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a restructuring of the Notes (whether by amendment, exchange offer or otherwise), provided, however, that no such appointment shall be effective if the holders of more than 25 per cent. of the aggregate principal amount of the outstanding Notes have either (A) objected to such appointment by notice in writing to the Issuer (with a copy to the Fiscal Agent) during a specified period following notice of the appointment being given (if such notice of appointment is made by notice in writing to the Issuer) where such specified period shall be either 30 days or such other longer or shorter period as the committee may, acting in good faith, determine to be appropriate in the circumstances, or (B) voted against such resolution at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement. Such committee shall, if appointed by notice in writing to the Issuer, give notice of its appointment to all Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable after the notice is delivered to the Issuer.

(b) *Powers*: Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders, (ii) adopt such rules as it considers appropriate regarding its proceedings, (iii) enter into discussions with the Issuer and/or other creditors of the Issuer, (iv) designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer, (v) determine whether or not there is an actual or potential conflict of interest between the interests of the holders of the Notes then outstanding and the interests of the holders of debt securities of any one or more other series issued by the Issuer and (vi) upon making a determination of the absence of any actual or potential conflict of interest between the interests of the holders of the Notes then outstanding and the interests of the holders of debt securities of any one or more other series issued by the Issuer, agree to transact business at a combined meeting of the committee and such other person or persons as may have been duly appointed as representatives of the holders of securities of each such other series. Except to the extent provided in this paragraph (b) (*Powers*), such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

14. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes, provided that either (i) such additional notes, for purposes of US federal income taxation (regardless of whether any holders of such notes are subject to the US federal income tax laws), are not treated as issued with original issue discount (or are issued with a de minimis amount of original issue discount as defined in US Treasury Regulation 1.1273-1(d)), or (ii) such additional securities are issued in a "**qualified reopening**" for US federal income tax purposes).

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any notice shall be deemed to have been given on the fourth business day after the date of mailing.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, including any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant or the Notes, are governed by, and shall be construed in accordance with, English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 17(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 17 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of Process*: The Issuer agrees that the process by which any Proceedings are commenced in England pursuant to Condition 17(b) (*Jurisdiction*) may be served on it by being delivered to the Rwandan High Commission in London at 120-122 Seymour Place, London W1H 1NR. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the Noteholders, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, the Noteholders shall be entitled to appoint such a person by written notice to the Issuer. Nothing in this paragraph shall affect the right of the Noteholders to serve process in any other manner permitted by law.

(f) *Consent to enforcement etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation but subject as provided in Condition 17(g) (*Sovereign immunity*) below) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(g) *Sovereign immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any proceedings). The Issuer does not hereby waive such immunity from execution or attachment, or like process, in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Issuer or (c) property located in the territory of the Republic of Rwanda of which the ownership vests in the government of the Republic of Rwanda and is dedicated to a public or governmental use (as distinct from property dedicated to a commercial use). The Issuer reserves the right to plead sovereign immunity under the US Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. FORM OF THE NOTES

The Notes sold in reliance on Regulation S under the Securities Act will be represented on issue by the Unrestricted Global Certificate, which will be deposited with, and registered in the name of a nominee for the common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in an Unrestricted Global Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. By acquisition of a beneficial interest in the Unrestricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it acquired such beneficial interest in accordance with Regulation S and that it will only offer, sell, pledge or otherwise transfer such beneficial interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes sold in reliance on Rule 144A will be represented on issue by the Restricted Global Certificate, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in a Restricted Global Certificate may only be held through DTC or its participants at any time.

Beneficial interests in a Restricted Global Certificate may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in a Restricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate. See "*Subscription and Sale*".

Beneficial interests in Global Certificates will be subject to certain restrictions on transfer set out therein and under "*Transfer Restrictions*" and in the Agency Agreement and such Global Certificates will bear a legend as set out under "*Transfer Restrictions*". On or prior to the 40th day after the later of the commencement of the offering and the Issue Date, ownership of interests in an Unrestricted Global Certificate will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

No beneficial interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless (i) the transfer is to a person that is a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transferee is a QIB, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless the transfer is to a non-US person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made to a person who is a non-US person in accordance with Regulation S.

Any beneficial interest in an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate will, upon transfer, cease to be an interest in such Unrestricted Global Certificate and become an interest in the Restricted Global Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Restricted Global Certificate for as long as it remains such an interest. Any beneficial interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in each Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in an Unrestricted Global Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificates will not be entitled to receive physical delivery of Notes.

2. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "Accountholder") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer solely in the nominee for the relevant clearing system (the "Relevant Nominee") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

3. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the Register and by the annotation of the appropriate schedule to the relevant Global Certificate.

4. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the Paying Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Paying Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be prima facie evidence that payment has been made.

5. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 15 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to DTC, Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through DTC, Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Administrative Agent and DTC, Euroclear and Clearstream, Luxembourg may approve for this purpose.

6. REGISTRATION OF TITLE

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee after the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for any payment of principal, or interest in respect of the Notes, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

7. EXCHANGE FOR CERTIFICATES

(a) ***Exchange***

Each Restricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Restricted Certificates and each Unrestricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Unrestricted Certificates upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

(i) circumstances described in Condition 8 (*Events of Default*) have occurred;

(ii) in the case of an Unrestricted Global Certificate only, if Euroclear and/or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so and no successor or alternative clearing system is available; or

(iii) in the case of a Restricted Global Certificate only, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Certificate or DTC ceases to be a "**clearing agency**" registered under the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or is at any time no longer eligible to act as such and no qualified successor clearing system has been identified within 90 days of receipt of such notice from DTC,

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate principal amount of duly executed Certificates in or substantially in the form set out in the Agency Agreement.

(b) ***Delivery***

In such circumstances, the relevant Global Certificate shall be exchanged in full for Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

(c) ***Legends and transfers***

The holder of a Certificate may transfer the Notes represented thereby in whole or in part in the applicable denomination by surrendering it at the specified office of any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Certificate bearing the legend referred to under "*Subscription and Sale*", or upon specific request for removal of the legend on a Certificate, the Issuer will deliver only Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act. Restricted Certificates will bear the same legend as the legend for the Restricted Global Certificates set out under "*Transfer Restrictions*". The Restricted Certificates may not at any time be held by or on behalf of US persons that are not QIBs. Before any Unrestricted Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Restricted Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transfer is (i) to a person that is a QIB and (ii) such transfer is made in reliance on Rule 144A. Unrestricted Certificates will bear the same legend as the legend for the Unrestricted Global Certificates set out under "*Transfer Restrictions*". Before any Restricted Certificates may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an Unrestricted Certificate, the transferor and/or transferee, as applicable, will be required to provide the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made to a person who is a non-US person in accordance with Regulation S.

(d) ***Deed of Covenant***

If:

(i) individual Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the relevant Global Certificate; or

(ii) any of the Notes evidenced by the relevant Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate,

then, at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) each Accountholder shall acquire under the deed of covenant dated 2 May 2013 (the "**Deed of Covenant**") rights of enforcement against the Issuer ("**Direct Rights**") to compel the Issuer to perform its obligations to the Holder of the relevant Global Certificate in respect of the Notes represented by the relevant Global Certificate, including the obligation of the Issuer to make all payments when due at any time in respect of such Notes in accordance with the Conditions as if such Notes had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of the relevant Global Certificate may have under such Global Certificate or otherwise. Payment to the Holder of the relevant Global Certificate in respect of any Notes represented by that Global Certificate shall constitute a discharge of the Issuer's obligations under the Notes and the Deed of Covenant to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the Holder of the relevant Global Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Noteholders in the manner provided for in the Conditions or the relevant Global Certificate for notices to be given by the Issuer to Noteholders.

USE OF PROCEEDS

The estimated net proceeds of the issue of the Notes, expected to amount to approximately US$391,000,000 after deduction of the combined management and underwriting commission and estimated expenses incurred in connection with the issue of the Notes, will be used by the Issuer for repayment of external Government loans in relation to the Kigali Convention Centre and the RwandAir strategic development plan (national carrier expansion), as well as financing the completion of the Kigali Convention Centre and the Nyabarongo hydro power project, as follows:

- approximately US$120 million to repay two outstanding loans on the Kigali Convention Centre;
- approximately US$80 million to repay an outstanding loan on the RwandaAir strategic development plan;
- approximately US$150 million to finance the completion of the Kigali Convention Centre; and
- approximately US$50 million to finance the Nyabarongo hydro power project.

THE REPUBLIC OF RWANDA

Location and Geography

Rwanda is a landlocked country in Central Africa. Rwanda occupies approximately 26,338 square kilometres and is bordered by the DRC to the west, Uganda to the north, Tanzania to the East and Burundi to the south.

Rwanda's countryside is covered by grasslands and small farms extending over steep hills and deep valleys, with areas of rugged mountains that extend southeast from a chain of volcanoes in the northwest. The divide between the Congo and Nile drainage systems extends from north to south through western Rwanda at an average elevation of almost 9,000 feet. On the western slopes of this ridgeline, the land slopes abruptly toward Lake Kivu and the Rusizi River valley, which form the western boundary with the DRC and constitute part of the Great Rift Valley. The eastern slopes are more moderate, with steep hills extending across central uplands at gradually reducing altitudes, to the plains, swamps, and lakes of the eastern border region.

Although located only two degrees south of the Equator, Rwanda's high elevation makes the climate temperate. The average daily temperature near Lake Kivu, at an altitude of 4,800 feet (1,463 meters) is 73^{o} F (23^{o} C). There are two rainy seasons (February-May and September-December) with annual rainfall averaging 80 centimetres (31 in.) but rain is generally heavier in the western and northwestern mountains than in the eastern savannas.

The capital of Rwanda is Kigali, which is situated in the centre of the country.

Rwanda's natural resources include cassiterite (tin ore), wolframite (tungsten ore), gold, methane, hydropower and arable land.

History

For centuries, Rwanda existed as a centralized monarchy under a succession of Tutsi kings from one clan. The rest of the population, including Hutu, Tutsi, and Twa, lived in interdependent cooperation and harmony under the nominal control of the king. In 1899, Rwanda became a German colony and, in 1919, the system of indirect rule continued with Rwanda as a mandate territory of the League of Nations, under Belgium. From 1959, Tutsi were targeted by Hutu militia, causing hundreds of thousands of deaths and sending almost two million of them into exile. A June 1962 UN General Assembly resolution terminated the Belgian trusteeship and granted full independence to Rwanda (and Burundi) effective 1 July 1962. The first Republic, under President Gregoire Kayibanda, and the second, under President Juvenal Habyarimana, institutionalized discrimination against Tutsi and subjected them to periodic killings.

Rwanda established relations with 43 countries, including the United States, during the first 10 years of its independence. Despite some progress, inefficiency and corruption continued in government ministries in the mid-1960s.

The Rwandese Alliance for National Unity ("**RANU**") was formed in 1979 by Rwandan refugees in exile, to mobilize against the existing government. In 1987, RANU became the Rwandese Patriotic Front (the "**RPF**"). On 1 October 1990, the RPF launched an armed liberation force, composed primarily of the exiled Rwandans who had not been allowed to return to Rwanda under the Kayibanda or Habyarimana regimes, in Rwanda to fight the government. This led to a war between the RPF and the government which lasted for almost two years until a cease fire accord was signed in July 1992. During the cessation period, the parties commenced political talks which led to a peace accord that was not implemented. On 6 April 1994, the airplane carrying President Habyarimana and the President of Burundi was shot down as it prepared to land at Kigali. Both presidents were killed. Almost immediately thereafter, military and militia groups began mass killings and the Rwandan prime minister and her 10 Belgian bodyguards were among the first victims. Between 6 April 1994 and the beginning of July 1994, a widespread genocide left over 800,000 Tutsis and moderate Hutus dead at the hands of organized bands of militia. The RPF took control of Kigali on 4 July 1994 and the RPF defeated the Rwandan Army, which resulted in the war ending on 16 July 1994. The defeated Rwandan Army then crossed the border to the DRC (formally Zaire) followed by some two million Rwandans who fled to the DRC, Tanzania, and Burundi as refugees.

The international community responded to the humanitarian disaster that developed among the refugees who had fled Rwanda with one of the largest humanitarian relief efforts ever mounted. The United States was one of the largest contributors. The UN peacekeeping operation, UNAMIR, was re-instated in the country after the RPF victory in 1994 and remained in Rwanda until March 1996.

In 2001, with over 120,000 Rwandans in prison and virtually no judicial system, the RPF led Government began implementing a grassroots village-level justice system, known as *gacaca*, to address the enormous backlog of genocide cases. Many convicted were sentenced to public service rather than prison, but because of the continuing high numbers of prisoners, the Government periodically arranged prison releases, including the January 2006 release of approximately 7,000 prisoners. In June 2012, Rwanda formally closed the *gacaca* community courts, after 10 years of prosecution of those accused in the 1994 genocide. Nearly two million suspects have been tried, approximately a quarter of the cases have resulted in acquittal, while many prison sentences have been converted into community service, helping facilitate the reintegration of former detainees into society and supporting the country's reconciliations efforts. As a result, the number of detainees related to the genocide has dropped from over 200,000 to 37,000 in 2012.

After its military victory in July 1994, the RPF formed a Government of National Unity headed by President Pasteur Bizimungu, bringing parties that did not participate in the genocide together. In 2000, the existing Vice-President and Minister of Defense, Major General Paul Kagame was appointed by the RPF as the President of the Republic to lead the coalition government. In 2003, Rwanda adopted a new constitution that set the stage for presidential and parliamentary elections later that year. President Paul Kagame was subsequently elected with a large majority to serve a term of seven years, and in 2010, President Paul Kagame was re-elected to serve a second term. Under the current constitution the president is only eligible to serve for two terms.

Rwanda joined the Commonwealth in November 2009, becoming only the second country which was not formerly a British colony to be admitted to the group.

Population, Education, Health and Social Security

Population

According to the National Institute of Statistics of Rwanda, the population of Rwanda at the end of 2011 stood at 10,718,379, placing Rwanda as the 73rd most populous country in the world with 85.2 per cent. (9,132,059) in rural areas and 14.8 per cent. (1,586,320) in urban areas. 42.9 per cent. of the country's population are between 0 and 14 years, 54.7 per cent. are between 15 and 64 years, and 2.4 per cent. are aged over 65 years. According to the CIA World Factbook, the annual population growth of Rwanda was 2.75 per cent. in 2012, which represented the 19th highest in the world.

A recent survey conducted by the Rwanda National Unity and Reconciliation Commission (NURC) has shown that 95.3 per cent. of the population adhere to 'Rwandaness' rather than to any other ethnic orientation.

The official languages in Rwanda are Kinyarwanda (universal Bantu), French and English. Kiswahili (Swahili) is also used in commercial centres.

Education

Until 1994, educational opportunities for Rwandans were extremely limited. After the genocide, most primary schools and more than half of the pre-war secondary schools reopened, though no more than 5.0 per cent. of the adult population received secondary education through 1996. Although educational quality remains an issue, access to education expanded dramatically in recent years and the Government of Rwanda's Nine-Year Basic Education policy, implemented in 2010, contributed to an increase of the primary school completion rate from 52.4 per cent. in 2008 to 79.0 per cent. in 2011. Free basic education was extended from 9 years of school education to 12 years of school education in early 2012.

According to the Third Integrated Household Living Conditions Survey published in February 2012 ("**EICV3**"), the literacy rate in Rwanda for people over 15 years of ages was 69.7 per cent., with a disparity between women (64.7 per cent.) and men (75.7 per cent.). The literacy rate for youth (ages 15-24) was better, amounting to 83.7 per cent. (84.7 per cent. among women and 82.5 per cent. among men). Following Rwanda's accession to the EAC in 2007 and the Commonwealth in 2009, the primary language in the education system was changed from French to English in 2009, which has caused some disruption for older students and significant added costs in replacing school books.

According to the Ministry of Education of Rwanda statistics, in 2011, there were 111,875 students enrolled in pre-primary education (ages 3-6), up from 96,934 in 2010, 2,341,146 students enrolled in primary education (ages 7-12), up from 2,299,326 in 2010, 486,437 students enrolled in secondary education (ages 13-18), up from 425,587 in 2010 and 73,674 enrolled in tertiary education (up from 62,734 in 2010). The percentage of students at primary level rose from approximately 25.0 per cent. to 75.0 per cent. between 2005 and 2010 and the percentage of students at secondary level increased from approximately 35.0 per cent. in 2005 to 75.0 per cent. in 2010. As of the end of 2011, there were 58 students per teacher in the primary education system and 37 students per teacher in the secondary education level.

There are 31 higher education institutions in Rwanda, of which 17 are public institutions and 14 are private. In 2011, 37,902 people enrolled to the public higher education institutions and 35,772 enrolled to the private institutions. The main universities in Rwanda include the National University of Rwanda, the Kigali Institute of Science and Technology, the Kigali Institute of Education and the Université Libre de Kigali. Rwanda also maintains a vocational training education system, providing youth and the unemployed with the skills to gain productive employment, as well as skills enhancement programmes for the employed, focusing on entrepreneurship and self-employment skills.

The Government of Rwanda has been putting significant efforts in recent years into developing educational policies which will not just increase the number of enrolled students, but also the quality of education. The current policy focuses on investment in primary and secondary education and skills training, in particular, in developing infrastructure and teachers training to improve teacher quality and reduce the student/teacher ratio. The Ministry of Education has been implementing programmes targeted at integrating drop-out students back into the formal education system, providing them with additional support and training, with a specific emphasize on involving the local communities in school life and supporting students to stay in school.

Health and Social Security

According to the Rwanda 2010 Final Demographic and Health Survey published in December 2011 ("**DHS**"), maternal health has shown consistent improvement in recent years, as the percentage of deliveries assisted by skilled providers has increased from 39.0 per cent. in 2005 to 69.0 per cent. in 2010 and deliveries in health facilities increased from 30.0 per cent. in 2005 to 69.0 per cent. in 2010. Consequently, maternal mortality rate has decreased from 1,071 deaths per 100,000 live births in 2000 to 487 in 2010. Childhood mortality levels are also decreasing in Rwanda. The infant mortality rate has decreased from 86 deaths per 1,000 live births in 2005 to 50 deaths per 1,000 live births in 2010.

The prevalence rate of HIV in Rwanda has significantly decreased from 13.7 per cent. in 2002 to a rate of 3.0 per cent. in 2010 according to the DHS. According to the 2012 Statistical Yearbook (the "**2012 Yearbook**") published by the National Institute of Statistics of Rwanda, in 2011, the HIV prevalence rate further decreased to 1.2 per cent. HIV testing is also increasing rapidly and as of the end of 2010, 76.0 per cent. of women and 69.0 per cent. of men have been tested at least once. Significant progress has also been achieved providing malaria treatments, with malaria ceasing to be the leading cause of child mortality in Rwanda in 2005 and ranking seventh in 2012. Malaria prevalence rate in Rwanda decreased by almost half since 2007, from 2.6 per cent. in 2007 to 1.4 per cent. in 2010 among children age 6 months to 5 years and from 1.4 per cent. in 2007 to 0.7 per cent. in 2010 among women age 15-49. Community support and local healthcare volunteers contribute to the provision of fast and efficient treatment, allowing malaria patients to receive treatment in the local communities and villages without the need to travel to remote health centres. According to the DHS, 44.0 per cent. of children under the age of 5 suffer from slowed or abnormal development as a result of chronic malnutrition, although the children under 5 mortality rate has dropped from 152 deaths per 1,000 live births in 2005 to 76 in 2010. The percentage of children aged 12-23 months who have received all recommended vaccinations has increased to 90.0 per cent. in 2010 compared to 75.0 per cent. in 2005. Contraceptive use has grown from 10.0 per cent. in 2000 to 29.0 per cent. of all women, 52.0 per cent. of married women and 41.0 per cent. of sexually active unmarried women between the ages 15-49 in 2010. According to revised Vision 2020 estimates as of the end of 2011, the life expectancy at birth in Rwanda is 55 years, compared to 49 years in 2000. Rwanda has already achieved the 2015 UN Millennium Development Goals targets for both HIV and malaria, as well as for child and maternal mortality, although the national targets are set at even lower rates, encouraging further progress.

On 18 July 2012, the Butaro Cancer Centre, part of the Butaro Hospital located in the Burera District of northern Rwanda was inaugurated, being the first comprehensive cancer referral facility in rural east Africa. The Butaro Cancer Centre is supported by Rwanda's Ministry of Health, Partners In Health, the Jeff Gordon Children's Foundation, and Harvard's Dana-Farber/Brigham and Women's Cancer Centre and offers oncology diagnostic and treatment services, including chemotherapy, surgery, a pathology laboratory, counselling, and palliative care. The Centre also benefits from expert oncologists through its supporters – the Dana Farber Cancer Institute, Brigham and Women's Hospital, and Harvard Medical School to train Rwandan staff to administer chemotherapy and care for patients, helping to provide a sustainable and comprehensive system of education for Rwandan health care personnel.

Rwanda Social Security Board (RSSB), established in 2011 as a result of the merger between the Social Security Fund of Rwanda (SSFR) and the Rwanda Medical Insurance (RAMA), is the official administrator of social security in the country and manages the national pension scheme, occupational risks and health insurance. RSSB's activities are overseen by the MoF, and as a financial institution it is also supervised by the NBR. As part of its ongoing activities, the RSSB collects and manages contributions, pays social security benefits to beneficiaries, manages the health insurance services and the contributions fund, engages in investments and advises the Government on matters relating to social security and the development of social security policies.

RSSB members are currently primarily Government employees and Government-owned companies, representing at present approximately 8.0 per cent. of the total working population. RSSB members are eligible for pension benefits from the ages of 55–65, provided a member has at least 15 years of previous contributions and has ceased working. The Government intends to enact a new Pension Law which will, amongst others, increase the minimum retirement age from 55 to 60, while maintaining the statutory maximum retirement age of 65, and set new caps with respect to the pension benefits under the RSSB pension scheme. The pension contribution is shared between the employer and the employee at the total rate of 6.0 per cent. of the employee's remunerations, split equally between the employer and the employee, while the occupational hazards contribution is solely made by the employer, at the rate of 2.0 per cent. of the employee's remuneration. The RSSB pension fund portfolio amounted to approximately US$600 million as of the end of the third quarter of 2012, with investments mainly spread between treasury bills, stocks and financial institutions in Rwanda. The fund also invests outside of Rwanda, mainly in the US and Kenya. The pension fund's investment policy is reviewed each year.

Medical insurance for RSSB members is provided to the public and private sectors and the Ministry of Health, in collaboration with the RSSB, has set a list of medical treatments and drugs to be refunded by the insurance scheme. Each RSSB member is entitled to have access to any medical care refundable by RSSB provided by any health facility that has signed an agreement with RSSB. All RSSB members are also entitled to the same benefits, regardless of their relative contribution or seniority. The contribution paid to RSSB represents 15.0 per cent. of the employee's basic salary and it is paid by both the employer and the employee at the rate of 7.5 per cent. each.

In addition to the medical insurance scheme set by the RSSB, there is also medical insurance provided by the Ministry of Health, which is community based (Mutuelle de Santé) and funded by the members of the community themselves. In cases of specialised treatments that are too costly to be borne by the community contributions, special requests can be made to receive funding from the Ministry of Health. According to the Ministry of Health statistics, the rate of enrolment to the Mutuelle de Santé insurance increased from 4.0 per cent. of total population in 2006 to over 90.0 per cent. in 2012.

Millennium Development Goals

The Millennium Development Goals (MDGs) are a set of eight interdependent goals aimed at reducing poverty and improving the quality of life, particularly of the rural poor, and represent a global partnership resulting from the Millennium Declaration at the UN's Millennium summit of 2000. All 193 United Nations member states and at least 23 international organizations have agreed to achieve these goals by the year 2015. The MDGs are internationally considered as benchmarks of the progress a country is making towards sustainable development. The MDGs are:

Eradicating extreme poverty and hunger

According to the EICV3, significant progress has been made in the areas of poverty reduction and inequality reduction over the last five years. Between 2006 and 2011, poverty dropped from 57.0 per cent. to 45.0 per cent. and extreme poverty dropped from 35.8 per cent. to 24.1 per cent., coupled with the high average GDP growth rates of 8.2 per cent. over the same period. Public expenditures have been effectively targeted to support and develop rural areas. Urban poverty rates decreased from 28.5 per cent. in 2006 to 22.1 per cent. in 2011, while rural poverty reduced from 61.9 per cent. to 48.7 per cent. over the same period. The result of such reductions was that more than one million Rwandans were lifted out of poverty in only five years. In addition, Rwanda has already achieved the 2015 target of reducing the proportion of underweight children to 14.5 per cent. and is on track to meet the target of reducing the proportion of the population with below the minimum required energy intake, which is closely linked to extreme poverty.

Achieving universal primary education

According to the Ministry of Education's statistics, primary school attendance increased from 86.6 per cent. in 2006 to 95.4 per cent. in 2011. The significant rise in enrolment and attendance levels has been driven by the Government programme of free education up to the first 9 years of school with 6 of those years being primary schooling years. The programme was further extended to 12 years of free basic education in early 2012, thereby covering the entire secondary school cycle.

Promoting gender equality and empowering women

Rwanda has made significant progress in promoting gender equality and fighting gender based violence. Rwanda's Constitution adopted in 2003 grants women full rights to work and to own property. Rwanda also has the highest proportion of female parliamentary representation in the world, according to the Inter-Parliamentary Union statistics as of 31 October 2012, with 56.0 per cent. of members of the 2008 elected Chamber of Deputies being women. In the education sector, the net gender parity rate in primary schools enrolment (the ratio of females to males) has already been achieved.

Reducing child mortality rates and improving maternal heath

Infant and child mortality rates have significantly improved in recent years. Maternal mortality remains moderately high but is on track to meet the MDG target of 268 deaths per 100,000 live births. According to the DHS, the maternal mortality rate decreased from 750 deaths per 100,000 live births in 2005 to 487 in 2010, mainly due to an increase in the percentage of deliveries assisted by skilled providers which has increased from 39.0 per cent. in 2005 to 69.0 per cent. in 2010. Furthermore, deliveries in a health facility went up from 30.0 per cent. in 2005 to 69.0 per cent. in 2010.

Infant mortality has also declined from 86 deaths per 1,000 live births in 2005 to 50 deaths per 1,000 live births in 2010. The under-five mortality rate has also made significant progress from the 2005 rate of 152 deaths per 1,000 live births to 76 deaths per 1,000 live births in 2010. Improvements in vaccination coverage over this period have been significant contributors to the improvement in child mortality rates, with the proportion of children aged 12-23 months receiving all recommended vaccinations increasing from 75.0 per cent. in 2005 to 90.0 per cent. in 2010. Over 95.0 per cent. of all Rwandan children have been vaccinated against measles as of the end of 2010.

Combating HIV/AIDS, malaria, and other diseases

HIV prevalence rate has remained relatively consistent between 2005 and 2010 at 3.0 per cent., although there has been a decline in the HIV prevalence rate amongst pregnant women tested as part of routine antenatal care from 4.4 per cent. in 2005 to 2.4 per cent. in 2010. There has also been a decline in mother-to-child HIV transmission rate from an estimated 21.5 per cent. in 2005 to 2.6 per cent. in 2010. Antiretroviral treatment for all HIV/AIDS patients is provided with Government subsidization after the patients seek treatment at a health centre.

There has been a significant decline in malaria. Malaria prevalence rate in Rwanda decreased by almost half since 2007, from 2.6 per cent. in 2007 to 1.4 per cent. in 2010 among children age 6-59 months and from 1.4 per cent. in 2007 to 0.7 per cent. in 2010 among women age 15-49. Ownership of at least one long lasting insecticide treated bed net has risen from 15.0 per cent. in 2005 to 82.0 per cent. in 2010.

Ensuring environmental sustainability

The proportion of surface land area covered by forests has increased from 20.0 per cent. in 2006 to 22.0 per cent. in 2011. Household access to safe drinking water has also increased from 70.3 per cent. in 2006 to 74.2 per cent. in 2011, which is on track in order to meet the MDGs target of 82.0 per cent. Access to sanitation has also increased from 58.5 per cent. in 2006 to 74.5 per cent. in 2011.

Developing a global partnership for development

The Government has been undertaking significant efforts to initiate reforms in order to stimulate foreign investment and to enhance the climate for doing business in the country. Some of these reforms include establishing shorter and more efficient procedures for registering a business, getting credit and filing taxes online, and have contributed to Rwanda's favourable rankings according to international benchmarks such as the World Bank's Doing Business Report. In the World Bank's Doing Business Report of 2013, Rwanda was ranked as the most reformed economy in Africa and the second most reformed economy overall. It was ranked 52nd out of 185 countries on the overall list on ease of doing business, up from 150th in 2008. Private sector investment increased from Rwfr129 billion in 2006 to Rwfr367 billion in 2011, out of which foreign direct investment comprised Rwfr82.5 billion in 2011.

The following table sets out certain information about Rwanda's MDGs rates and targets for the periods indicated:

MDGs	Indicator	2000 Rates	2010 Rates	MDGs Target
Eradicate extreme poverty and hunger	Percentage of population below the national poverty line (%)	60.4	44.9	30.2
	Percentage of households in extreme poverty (%)	40.0	24.0	21.0
	Child malnutrition (as a percentage of under five years of age) (%)	51.0	44.0	24.5
	Prevalence of underweight children (as a percentage of under five years of age) (%)	24.0	11.0	14.5
Achieve universal primary education	Net primary school enrolment (%)	72.0	95.4	100.0
	Primary school completion rate (%)	22.0	81.0	100.0
Promote gender equality and empower women	Ratios of girls to boys in primary schools	1.0	1.03	1.0
	Seats held by women in the national Parliament (%)	26.0	56.0	50.0
Reduce child mortality	Under-five mortality rate (per 1,000 births)	196.0	76.0	47.0
	Infant Mortality Rate (per 1,000 births)	107.0	50.0	28.0
Improve maternal health	Maternal mortality rate (per 100,000 births)	1,071.0	487.0	268.0
	Percentage of women ages 15-49 using modern contraceptive methods (%)	4.0	45.0	70.0
Combat HIV/AIDS, malaria and other diseases	HIV prevalence rate (%)	13.0	3.0	NA
	Death rates associated with malaria (per 1,000 population)	52.0	13.0	NA
Ensure environment sustainability	Proportion of land area covered by forest (%)	12.4	22.4	25.0
	Proportion of population with access to an improved drinking water source (%)	64.0	74.2	82.0

Source: DHS (2006, 2010), National Institute of Statistics of Rwanda

The Political System

Following its military victory in July 1994, the RPF established a coalition government called “The Broad Based Government of National Unity”. Its fundamental law was based on a combination of the June 1991 constitution, the Arusha Accords and political declarations by the parties. The new government outlawed the MRND Party. In April 2003, the transitional National Assembly recommended the dissolution of the Democratic Republican Party (MDR), one of eight political parties participating in the Broad Based Government of National Unity since 1994.

On 26 May 2003, Rwanda adopted a new constitution that set the stage for presidential and legislative elections in August and September 2003. It featured the principle of the separation of powers, a bi-cameral parliament in a semi-presidential system, human and civil rights, party pluralism with balances and controls, including a range of institutions established to promoting the process of national unity and reconciliation.

The Executive Branch

Executive power is vested in the President of the Republic and the Cabinet. The President is the head of state and is elected by universal suffrage through a direct and confidential ballot with a simple majority of the votes cast. The President is elected for a term of seven years and eligible for a single second term. The President signs presidential orders approved by Cabinet regarding appointment and termination of services of a number of senior public servants.

The Cabinet is comprised of the Prime Minister and Ministers and other members who may be determined, if necessary, by the President. The Prime Minister is nominated, appointed and removed from office by the President. Other members of Cabinet are appointed and removed from office by the President upon the proposal of the Prime Minister. The Cabinet implements national policy agreed upon by the President and the Cabinet. The political party holding the majority of seats in the Chamber of Deputies may not exceed 50.0 per cent. of all members of the Cabinet.

President Paul Kagame was elected for a 7-year term on 25 August 2003 and re-elected for a second term in August 2010 with roughly 93.0 per cent. of the vote. The presidential election was peaceful and orderly, with heavy turnout.

Prime Minister Pierre Damien Habumuremyi was appointed as Prime Minister on 7 October 2011. The next presidential elections will be held in 2017.

In the spring of 2006, the Government conducted local non-partisan elections for district mayors and for sector executive committees. Local elections again took place in the spring of 2011 and the next local elections are planned for 2016.

The Legislative Branch

The Rwanda Parliament began its activities on 10 October 2003. The Parliament has two chambers, the Chamber of Deputies and the Senate. The Chamber of Deputies is composed of 80 members that include 53 elected in direct national elections, 24 women (two for each province and Kigali) elected by their respective provinces (with no relation to a specific political party), 2 deputies elected by the National Youth Council, and 1 deputy elected by the National Council of Persons with Disabilities. The Chamber of Deputies has two missions: legislation and Government oversight. The members of the Chamber of Deputies, who are elected in direct national elections, are elected for a five-year term by direct universal suffrage through a confidential ballot using a system of proportional representation. The President, after consultation with the Prime Minister, the President and Speaker of the two Chambers of Parliament and the President of the Supreme Court may dissolve the Chamber of Deputies. In case the Chamber of Deputies is dissolved, new elections will take place within 90 days of the date of the dissolution.

The Senate of Rwanda has 26 members including 12 members representing each Province and Kigali who are elected by their respective providence or city, 8 members appointed by the President, 4 members designated by the National Consultative Forum of Political Organisations (an institution established under the Constitution and comprising of all 10 political parties currently registered and active in Rwanda), 1 lecturer or researcher from public universities, and 1 lecturer or researcher from private universities. The Senate has four main missions: to legislate, to oversee Government action, to approve high public officials and to supervise the application of the fundamental principles of the Constitution stipulated in Articles 9 and 24 of the Constitution. Members of the Senate serve for a single term of eight years. The Senate cannot be dissolved.

Each Chamber of Parliament is fully entitled to make all investigations necessary to effectively carry out its mandate and review the actions of the Government.

Following a transitional period (1994-2003), the first legislature of the Chamber of Deputies commenced in 2003 and ended in 2008 and the second legislature commenced in 2008 and will end in 2013. The RPF won the 2008 elections in coalition with six small parties, taking 42 of 53 directly-elected seats. As provided in the constitution, 24 seats were accorded to women candidates in indirect elections. Women now hold 45 of the 80 seats in the Chamber of Deputies. The elections were peaceful and orderly. The first legislature of the Senate commenced in 2003 and ended in 2011. The second legislature of the Senate commenced in 2011 and will end in 2019. The next parliamentary elections will be held in 2013 for the Chamber of Deputies.

Out of the 10 political parties currently registered and active in Rwanda, 8 parties are represented in Parliament and 5 are represented in the Government. Three additional parties have started their registration process. As required by the Constitution, the presidency of both chambers of the Parliament is held by members of the non-ruling party.

The Judicial Branch

The judicial system in Rwanda comprises of ordinary and specialised courts. Ordinary courts include the Supreme Court, the High Court, the Intermediate Courts and the primary courts, while specialised Courts include the Military Courts and the Commercial Courts. Each type of court has a Public Prosecutor's Office. According to the Constitution, the Judiciary system in Rwanda is independent and separate from the legislative and executive branches of Government

The Supreme Court directs and coordinates the activities of the lower courts and tribunals in Rwanda. It is the highest court in the country, and is the guarantor of the independence of the judiciary. It also ensures that the professional code of ethics of the legal profession is upheld. The Supreme Court ensures the constitutionality of laws and statutory orders before promulgation into laws. The Supreme Court has appellate jurisdiction over cases heard and decided in the first of the second instances by the High Court, the Commercial High Court or the Military High Court. The Supreme Court comprises of the Supreme Court Registry, Inspectorate General of Courts and the General Secretariat.

Legal Framework

The Parliament exercises the legislative power jointly with the Government. The right to introduce bills belongs to the Government and to the members of the Chamber of Deputies. Bills introduced by the Government or Deputies are reproduced and distributed to members of Parliament in a plenary sitting. After adoption, a report is produced and handed, together with the bill, to the appropriate committee for further discussions.

In the committees, any member of Parliament is allowed to suggest amendments or further articles to the bills. These are voted together with the original text. After a more comprehensive review of the bill, the committee produces a report to be submitted to the plenary sitting. The plenary session votes article by article and adopts the law through a nominative vote. Amendments are not allowed in the plenary session.

The voted law is submitted to the Senate, if it is in its competences, or to the Government, for promulgation and publication. In the event that the Senate does not approve a bill submitted to it or amendments proposed by the Senate are not acceptable to the Chamber of Deputies, both the Senate and the Chamber of Deputies set up a joint commission, composed of an equal number of Deputies and Senators, which further discusses the matters still being debated and finally notifies the Senate and Chamber the compromise reached. In the event that the commission’s decision is not adopted by both the Senate and Chamber, the bill is returned to the initiator.

Each law comes into force the date of its promulgation and published in the Official Gazette of the Republic of Rwanda.

Since its establishment in 2003, no major changes have been implemented into the Constitution. Significant new legislation that is currently undergoing the last stages of legislation will be implemented into Rwanda’s media laws, with the key purpose of enabling free access to public information and establishing processes to promote proactive publication and dissemination of public information. The new legislation is also intended to reform the management and regulation of the media by transforming the sector from being state-owned to being publicly held and self-regulated.

Legal Proceedings

The Government is currently in dispute with Dane Associates Limited, a Scottish incorporated company ("**Dane**"). In 2005, the Government and Dane established a Rwandan joint venture company, Kibuye Power 1 Ltd. ("**KP1**"), for the purpose of a gas exploration and power generation project (the "**KP1 Project**"), which was governed by a Gas Concession Agreement ("**GCA**") between Dane and the Government, a Power Purchase Agreement ("**PPA**") to which KP1 and the Government (but not Dane) were parties, and a Shareholders Agreement ("**SHA**") between the Government and Dane in respect of their shareholdings in KP1. On the scheduled expiration of the PPA on 31 December 2006, the Government decided not to extend or renew the PPA, bringing Dane's involvement in the KP1 Project to an end. In 2007, the Government obtained from the Rwandan courts an order appointing an interim administrator to KP1.

In January 2010, Dane commenced arbitration proceedings in the International Court of Arbitration against the Government and KP1, seeking damages for losses it claims to have suffered as a result of being excluded from the KP1 Project. Dane has quantified its losses at around €95 million plus interest. The Government is defending the claim brought by Dane and is also bringing a counterclaim for damages that it believe it has suffered as a result of Dane's breaches of the GCA and SHA. A hearing on liability is scheduled to commence on 15 April 2013 and continue for two weeks, to be followed by a subsequent hearing on quantum should liability be established. The total amount of damages likely to be awarded cannot be determined as at the date of this Prospectus.

Armed Forces

The Rwanda Defense Force (RDF) is comprised of three army sectors, the Land Forces, the Rwanda Air Force and the Reserve Force. The RDF is commanded by the Chief of Defense Staff and assisted by Chiefs of Staff for each sector. The RDF is managed and supervised by the Ministry of Defense and the President is the Commander-in-Chief of the Rwanda Defense Force.

Following the withdrawal of the RDF from the DRC in October 2002, the RDF has undergone an intensive process of professionalization and restructuring. Thousands of soldiers have been demobilized and re-integrated into society. The small, effective and disciplined force of the RDF is currently involved in various UN peacekeeping missions, mainly in the Darfur region of Sudan and South Sudan. In addition, the RDF participates in regional security efforts, particularly under the East African Community Defense Protocol and the East African Standby Force. As such, the RDF plays a significant role in regional stabilization, in addition of its primary mission of safeguarding Rwanda's national territorial integrity and sovereignty.

The Rwanda National Police (RNP) was established in June 2000. The RNP established cooperation with the UK Bramshill Police College, developing police professionalization and training, and joined the Eastern Africa Police Chiefs Cooperation Organization (EAPCCO) in June 2001.

Foreign Relations

Rwanda plays a growing role in international affairs, including important contributions to international peacekeeping missions. Rwanda has been training peacekeeping battalions since 2006 and in 2011 deployed approximately 3,500 RDF peacekeepers to Sudan and South Sudan in support of UN initiatives UNAMID, UNMIS, and UNMISS. The RNP has approximately 375 peacekeeping officers serving in UN missions in Cote d'Ivoire, Haiti, Liberia, and Sudan. According to UN peacekeeping statistics, Rwanda was ranked 6th largest world troop contributor in October 2012, and number one per capita in terms of UN peacekeeping.

As of 2012, a total of 24 nations, including Belgium, Canada, China, DRC, Egypt, France, Germany, the Holy See, Japan, Libya, the Netherlands, the Republic of Korea, Russia, Sweden, Switzerland, Somalia, South Africa, Sudan, the United Kingdom, the United States and all members of the East African Committee (Kenya, Tanzania, Uganda and Burundi), maintain diplomatic missions in Kigali, as does the European Union. On 27 March 2013, Rwanda and the Republic of Lithuania signed a "Joint Communiqué" on the establishment of diplomatic relations between the two countries.

Regional Relations

Rwanda joined the East African Community (EAC) in 2007. The EAC is the regional intergovernmental organisation of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi with its headquarters in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three partner states – Kenya, Uganda and Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full members of the EAC with effect from 1 July 2007.

Rwanda is also a member of the International Conference on the Great Lakes Region (ICGLR), an inter-governmental organisation of the countries in the African Great Lakes Region. Its establishment was based on the recognition that political instability and conflicts in these countries have a considerable regional dimension and thus require a concerted effort in order to promote sustainable peace and development. The organisation is composed of eleven member states including Angola, Burundi, Central African Republic, DRC, Republic of Congo, Kenya, Uganda, Rwanda, Sudan, Tanzania and Zambia.

In December 2008, after months of bilateral discussions, Rwanda and the DRC announced rapprochement and a joint military operation against a root cause of instability in the Great Lakes Region – the FDLR (Democratic Forces for the Liberation of Rwanda). These forces participated in the 1994 genocide and were defeated by the RPF forces, after which they returned to the DRC and reorganized. The two nations' forces also cooperated in reintegrating renegade general Laurent Nkunda's CNDP rebel force into the Congolese armed forces (FARDC). This brought relative peace to the region until the current conflict erupted in the first half of 2012.

During the second half of 2012, as the conflict in the eastern DRC deteriorated, the ICGLR decided to seek a solution to the conflict and, among other actions, expand the Joint Verification Mechanism (JVM) – previously a bilateral arrangement between Rwanda and DRC designed to verify any allegations – to all the ICGLR member states. The UN Stabilisation Mission in the Congo (Monusco) is an observer to the mechanism. The JVM team is composed of senior military officers from all ICGLR member countries. Rwanda and DRC are both represented by three officers each, while the other nine countries each have two delegates. The JVM's team is mandated to patrol the DRC-Rwanda, DRC-Burundi and DRC-Uganda borders and will be used as an initial mechanism prior to the potential deployment of international neutral forces.

UN Group of Experts Report on the DRC

In a report dated 27 June 2012 from the UN Group of Experts on the Democratic Republic of the Congo (the "**Interim UN Report**"), Rwanda was accused of violating Security Council Resolution 1807 (2008) through the provision of material and financial support to the M23 militia group operating in the eastern DRC. The M23 was jointly commanded by Gen. Bosco Ntaganda and Col. Sultani Makenga, both sanctioned individuals identified on the U.S. Treasury Department Specially Designated Nationals List, which are alleged in the Final UN Report to have been operating under the orders and guidance of Rwandan officials.

The Government has strongly denied these accusations and submitted a rebuttal report to the UN, providing supporting evidence in order to refute the accusations stipulated in the Interim UN Report ("**Rwanda's Rebuttal Report**"). On 21 November 2012, the UN released the final report of the Group of Experts on the Democratic Republic of the Congo (the "**Final UN Report**"), reiterating the allegations that Rwanda continues to violate the arms embargo and sanctions regime by providing military support to the M23 group, including recruitment, arms, ammunition, intelligence and political advice.

The UN Final Report specifically identified certain Rwandan officials, including Rwanda's Minister of Defence, the Chief of Staff of the Rwandan armed forces and officers of the Rwandan armed forces, to have been supporting the rebels by providing them with weapons, communications equipment, recruitment assistance and direct political guidance and support. See "*Risk Factors–The UN Group of Experts has made allegations against certain high-ranking Rwandan officials of violating UN sanctions*". In addition, the Final UN Report raised concerns with respect to the smuggling of minerals from the DRC into Rwanda, proceeds of which have been suspected to contribute to the financing of the M23 rebel forces. See "*Risk Factors–Rwanda's economy is largely dependent on a small number of volatile sectors of the economy*".

Despite the Government's consistent denial of the Interim UN Report and Final UN Report's allegations, as detailed in Rwanda's Rebuttal Report, certain donor countries such as the United States, Belgium, Germany and the Netherlands delayed an estimated US$40.56 million in aid payments to Rwanda in 2012. In September 2012, the UK government disbursed US$25.99 million in aid payments that had been deferred, as an acknowledgement of Rwanda's strong economic performance and effective use of bilateral aid (further to US$14.13 million which has already been disbursed in July 2012), and on 21 March 2013, the UK government disbursed additional £13.4 million to Rwanda's central government budget, of which £9.0 million was aimed for social protection projects and £4.4 million for education purposes under Rwanda's Vision 2020 framework. An additional £2.6 million was disbursed by the UK government to UN agencies and non-governmental organisations in the country. A final disbursement of £5.0 million from the UK government is expected before the end of the current fiscal year. The German government also announced at the beginning of February 2013 that it would release €7.0 million in aid to Rwanda over the next 12 months for economic development projects. On 14 March 2013, the board of the World Bank approved the disbursement of US$50 million for social protection projects, which was disbursed on 8 April 2013. A World Bank board meeting is also scheduled for 14 May 2013 to approve disbursement of an additional US$50 million and US$35 million has been reprogrammed for the fiscal year 2013/2014. On 3 April 2013, the board of ADB approved disbursement of US$39.95 million in aid to Rwanda for sector budget support and these funds are expected to be disbursed during April-May 2013. The Government continues to hold consistent discussions with all concerned international donors in an effort to avoid any further reductions or delays in foreign aid that may be harmful to planned or ongoing social and development programmes. See "*The Economy–Overview*" and "*Risk Factors–Rwanda is highly dependent on foreign aid*".

On 22 March 2013, Bosco Ntaganda surrendered to the US Embassy in Rwanda and was subsequently transferred to a detention cell at the International Criminal Court in The Hague. In a press release published on the same day, the UN Security Council members expressed their appreciation to, among others, the Government of Rwanda, for its essential cooperation in bringing Mr. Ntaganda to justice and facilitating his surrender to the International Criminal Court in The Hague.

UN Peace, Security and Cooperation Framework

On 24 February 2013, Rwanda was one of the eleven ICGLR member states to sign the UN-drafted Peace, Security and Cooperation Framework (the "**Framework**") aimed at bringing stability to the conflicted eastern DRC and the region. The Framework, providing for the deployment of an international neutral force in the DRC, was signed at the African Union's headquarters in Addis Ababa, Ethiopia, in the presence of Ban Ki-moon, the UN secretary-general. The Framework establishes a national oversight mechanism within the DRC, led by the president of the DRC, to accompany the implementation of actions at the national level. The national efforts are to be supported by the United Nations, the African Union, the World Bank, the African Development Bank and other bilateral or multilateral partners of the DRC. The Framework also establishes a regional oversight mechanism, which will monitor progress in the implementation of the regional commitments, and will be supported by and closely linked to ongoing regional efforts as well as those of other international partners.

On 27 February 2013, Ban Ki-moon submitted a report to the UN Security Council, reviewing the overall situation and the regional implications of the crisis in the eastern DRC and presenting recommendations to address the recurring cycles of violence in a comprehensive and collective regional manner. At the regional level, the Framework obligates each country in the region: to commit not to interfere in the internal affairs of neighboring countries; to neither tolerate nor provide assistance or support of any kind to armed groups; to respect the sovereignty and territorial integrity of neighboring countries; to respect the legitimate concerns and interests of neighboring countries, in particular regarding security matters; to neither harbor nor provide protection of any kind to persons accused of war crimes, crimes against humanity, acts of genocide or crimes of aggression, or persons falling under the UN's sanctions regime; and to facilitate the administration of justice through judicial cooperation within the region. Countries of the region are also requested in the report to commit themselves to prosecuting, extraditing or handing over those individuals to the International Criminal Court, as applicable.

Rest of the World

United Nations

Rwanda has been a member of the UN since 18 September 1962. In October 2012, Rwanda was elected to a two-year seat on the United Nations Security Council. Rwanda received 148 votes out of 193 in the General Assembly and took the seat previously filled by South Africa on 1 January 2013. On 1 April 2013, Rwanda assumed the rotating presidency of the UN Security Council (UNSC) for the month of April.

Rwanda made a commitment to the Millennium Declaration at the United Nation's Millennium Summit of 2000 and the MDGs. See "*–Millennium Development Goals*."

European Union

Rwanda has good relations with the European Union ("**EU**"). The European Development Fund ("**EDF**") is the EU's main vehicle for development cooperation in African, Caribbean and Pacific states such as Rwanda, focusing on economic growth and reduction of poverty. The ninth EDF from 2000 to 2007 focussed on rural development and infrastructure as priority sectors. The Country Strategy Paper for Rwanda under the tenth EDF from 2008 to 2013 focuses on access to basic services, promoting pro-poor growth and rural economic development as well as fostering national reconciliation and justice. According to the European Commission, the total allocation foreseen for Rwanda under the tenth EDF funding amounts to €324.17 million (an increase from the initially approved amount under the tenth EDF of €294.4 million), of which €184.43 million had been disbursed to Rwanda by November 2012.

United States

The US provides economic and technical assistance that is managed by the Department of State, in cooperation with the US Agency for International Development (the "**USAID**"), the President's Emergency Plan for AIDS Relief ("**PEPFAR**") and the World Food Program. The Centres for Disease Control and Prevention, the Department of Defence and the Peace Corps are also represented in Kigali.

Rwanda is a beneficiary of the African Growth and Opportunity Act (the "**AGOA**"), a United States Trade Act that enhances US market access for 40 Sub-Saharan African countries. Rwanda is not a major trading partner of the US and trade is dominated by US imports into Rwanda, whereas exports to the US from Rwanda are relatively low.

In November 2006, Rwanda was selected to participate in the 2007 Threshold Program of the Millennium Challenge Corporation ("**MCC**"). The programme is designed to assist countries on the threshold of Millennium Challenge Account ("**MCA**") eligibility for compact assistance. On 24 September 2008, Rwanda signed a three-year US$24.7 million MCC threshold programme, which focused on improving political rights, civil liberties, civic participation and government accountability in the country and was designed to complement and reinforce Rwanda's own reform efforts and to improve Rwanda's performance on MCC's eligibility indicators.

United States economic assistance to Rwanda was US$172.8 million in 2009/2010, US$223.1 million in 2010/2011, US$223.7 million in 2011/2012 and US$121.8 million in 2012/2013, which was disbursed pursuant to the Strategic Objective Grant Agreement (SOAG) between Rwanda and the United States. The United States government economic assistance to Rwanda is mainly provided through USAID pursuant to the SOAG that is being renewed every year for additional resources.

A country agreement inviting the Peace Corps to work in Rwanda was signed by the United States and Rwanda in 1974, and the first group of volunteers arrived in 1975. The programme was interrupted by the 1994 genocide. On 18 July 2008, United States and Rwanda signed a country agreement which officially re-established the Peace Corp programme in Rwanda. There are currently 161 volunteers working in Rwanda in areas such as health and education.

China

China and Rwanda formally established diplomatic relations on 12 November 1971, a decade after Rwanda's independence. The two countries have been parties to numerous economic cooperation agreements. In 2011, Rwanda and China signed six economic and technical agreements during a visit by Chinese International Trade Representative and Deputy Minister of Commerce, Gao Hucheng to Rwanda. These included two financial agreements of a Yuan 50 million (approximately Rwfr4.6 billion) grant to finance the projects agreed upon by both governments and a Yuan 50 million five-year interest-free loan.

The fifth meeting of the Forum of China and Africa Cooperation (the "**FOCAC**"), of which Rwanda is a member, took place in Beijing in July 2012. The fifth meeting addressed ways of encouraging Chinese business to invest and outsource to African states, including Rwanda, fostering further investment. It also examined the ways of increasing productivity in the manufacturing industries of African states in order to boost competitiveness on the global stage. Although no formal commitment has been made, the Chinese government pledged to provide US$20 billion of credit lines to African countries to assist in the development of infrastructure, agriculture, manufacturing and small and medium enterprises. Additional areas identified for co-operation include finance and banking, information and communications technology and tourism.

Country Ratings

The Republic of Rwanda has been assigned sovereign ratings of B by both S&P and Fitch.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of S&P and Fitch is established in the European Union and is registered under the CRA Regulation.

THE ECONOMY

Overview

Rwanda's economy is dominated by subsistence agriculture, which according to the National Institute of Statistics of Rwanda, was employing approximately 73.0 per cent. of the workforce as of the end of 2012 and providing 33.0 per cent. of Rwanda's gross domestic product ("**GDP**"). Rwanda's export agriculture is dominated by traditional export products such as coffee and tea, which represented approximately 21.8 per cent. of total export earnings in 2012. A significant portion of the Rwandan economy is comprised of the informal sector, estimated at approximately 65.0 per cent. of GDP as of the end of 2012 (of which 46.0 per cent. is monetized and 19.0 per cent. is non-monetized).

Rwanda has a small industrial sector, which accounts for less than 20.0 per cent. of GDP. Most manufacturing is in agricultural processing, but Rwanda also produces a small range of general consumer goods. Rwanda's mining industry is also an important contributor to economy, generating Rwfr39.0 billion (approximately US$63.6 million) in 2012. Minerals mined include cassiterite, wolframite and coltan, which are used in the manufacture of electronic and communication devices such as mobile phones.

Rwanda's service sector was affected by the late-2000s global economic recession as banks reduced lending and foreign aid projects and investment declined. The sector rebounded in 2010, becoming the country's largest sector by economic output and contributing around 45.0 per cent. of the country's nominal GDP in 2012. Key tertiary contributors include banking and finance, wholesale and retail trade, hotels and restaurants, transport, storage, communication, insurance, real estate, business services and public administration including education and health. Tourism has been one of the fastest-growing sectors and became the country's leading source of foreign currency in 2012.

The private sector in Rwanda has had a key role in recent years in accelerating growth and reducing poverty. The Government is constantly looking for innovative ways to finance development of the private sector, and has accordingly been undertaking reforms to improve the business environment and to reduce the cost of doing business in Rwanda. Private borrowing is currently dominated by the air transportation, telecommunication, construction and general trade sectors.

The 1994 genocide decimated Rwanda's economic base, with widespread loss of life, failure to maintain the infrastructure, looting and neglect of important cash crops. This caused a large drop in GDP and temporarily stalled the country's ability to attract private and external investment. However, Rwanda has made substantial progress in stabilizing and rehabilitating its economy to pre-1994 levels. GDP has rebounded with an average annual growth of 7.0-8.0 per cent. from 2003 to 2012 and inflation has been reduced to single digits in recent years.

For the fiscal year 2012/2013, the Government has budgeted for a large increase in spending, as capital expenditures are expected to rise by 29.4 per cent. as compared to the prior fiscal year. The focus will be on improving Rwanda's infrastructure, mainly road construction and rehabilitation and investment in the electricity sector and in educational and health facilities. See "*Public Finance*".

A significant portion of the Rwanda budget is funded by foreign aid, which was budgeted in the 2012/2013 budget in the total amount of Rwfr441.8 billion (approximately US$681.0 million), comprising 38.4 per cent. of total budget receipts. Following the publication of the Interim UN Report in June 2012 and the Final UN Report in November 2012, accusing Rwanda of providing material and financial support to the M23 militia group operating in the eastern DRC, certain donor countries such as the United States, Belgium, Germany and the Netherlands, decided to delay an estimated US$40.56 million in aid which was scheduled for disbursement in the first half of the 2012/2013 financial year and had been included in Rwanda's 2012/2013 budget. In addition, aid disbursements from the World Bank and ADB amounting to US$174.95 million which were scheduled for disbursement in the first half of the 2012/2013 financial year, were delayed.

During the second half of the 2012/2013 fiscal year, Rwanda's donors began to disburse some of the delayed aid payments. In September 2012, the UK government disbursed US$25.99 million in aid payments that had been deferred, as an acknowledgement of Rwanda's strong economic performance and effective use of bilateral aid (further to US$14.13 million which has already been disbursed in July 2012), and on 21 March 2013, the UK government disbursed additional £13.4 million to Rwanda's central government budget, of which £9.0 million was aimed for social protection projects and £4.4 million for education purposes under Rwanda's Vision 2020 framework. An additional £2.6 million was disbursed by the UK government to UN agencies and non-governmental organisations in the country. A final disbursement of £5.0 million from the UK government is expected before the end of the current fiscal year. The German government also announced at the beginning of February 2013 that it would release €7.0 million in aid to Rwanda over the next 12 months for economic development projects. On 14 March 2013, the board of the World Bank approved the disbursement of US$50 million for social protection projects, which was disbursed on 8 April 2013. A World Bank board meeting is also scheduled for 14 May 2013 to approve disbursement of an additional US$50 million and US$35 million has been reprogrammed for the fiscal year 2013/2014. On 3 April 2013, the board of ADB approved disbursement of US$39.95 million in aid to Rwanda for sector budget support and these funds are expected to be disbursed during April-May 2013. See "*Risk Factors–Rwanda is highly dependent on foreign aid*".

In August 2012, the Government established the Agaciro Development Fund, Rwanda's first solidarity fund, based on voluntary donations from Rwandan citizens in Rwanda, Rwandan citizens abroad, private companies and the Friends of Rwanda Association (FORA). The Fund has been initiated to fast-track and compliment the country's development plans and to finance key priority projects identified by Vision 2020. As of February 2013, the fund had received Rwfr26.3 billion (approximately US$41 million) in donations.

The biggest challenges for the Government still remain the diversification of the economy and the introduction of reforms which will reduce the costs of doing business in Rwanda, improve the competitiveness of the economy and ensure that the rural economy contributes significantly to overall growth. The Government is committed to implement economic policies and reforms that are consistent with the objectives of economic development and macroeconomic stability and are based on good governance and social welfare. Those objectives include, but are not limited to, policies to improve domestic revenue mobilization, strengthen public financial management, enhance the effectiveness of the monetary policy and increase financial access, remove impediments to private sector development, and help Rwanda mobilize foreign savings while pursuing a careful debt management strategy. The Government established various medium and long term programmes aimed at implementing the country's development goals, including Vision 2020, the Government of Rwanda Seven Year Programme and the EDPRS and EDPRS II, with the overall goal of transforming Rwanda into a middle income country.

Vision 2020

In 2000, President Paul Kagame established Rwanda's Vision 2020, a set of long-term policy goals designed to attain desirable socio-economic indicators by 2020, in line with the Rwandan people's aspiration to become a prosperous middle income nation by 2020.

Rwanda's long-term development goals are embedded in its Vision 2020 which seeks to transform Rwanda from a low-income agriculture-based economy to a knowledge-based, service-oriented economy by 2020. Some of the major objectives of Vision 2020 were to:

- deepen reforms, including in the business environment in order to adhere to the principles of good governance;
- invest in major infrastructure (power, transport, and ICT);
- increase agricultural productivity;
- invest in human resources and skills development needed for economic modernization; and

- seek regional and international economic integration.

In mid-2007, the Government launched EDPRS – the Economic Development and Poverty Reduction Strategy (for the years 2008 to 2012) to realise the objectives of Vision 2020. The EDPRS aimed to accelerate growth by focusing on human development in order to increase employment rates and generate exports. The strategy was framed around three strategic flagship programmes:

- Flagship one (growth) targeted economy-wide improvements in productivity. Its goal is to transform Rwanda's economy away from subsistence agriculture towards increased commercial agriculture, as well as manufacturing and services.

- Flagship two (Vision 2020 Umurenge Programme - VUP) focused on ensuring growth is widely shared by creating economic opportunities for the poorest Rwandans. VUP has three components: (i) public work; (ii) credit packages; and (iii) direct income support.

- Flagship three (governance) seeks to strengthen political and economic governance, and build institutions and capacity of the state. It envisaged a wide range of reforms to strengthen public sector institutions and capacity and also includes aspects needed to create an attractive business environment including strengthening commercial justice systems, regulatory and administrative frameworks, and promoting principles of good corporate governance.

The second phase of EDPRS ("**EDPRS II**"), which is still under development and expected to be finalized at the beginning of 2013, is planned to be implemented between July 2013 and June 2018. EDPRS II is built on four thematic areas:

- Economic Transformation for accelerated economic growth striving for middle income country status (with targets of achieving annual 28.0 per cent. exports growth and 11.5 per cent. GDP growth on average between 2013 and 2020).

- Rural Development to address the needs of the vast majority of the population and ensure sustainable poverty reduction (targeted to reduce poverty to less than 30.0 per cent. by June 2018).

- Productivity and Youth Employment to ensure that growth and rural development are underpinned by appropriate skills and productive employment, especially the growing cohort of youth (to increase productivity per worker and targeting the creation of 200,000 non-farm jobs per year).

- Accountable Governance to underpin improved service delivery and citizen participation in the development process (to increase satisfactory service delivery and citizen participation).

Structural reforms will be reviewed under the Economic Transformation Thematic Area. Economic transformation means the change in the structure of an economy over time from a subsistence economy, through industrialization, to an industrial or even post-industrial society. In the case Rwanda, economic transformation should involve a declining share of agriculture in GDP (from 32.0 per cent. to 25.0 per cent.) and an increase in the contribution of industry and services (from 16.0 per cent. to 20.0 per cent., and from 46.0 per cent. to 55.0 per cent., respectively). The Economic Transformation Thematic Area focuses on identifying medium-term targets and strategies that relevant sectors would require in order to ensure Rwanda's national medium-term targets are met. As part of EDPRS implementation, Rwanda was able to reduce poverty levels by 12.0 per cent. to a level of 45.0 per cent., and the current target for EDPRS II is to further reduce poverty to a level of under 30.0 per cent. by June 2018.

The Government also recognized the key role of the private sector in accelerating growth and reducing poverty, and has therefore been looking for innovative ways to finance its development beyond traditional partners and instruments. It has accordingly been undertaking reforms to improve the business environment and to reduce the cost of doing business. Rwanda has been a top performer in the World Bank's Doing Business Report of 2013, ranking as the 2nd most reformed economy in the world over the last five years and the 3rd easiest place to do business in Africa in 2012.

Gross Domestic Product

GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. Real GDP figures presented in this section are based on constant 2006 prices.

According to the National Institute of Statistics of Rwanda, real GDP growth averaged 8.2 per cent. from 2006 through 2012. Real GDP growth in 2012 was 8.0 per cent. in 2012 compared to 8.2 per cent. in 2011 and 7.2 per cent. in 2010. The key contributors to the real GDP growth were the services sector as well as growth in the construction sector. Expansion of services accounted for almost half of the GDP growth between 2011 and 2012, driven by expansion in trade, transport and communications. Growth is expected to remain robust, and projected to amount to approximately 7.6 per cent. in 2013 and 7.2 per cent. in 2014, mainly led by construction and services.

Rwanda's nominal GDP per capita was US$519.0 in 2009, US$540.5 in 2010 (an increase of 4.2 per cent.), US$593.0 in 2011 (an increase of 9.8 per cent.) and US$644.0 in 2012 (an increase of 8.6 per cent.).

The following table sets out certain information about Rwanda's nominal GDP by sector for the periods indicated:

	Year ended 31 December						
	2006	2007	2008	2009	2010	2011	2012
	(Rwfr billions)						
Agriculture	**660**	**729**	**834**	**1,012**	**1,058**	**1,223**	**1,438**
Food crop	546	619	692	858	891	1,040	1,232
Export crops	25	18	24	23	28	29	28
Livestock	31	33	42	49	50	56	62
Forestry	52	53	68	72	77	84	101
Fisheries	6	7	9	10	11	13	15
Industry	**236**	**285**	**382**	**431**	**491**	**625**	**695**
Mining and Quarrying	11	21	25	16	22	48	39
Manufactured goods	117	125	159	190	218	252	259
Of which: Foodstuffs, beverages and tobacco	77	80	106	136	152	174	187
Others	40	44	53	54	65	78	72
Electricity, Gas and Water	3	8	5	6	7	8	10
Construction	105	132	194	218	244	317	387
Services	**720**	**911**	**1,196**	**1,357**	**1,530**	**1,731**	**1,965**
Wholesale and Retail trade, Restaurants and Hotels	233	289	414	446	500	561	644
Transport, Storage and Communication	117	145	196	223	257	288	344
Finance, Insurance, Real estate and Business services	162	229	298	346	373	406	467
Public Administration	87	97	110	128	151	181	213
Education	76	95	108	140	167	208	203
Health	23	30	36	44	51	53	59
Others services	23	27	30	30	33	34	36
Less: Bank Service Charges	(24)	(31)	(40)	(41)	(50)	(69)	(86)
Plus: VAT and Other taxes on products	124	151	204	226	249	305	351
Total GDP	**1,716**	**2,045**	**2,577**	**2,985**	**3,280**	**3,814**	**4,363**

Source: MoF, National Institute of Statistics of Rwanda

The following table sets out certain information about Rwanda's real GDP by sector for the periods indicated (based on constant 2006 prices):

	Year ended 31 December						
	2006	2007	2008	2009	2010	2011	2012
	(*Rwfr billions*)						
Agriculture	**660**	**677**	**721**	**776**	**815**	**853**	**879**
Food crop	546	567	603	659	692	727	750
Export crops	25	18	23	20	22	23	21
Livestock	31	32	33	34	35	36	38
Forestry	52	53	55	56	59	60	63
Fisheries	6	6	6	7	7	7	7
Industry	**236**	**258**	**296**	**300**	**326**	**383**	**411**
Mining and Quarrying	11	16	13	11	10	14	13
Manufactured goods	117	118	124	128	140	151	147
Of which: Foodstuffs, beverages and tobacco	77	75	79	83	89	93	96
Others	40	43	46	45	51	57	51
Electricity, Gas and Water	3	4	4	54	6	6	7
Construction	105	121	155	157	171	211	243
Services	**720**	**809**	**920**	**977**	**1,065**	**1,159**	**1,301**
Wholesale and Retail trade, Restaurants and Hotels	233	262	308	315	342	374	418
Transport, Storage and Communication	117	134	166	181	197	208	248
Finance, Insurance, Real estate and Business services	162	181	201	211	224	237	266
Public Administration	87	92	96	103	118	136	152
Education	76	87	93	108	117	138	147
Health	23	26	29	34	39	40	44
Others services	23	26	27	25	27	27	27
Less: Bank Service Charges	(24)	(29)	(31)	(30)	(35)	(46)	(54)
Plus: VAT and Other taxes on products	124	133	148	158	169	183	197
Total GDP	**1,716**	**1,849**	**2,054**	**2,182**	**2,339**	**2,532**	**2,734**

Source: MoF, National Institute of Statistics of Rwanda

Principal Sectors of the Economy

Services and Tourism

Following an adverse effect suffered during the late-2000s global recession, Rwanda's service sector rebounded in 2010, becoming the country's largest sector by economic output and contributed approximately 45.0 per cent. of nominal GDP in 2012 according to the National Institute of Statistics of Rwanda. Key tertiary contributors include wholesale and retail trade (showing real growth of 12.2 per cent. in 2012), banking and finance, hotels and restaurants, transport, storage, communication, insurance, real estate, business services and public administration including education and health. The services sector growth was largely driven by wholesale and retail trade, the finance and insurance sector and the transport, storage and telecommunications. Transport, storage and communication showed real growth of 19.3 per cent. in 2012, followed by finance and insurance (real growth of 17.5 per cent.) and wholesale and retail trade (real growth of 12.2 per cent.).

The financial services sector has been expanding, constantly growing in recent years, excluding a short slowdown during the 2008-2009 global financial crisis. Nine commercial banks operate in

Rwanda, five of them established since 1994. The largest bank is Banque de Kigali (BK), which the Government took control of in January 2007 when it repurchased 50.0 per cent. of its shares from Belgolaise, a Belgian bank, which divested its stake in 2005. BK was re-privatised in 2011 when the Government sold 20.0 per cent of its stake in BK through an IPO. See "*Monetary System – Capital Markets*".

Tourism is one of the fastest-growing economic resources and became the country's leading foreign exchange provider in 2012. In spite of the genocide's legacy, the country is increasingly perceived internationally as a safe destination. The Directorate of Immigration and Emigration recorded 1,075,829 people visiting the country in 2012 (an increase of 18.0 per cent. from 908,009 visitors in 2011), 12.5 per cent. of these (approximately 134,500 people) arrived from outside Africa (compared to only 3,700 visitors from outside of Africa visiting Rwanda's national parks in 2000). Tourism receipts amounted to US$281.8 million in 2012 (an increase of 12.0 per cent. from US$251.3 million in 2011), holidaymakers contributed 46.0 per cent. of this revenue, despite being only 9.0 per cent. of total numbers.

Rwanda is one of only two countries in which mountain gorillas can be visited safely, and gorilla numbers have been consistently growing at an average range of 3.0 per cent. during the last decade. Gorilla tracking, in the Volcanoes National Park, attracts thousands of visitors per year, who are prepared to pay high prices for permits. As the main contributor to tourism receipts, the permits fees are channelled towards the park's conservation as well as towards the development of a more diversified tourism package that does not solely rely on gorilla based tourism, but rather on an increased length of stay in the country. Some of these alternative destinations are the Nyungwe National Park, home to chimpanzees, Ruwenzori colobus and other primates, the resorts of Lake Kivu, Akagera, a small savanna reserve in the east of the country and other eco-tourism reserves such as Gishwati and Mukura.

One of the Government's key targets is to turn Rwanda into a regional conference destination, generating a sustainable and consistent revenue stream from regional and international business travellers. In order to meet this target, substantial investments are planned for the continued construction and development of the Kigali Convention Centre (KCC) as well as for ensuring the availability of high-end range hotels and accommodation, as some international hotel chains have already started construction in Kigali and others are expected to build additional hotels in the coming years. Additional infrastructure investments are also planned for the expansion of the local airline RwandAir and the Kigali International Airport and the development of a new airport, Bugesera International Airport, outside of Kigali. Construction is planned to commence at the end of 2013. Expansion and development of existing and new roads will also take place in Kigali as well as for the main roads connecting Kigali to major tourist destinations in the country.

In order to maintain the sustainable growth in the tourism sector, the Government has established a comprehensive tourism policy in 2011, which will be reviewed every five years. Some of the policy key focus areas are: (i) product development and diversification in order to meet the needs of international, regional and domestic visitors, (ii) marketing and branding, clearly distancing Rwanda as a wildlife, eco-tourism, cultural and conference destination, (iii) high quality training in order to establish skilled workforce in tourism and hospitality, (iv) efficient and easy access, allowing international tourists hassle-free journey in terms of air and land access, visas and other entry requirements, (v) environmental sustainability in order to ensure that the tourism will continue to grow and benefit future generations of Rwandans, with focus on sustainability of resource use, the protection of wildlife and the environment, and (vi) developing incentives and financial framework to support further investments in the tourism industry.

Private investments in the tourism industry are expected to grow at a rate of 20.0 per cent. per annum. Investment in the sector reached US$220 million for the nine months ended 30 September 2012.

Agriculture

The agriculture sector represented approximately 33.0 per cent. of GDP in nominal terms and accounted for approximately 73.0 per cent. of total employment in Rwanda (formal and informal) in 2012. Agriculture food production was the main driver of GDP growth, averaging approximately 5.8 per cent. during the past 5 years. The agriculture sector performed well in 2012 as a result of output of food crops, which rose 3.0 per cent. due to large investments from the Ministry of Agriculture and the Animal Resources' Crop Intensification Program as well as favourable weather conditions. Cooking banana, sweet banana and sweet potato account for 36.4 per cent. of the food harvest, and cassava, beans, sorghum and maize for 33.4 per cent. The major concerns for Rwandan agriculture are adverse weather conditions and land shortage, as the average size of smallholdings is little more than half a hectare. The Government has been trying to tackle this through the Crop Intensification Programme, the land law passed in 2005 and the rural development strategy developed under the Economic Development and Poverty Reduction Strategy.

One of the key programmes initiated by the Government in order to improve agriculture production yields has been the Government's sponsored Crop Intensification Programme (CIP), which is mainly targeted at providing fertilizers and improved seeds to farmers, partially subsidized by a Government subsidies programme which is reviewed on an annual basis. As part of the programme farmers will also receive post-harvest support and training (from storage to processing), encouraging additional investments from the private sector.

Another recent initiative taken by the Government is the Strategic Plan for Agriculture Transformation (PSTA III) which is expected to launch in 2013. PSTA III will focus on increasing productivity and leveraging further private sector investment to improve food security, reduce poverty and create growth. In order to mitigate and adapt to climate change, the PSTA III, along with Rwanda Green Growth and Climate Resilience Strategy, are aimed at contributing to climate resilience and will implement an irrigation control plan which will support and manage irrigation for marshlands and hillsides. The current target is to reach irrigation levels of 100,000 litres that can be applied to dry land or soil by 2017. The programme will also cover land erosion control as well as reforestation. Crop insurance through weather-based insurance, provided by private insurers, is also being implemented in order to try and mitigate climate risks and approximately 50,000 farmers have already accessed this insurance scheme.

Other recent regulatory initiatives include a legal framework for land use consolidation which is intended to facilitate alternative routes to subsistence agriculture such as contract farming, cooperative farming and corporate farming. The plan is intended to help leverage and attract private investments especially for corporate land use. A Sanitary and Phytosanitary Standards Law (SPS) is also planned in order to increase the quality of exports, especially horticulture and fresh products. In order to improve yields in coffee production, the National Agriculture Board has undertaken a plan seeking to maximize efficiency in coffee washing stations, providing technical assistance to ensure optimal capacity utilization of the processing stations. A revised regulatory framework is also under development to better supervise the coffee and tea cooperatives in order to incentivize them to realize better yields and improve productivity.

A major challenge for the Government is to ensure that food production keeps up with population growth. According to the National Institute of Statistics of Rwanda, real agricultural GDP grew by 3.0 per cent. in 2012, compared with an overall real GDP growth rate of around 8.0 per cent. and estimated population growth of 2.75 per cent. To meet the challenge, an important component of the EDPRS II, as stipulated in the various programmes and strategies implemented by the Government, is rural development, including new infrastructure in rural areas, and boosting fertiliser use and weather resilience in order to increase agricultural yields.

Rwanda's export agriculture is dominated by tea and coffee. The production of tradable coffee increased by 9.0 per cent. in 2012, from 15.6 thousand tonnes in 2011 to 17.0 thousand tonnes in 2012, mainly due to the high production of fully washed coffee. Tea production decreased by 5.0 per cent., from 23.7 thousand tonnes in 2011 to 22.5 thousand tonnes in 2012. Coffee has been Rwanda's main export crop since colonial times, and despite volatile international prices for coffee over the last few years, the country's best arabica is in strong demand and attracts a premium price on the international market. As the Government is committed to further liberalising the sector, the country's main coffee exporter, Rwandex, was privatised in 2006. It has also been a Government's policy to liberalise the tea sector, which was largely state owned, and out of the nine commercial tea estates in Rwanda, seven have already been privatised including Pfunda, Nyabihu, Rubaya, Gisovu, Kitabi, Mata and Gisakura. There are currently only two commercial tea estates that are state owned, Mulindi and Shagasha, which are also in advanced stages of privatization, expected to be completed during 2013.

Manufacturing

Approximately 62.0 per cent. of Rwanda's manufacturing by value is generated from food processing and brewing. Rwanda's domestic manufacturing industry was protected by a wide range of tariffs prior to 1994, but the Government has since then dismantled nearly all of them. Domestic manufacturers have struggled to adapt and are currently facing even stronger competition from foreign producers following the country's entry into the East African Community (EAC). Another challenge for this sector is the high cost of electricity, due to the increased reliance on diesel generators by both manufacturers and Rwanda's Electricity, Water and Sanitation Authority (EWSA). In early 2010, the Government initiated a programme for improving housing by eradicating poor quality "Nyakatsi" housing (grass-thatched houses), and replacing it with improved and modern housing. This programme accelerated furniture production in 2010 and 2011, which showed year-on-year growth of approximately 40.0 per cent. in each of the years 2010 and 2011. In 2012, as the housing programme came to an end, furniture manufacturing decreased by 55.0 per cent., returning to the pre-2010 levels, which contributed to a total decline in the manufacturing sector of 3.0 per cent. in 2012. Other areas of manufacturing such as food processing, beverages and tobacco, non-metallic minerals, chemicals, rubber and plastics remained relatively stable during 2012. The manufacturing industry maintained the position of the second largest contributor to industrial production, after construction, while mining and quarrying is the third.

Mining

Rwanda has deposits of cassiterite (tin ore), columbo-tantalite (coltan) and wolfram. In addition, gold and sapphires are mined artisanally in small quantities. The largest mineral deposit in volume terms is cassiterite. Due to the increasing application of cassiterite and tin (which is chiefly found in cassiterite) in a range of high-tech products, global interest in the metals has significantly increased since the turn of the century, leading to steep annual increases in international prices.

In 2009, the mining sector was significantly affected by the global financial crisis. Export earnings decreased by 39.5 per cent. from US$91.7 million in 2008 to US$55.43 million in 2009. The significant decline resulted mainly from the drop in unit prices of all Rwanda's export minerals. On the other hand, extraction of minerals volume increased from 5,076 tonnes in 2008 to 6,027 tonnes in 2009, mainly attributed to a new mining company, Global Mining and Processing SARL, which started operating in 2009. In 2010, the mining sector benefited from overall upward trend of mineral prices on the international markets. Rwanda mining exports value increased by 22.0 per cent. despite a decline in volume of 10.3 per cent. in 2010 compared to 2009, due to the time gap between the production/processing and exports periods. The increase in value was mostly attributed to increases in cassiterite prices which rose by 62.3 per cent. from 2009 to 2010. In 2012, mineral sales showed inconsistent trends due to instability in the international market prices. While the international market price of coltan showed an upward trend in 2012, increasing by 15.0 per cent., cassiterite and wolfram prices showed decreases of approximately 18.0 per cent. and 6.0 per cent., respectively, over the same period. Coltan and wolfram exports grew by 47.5 per cent. and 63.9 per cent., respectively, in value and by 28.6 per cent. and 74.0 per cent., respectively, in volume, in 2012 (despite the decrease in wolfram prices), while cassiterite exports decreased by 45.4 per cent. in value and 33.3 per cent. in volume during the same period.

Rwanda's Government is initiating policies that are intended to encourage investments in the exploration and development of the mining sector and increase productivity. As of the date of this Prospectus, there has been limited exploration of deposits and extractable reserves and therefore the size of Rwanda's mineral reserves are largely unknown. The current level of foreign investment in the mining sector is positive, as most of the big mining companies in Rwanda are either foreign or joint ventures with local companies. The mining sector accounted for 18.1 per cent. of total foreign direct investments in 2011.

The Government of Rwanda has consistently been trying to put in place appropriate mechanisms in order to mitigate risks associated with regional minerals conflicts. The Government has enacted a new Mineral Code in 2012, and in order to mitigate any risks associated with regional minerals conflicts, Rwanda implemented a nationwide tagging system in collaboration with the International Tin Research Institute (ITRI) Tin Supply Chain Initiative. In addition to supply chain transparency and controls, the Initiative includes United Nations due diligence components of risk assessment, risk mitigation and independent third party audits. Rwanda is also in the process of initiating a regional certification scheme, in accordance with the ICRGL certification scheme, in order to trace the chain of custody for all minerals in Rwanda. As part of its continuous enforcement efforts, the Government arrested four senior Rwandan armed forces officials in January 2012 due to their alleged involvement in illegal mineral trade with the DRC. See "*Risk Factors–Rwanda's economy is largely dependent on a small number of volatile sectors of the economy*".

In April 2013, the Cabinet approved a draft bill establishing royalties on mineral exports which will range between 4.0 and 6.0 per cent., depending on the type of mineral:

- 4.0 per cent. of the net value of base metals and other mineral and substances of that kind,
- 6.0 per cent. of the net value of gold and other precious metals of that kind, and
- 6.0 per cent. of the gross value of diamonds and other precious stones of that kind.

The bill is currently in the process of being considered by Parliament.

Construction

The construction industry has boomed since 1994, particularly in the capital Kigali, driven by the impact of rapid population growth, which has led to major infrastructure projects, new residential housing, and an increasing number of new commercial and administrative buildings. According to the National Institute of Statistics of Rwanda, the construction sector recorded consistent annual growth, from 1.4 per cent. growth in 2009 to 8.8 per cent. growth in 2010 and 23.6 per cent. growth in 2011, in terms of real GDP. The sector grew by 15.0 per cent. in 2012 compared to the same period in 2011. The positive trend was boosted by an improvement in the credit markets as well as significant public infrastructure investments (mainly in roads and schools). Further investment was targeted at road expropriations and construction projects (office buildings, hotels and residential buildings), urban planning and affordable housing activities in Kigali. The Government is currently focusing on a large affordable housing programme, as according to a 10-year study conducted in 2012, 370,000 housing units are required in order to meet the demand in Kigali alone. Construction continues to be one of the largest beneficiaries of loans in Rwanda, and further financing is expected through a designated affordable housing fund to be financed by the Rwandan Government and by the private sector, which is currently under development.

In order to facilitate and encourage continuous growth in the construction sector, a 'one-stop' centre for construction permits was established in Kigali, facilitating efficient issuance of permits by handling all utilities applications and inspections (water, electricity and telephone) in one space, as well as reducing application fees by 30.0 per cent. (for deed plans and construction permits).

In June 2012, the EAC decided, on the Government of Rwanda's request, to increase the uniform tax rate applicable to imported construction materials (for investment projects of US$1.8 million and above) from 5.0 per cent. to 10.0 per cent., which is expected to generate higher tax revenues from the construction sector.

Employment and Labour

According to the EICV3, in 2011, Rwanda's population aged 16 years and above was estimated at 5.9 million which was an increase from 5.2 million in 2007. Approximately 84.0 per cent. of the labour force was unemployed. The majority of the employed (approximately 73.0 per cent.) were in the agricultural sector, primarily subsistence farming as of the end of 2011.

A significant portion of the Rwandan economy is comprised of the informal sector, estimated at approximately 65.0 per cent. of GDP as of the end of 2012 (of which 46.0 per cent. is monetized and 19.0 per cent. is non-monetized). According to Rwanda's 2011 Establishment Census, surveying 123,256 establishments, 88.6 per cent. of all Rwandan establishments operate in informal sector. The informal sector is dominated by wholesale and retail trade (54.7 per cent.) and accommodation and food services (30.6 per cent.). In the formal sector, the largest employer is the private sector, at 90.8 per cent. and 255,873 workers. Non-profit organisations employ 6.2 per cent., compared to only 0.6 per cent. of employees employed by the public sector, and 1.9 per cent. employed by the mixed sector (establishments which are partially owned by the state). In terms of formal industry sectors, wholesale and retail trade is the largest employer (employing 92,711 employees, comprising 33.1 per cent. of total employment), followed by accommodation and food services (59,837 employees comprising 21.4 per cent.). The manufacturing and agriculture, forestry and fishing sectors, while only totalling 4.2 per cent. of all establishments, accounted for 17.5 per cent. of employment. The professional services sector is the only sector to employ more women than men (57.0 per cent.)

The Government of Rwanda has been taking significant measures in order to incentivize businesses to formalize and be included as part of the formal sector. Some of those measures include easier registration process and reduced registration fees (with no charges for online registration), a simplified tax regime for SMEs and construction of selling points and cross border market infrastructure.

According to the Third Integrated Household Living Conditions Survey (EICV3) published in February 2012, the percentage of employed and unemployed persons – the economically active – has declined in the last decade, mainly due to the growth in the proportion of adults over 16 years of age who are still students, which has almost doubled over the last 10 years. Employment has largely kept pace with the growth of the population by a combination of job creation and investing in the education and skills creation of young adults. For those aged over 25 and less than 65 years, economic activity rates have risen progressively since 2000 to reach around 98.0 per cent. for those in their thirties in 2011. An additional significant trend in recent years has been the large increase in formal employment, in particular non-farm jobs. In the fiscal year 2010/2011, 16.9 per cent. of the economically active were in wage non-farm jobs, up from 10.9 per cent. in the fiscal year 2005/2006, when the previous survey was conducted. Given the land constraints which have an impact on the large agricultural workforce, providing sufficient work for the population has continued to be a challenge for the Government.

Wages for workers in Rwanda are very low compared to neighbouring countries and the developed world. Even though nominal wages have increased over the years, corresponding real wage levels have actually declined over the same period. As part of its efforts to improve real wages in the public sector, the Government has developed a 'pay and retention' policy in 2012, to enhance its capacity to attract, retain and adequately motivate personnel with requisite skills to the public sector, with an aim to improve service delivery at the national and local levels. In line with the policy, public salaries were increased in the fiscal year 2012/2013, the largest share of the increase (0.5 per cent. of GDP) targeted at increasing the minimum wages of the lowest paid workers, particularly teachers, as well as reducing the gap between the lowest paid and the highly paid public servants. The remaining share of the salaries increase (0.2 per cent. of GDP) has been directed to facilitate late promotions and new recruitments. To ensure the sustainability of the pay and retention policy in the medium term, the Government plans to ensure that the total allowable salaries increases in the fiscal year 2013/2014 and going forward will maintain the real value of public service wages level, while maintaining macroeconomic stability.

Environment

Rwanda has large forests covering approximately 20.0 per cent. of Rwanda's land area. The forest cover area increased by 19.6 per cent. from 2009 to 2010, but decreased by 12.6 per cent. in 2011, to a total of 225,612 hectares.

The Rwandan Government prioritised funding of water supply development during the 2000s. This funding, along with donor support, caused a rapid increase in access to safe water; in 2011, 74.2 per cent. of the population had access to improved drinking water, up from about 55.0 per cent. in 2005. In rural areas, approximately 72.0 per cent. of the population have access to improved drinking water. The most commonly used sources are protected springs (38.0 per cent.) and public standpipes (26.0 per cent.). According to the EICV3, access to improved drinking water sources is highest in Kigali (83.0 per cent.) and the Northern Province (79.0 per cent.), with the lowest rate of households with improved drinking water access found in the Eastern Province (67.0 per cent.).

Rwanda's economy and its largely rural population are dependent on natural resources that are increasingly under pressure due to population growth, deforestation, soil erosion, pressure on natural resources and pollution. To attain the Government vision of becoming a resilient middle-income country by 2020, the main challenge is to maintain economic growth and simultaneously conserving the environment and adapting to climate change.

The effects of environmental degradation in Rwanda are particularly acute with respect to the living conditions of rural areas and the urban poor. Rural households strongly rely on natural resources as a basis for farming, energy production and housing. Additionally, environment degradation has been severely exacerbated by conflict, repeated population displacement and the clearing of natural areas for the resettlement of refugees from surrounding states since 1994. Air pollution is increasing due to the use of fossil fuels and increased use and production of chemicals. In addition, the current high dependency on wood fuel and biomass consumption has led the Government to establish strict forestation and reforestation policies. In order to mitigate the wood deficit due to biomass and wood fuel use, significant numbers of high yielding and drought resistant trees are planned to be planted on a large land scale. Also, Rwandans have committed to plant a certain amount of trees per year according to a voluntary performance contract with the Ministry of Local Government. Rural residents have committed to plant at least 10 trees per household per year while urban dwellers have agreed to plant at least 5 trees per households per year. Over all, the Government targets to have 30.0 per cent. of the available dry land covered by forests by 2020. These aggressive policies are aimed to create a wood surplus in the next five to ten years that would reverse the potential threats from biomass energy consumption.

The Government has made a strong commitment towards "greening the economy" by creating legal frameworks and bolstering institutional support for the conservation of the environment. National policy objectives for the management and protection of environmental resources include reducing the proportion of the population dependent on agriculture, the rate of diseases related to environmental degradation, and dependency on non-renewable biomass energy. The Government, through the Rwanda Environment Management Agency (REMA) and other relevant institutions is supported by the United Nations Development Programme (UNDP) in developing sound environmental management policies and strategies for poverty reduction, sustainable economic growth as well as addressing climate change challenges. The environmental legislation has been specifically designed to deal with the management and use of agricultural inputs such as fertilizers and pesticides, imports and exports of animal and plant products, the control of airborne substances, soil and water pollution and management of dangerous wastes. Environmental impact assessments (EIAs) and strategy environmental assessments (SEA) are also being periodically conducted in order to ensure the existing policies are aligned with the current environmental challenges. Rwanda's environmental authorities work closely with the MoF to ensure that infrastructure projects are not finalized and executed prior to obtaining an EIA certificate, assessing the projects' compliance with the respective environmental protection legislation.

Infrastructure

Transport

The transport system in Rwanda consists primarily of its road network, with paved roads between the capital, Kigali and most other major cities and towns in the country. Rwanda is also linked by road with other countries in East Africa, via which the majority of the country's imports and exports are made. Current planned key transportation infrastructure projects include the road linking between Kigali and Dar es Salaam, the Kigali-Gatuna Road, the Kivu Belt road, Kitabi to Crete Congo Nil road and the Rusizi-Ntendezi-Mwityazo road. There is also a plan to create a fast bus transportation corridor to Kigali. The investment is mainly targeted at key corridors connecting between Rwanda's major tourism and business travel destinations, in accordance with the Government's strategy to turn the country into a conference destination hub. There are currently no railways in Rwanda.

Roads

Nearly all of Rwanda's imports and exports travel over 1,500 km by road through Uganda to or from the port of Mombasa in Kenya, or by road and rail to and from Dar es Salaam in Tanzania, generating high transport costs for traders. Rwanda's arterial roads already compare well with those in neighbouring countries, especially as they are being increasingly well maintained, as part of infrastructural spending under the IMF-World Bank poverty reduction strategy paper. Currently, of Rwanda's 4,698 kilometres of classified road network, only 1,172 kilometres are paved (out of an overall road network of 14,000 kilometres).

The average distance from most households to a trunk road is 4 km, and the furthest that anyone lives from a trunk road is 20 km. Commercial transport is in private hands, and so to a large extent is public transport.

Public Transportation

There are several daily coach services from Rwanda to destinations in East Africa. In addition, the national express share taxi services to Gisenyi and Cyangugu often cross the DRC border to carry passengers to Goma and Bukavu, respectively. In addition to the share taxis, there is a limited national bus service run by Onatracom, a local provider affiliated with the Rwandan Government. These run between Kigali and the major towns two or three times per day. Onatracom buses also serve some remote areas along dirt roads not otherwise accessible by public transport.

Air

Rwanda's main air gateway is Kigali International Airport, which is located at Kanombe, a suburb approximately 10 km from Kigali city centre. The airport has international flights to Lagos, Brazzaville, Dubai, Nairobi, Entebbe, Addis Ababa, Bujumbura, Johannesburg, Amsterdam and Brussels and is the main airport for the national carrier RwandAir.

The only other international airport in the country with passenger service is Kamembe Airport, which is in the city of Cyangugu. The construction of a third international airport, Bugesera Airport, is currently planned to commence at the end of 2013. Bugesera Airport will be located in southeastern Rwanda, in Bugesera District, near the town of Nyamata, approximately 30 km south of Kigali International Airport. Bugesera International Airport is expected to become Rwanda's largest international airport, serving commercial flights destined to and from the greater Kigali metropolitan area.

According to the 2012 Yearbook, in 2011, total passenger movements in Rwanda's airports increased by 20.3 per cent. compared to 2010, while aircraft movements increased by 16.9 per cent. as a result of an increase in the number of flights offered by various operators and a rise in passenger demand.

RwandAir began operations on 1 December 2002 as the new national carrier under the name Rwandair Express and became "RwandAir" in March 2009, which is the current operating name. The airline has a young fleet of two Boeing 737-800NG aircrafts, two Boeing 737-500 and a Dash 8-200 and serves daily two local destinations and most of the EAC capital cities as well as Johannesburg and Dubai, three times a week. Current destinations include Nairobi, Entebbe, Mombasa, Bujumbura, Dar es Salaam, Kilimanjaro, Johannesburg and Dubai, as well as recently launched routes to Lagos in Nigeria, Libreville in Gabon and Brazzaville in the Republic of Congo. In addition, RwandAir has code-share agreements with Brussels Airlines servicing the Kigali-Brussels route and Ethiopian Airlines servicing the Kigali-Addis Ababa route.

The number of RwandAir passengers increased from 13,659 passengers for the whole of 2010 to 31,389 for the first nine months of 2012.

RwandAir has initiated an investment plan in order to achieve its target of increased profitability by the fiscal year 2015/2016. The plan includes an expansion of the fleet as well as network expansion to new destinations, such as Accra and Juba (planned for 2012/2013), Kinshasa, Abidjan, Durban and Mumbai (by 2013/201), Douala, Luanda, Cape Town, Pointe Noire, Lubumbashi, Paris, Brussels and China (by 2014/2015), Harare, Lusaka, Lilongwe, Windhoek, Frankfurt and London (2015/2016), Addis, Cairo, Maputo, Rome, Milan, Lisbon and Madrid (2016/2017), Delhi (2018/19) and the US and Canada (by 2019/2020).

Telecommunications

Rwandatel is the country's oldest telecommunications group, providing landlines to 31,733 subscribers (mostly government institutions, banks, NGOs and embassies) as of the end of 2012. MTN of South Africa, the second landlines private operator in the country, provided landlines to 12,630 subscribers as of that date, amounting to 28.0 per cent. market share. While mobile penetration remains low compared to developed countries, the mobile phone penetration in the country has significantly increased, from only 1.6 per cent. at the end of 2005 to 53.1 per cent. at the end of 2012, according to Rwanda Utilities Regulatory Agency statistics. In urban areas, mobile phone coverage was as high as 72.0 per cent. in 2011, compared to just 27.0 per cent. in 2007.

The leading mobile services provider is MTN Rwandacell Ltd., with around 3.45 million subscribers, followed by TIGO Rwanda Ltd. with 1.87 million subscribers and the new entrant, Airtel Rwanda Ltd., with 0.6 million subscribers, amounting to a total of 5.9 million subscribers as of the end of January 2013. In March 2012, the Indian company Bharti Airtel (operating in Rwanda as Airtel Rwanda Ltd.) joined MTN Rwanda and TIGO to become the third mobile phone operator and provider of voice and data services on 2G (second-generation) and 3G platforms in Rwanda, following the award of a US$30 million licence in September 2011. Bharti Airtel has announced in May 2012 that it intends to invest US$100 million in Rwanda to develop its network over the next three years. Bharti Airtel became the country's third mobile operator following the exit of Rwandatel from the mobile sector in April 2011, when its mobile licence was revoked by the Rwanda Utilities Regulatory Agency following a lengthy dispute over its mobile licensing obligations. Bharti Airtel has purchased some telecoms infrastructure from Rwandatel, including its GSM masts in the amount of US$15.5 million.

The following table sets out certain information about Rwanda's mobile telephone network coverage and population coverage as of 31 December 2012:

	Geographical coverage	Population coverage
	(%)	
MTN Rwanda	98.2	98.42
TIGO	79.0	99.0
Airtel Rwanda Ltd.	6.0	15.0

Source: Rwanda Utilities Regulatory Agency

Internet penetration is low but rising rapidly; in December 2012, the penetration rate was 8.4 per cent. compared to 0.08 per cent. in 2008. The Government recently hired the Tanzania Telecommunications Company to provide additional bandwidth to the nation in an investment of US$6.7 million, providing 1.244 GB per second of international internet bandwidth for the next ten years. Currently, Rwanda relies on three submarine fibre-optic cables for internet connectivity: East Africa Marine Systems, EASSY and SEACOM.

Energy

As of the end of 2012, an estimated 85.0 per cent. of energy consumed in Rwanda came from wood, peat and charcoal, with electricity accounting for about 4.0 per cent. and petrol products the remaining 11.0 per cent. The most common fuel is firewood, used on average by 86.0 per cent. of households. In rural areas, the use of firewood is as high as 93.0 per cent. A different pattern can be found in Kigali and, to a lesser degree, other urban areas, where charcoal is the preferred fuel for cooking (65.0 per cent. in Kigali).

Electricity

Rwanda's electricity supply was, until the early 2000s, generated almost entirely from hydroelectric sources; power stations on Lakes Burera and Ruhondo provided 90.0 per cent. of the country's electricity. A combination of below average rainfall and human activity, including the draining of the Rugezi wetlands for cultivation and grazing, caused the two lakes' water levels to fall from 1990 onwards. By 2004, water levels were reduced by 50.0 per cent., leading to a sharp drop in output from the power stations. This, coupled with increased demand as the economy grew, precipitated a shortfall in 2004 and widespread loadshedding. As an emergency measure, the Government installed diesel generators north of Kigali. By 2006, these were providing 56.0 per cent. of the country's electricity, but were very costly to operate. In line with economic growth, demand for electricity has grown and the addition of low-cost generation sources has not been able to keep up with the rising levels of consumption. The Government enacted a number of measures to alleviate this problem, and reduce the country's dependency on imported diesel in order to power its generation facilities. These measures include rehabilitating the Rugezi wetlands, which supply water to Lakes Burera and Ruhondo and would thereby increase the productivity of the hydroelectric power stations there, and investing in the extraction of methane gas from Lake Kivu to be used to fuel the new Nyabarongo power plant. The Government's efforts are currently targeted on developing electricity generation capacities both domestically and as a part of a regional cooperation project.

The first stage of extracting methane gas from Lake Kivu is due to commence this year. The methane gas extracted from Lake Kivu will be used to fuel the Nyabarongo power plant which is expected to increase electricity generation by an additional 28 megawatt electrical ("**Mwe**") by June 2014 and produce a total of approximately 100 Mwe by 2017. As a result, according to EWSA, the level of expenditure on diesel fuel for electricity generation is expected to drop from around US$64 million in 2012/2013 to US$31 million in 2013/2014 and US$6.8 million in 2014/2015.

In addition to hydro and methane resources, Rwanda also has significant supplies of peat which can be burned to generate electricity. The Government estimates that using peat for fuel could generate up to 100 Mwe within the next five years. Studies conducted over the past few years have also indicated that Rwanda may have a commercially viable geothermal resource. Detailed plans have been developed to undertake exploratory drilling to confirm these studies and the drilling operations are planned to commence in the course of 2013.

As of 2012, Rwanda produced 111 Mwe of electricity with a customer base of 341,918 households, which represented a 16 per cent. connectivity to the grid out of total population in the country, compared to only 4.0 per cent. in 2007. In urban areas, electrification of homes has increased from 23.0 per cent. in 2007 to 46.0 per cent. in 2011, and in rural areas from less than 1.0 per cent. to 5.0 per cent. during the same period. By 2017, Rwanda intends to have 70.0 per cent. connectivity out of total population in the country, 100.0 per cent. electrification of schools, health facilities and sector offices and electricity production of 560 Mwe as a result of the substantial increase in installed capacity of methane gas, geothermal energy, regional hydro and peat.

Petroleum

Rwanda is currently dependent on foreign imports of petroleum products, particularly for electricity generation and transportation. While the requirement to import petroleum products for electricity generation is expected to decrease as planned alternative fuel electricity generation using extracted methane gas come on line, Rwanda will still be required to import petroleum for transportation use, in particular road and air transport. In order to try and mitigate the high costs of petroleum imports, two long-term options are currently reviewed by the Government including a regional railway and a regional oil pipeline. For the short and medium term, the Government is exploring market mechanisms to reduce import costs such as regional cooperation to join bulk purchase transfers.

Privatisation

Since 1995, the Government of Rwanda has put in place a series of economic mechanisms aimed at reviving the national economy and preventing the deterioration of public enterprises. In 1996, the Privatisation and Public Investment Law was enacted, followed by the establishment of a designated Privatisation Unit at the Ministry of Finance and Economic Planning during the same year. The Unit was later transferred to the Rwanda Development Board in 2008. Privatisation activities commenced in 1998, and, according to the Rwanda Development Board, to date, a total of 61 enterprises have been transferred to the private sector out of a total portfolio of 84, 7 enterprises have been liquidated and additional 13 enterprises are due for privatisation between the fiscal years 2012/2013 and 2014/2015.

The Government fast-tracked the privatisation of several large state-owned firms in the fiscal year 2011/2012, following the successful initial public offering (IPO) of shares in Bralirwa, the largest brewery firm in Rwanda, in December 2010. It divested a 20.0 per cent. stake in the Banque de Kigali (out of its total 49.8 per cent. stake) through an IPO at the end of June 2011, which raised US$27.9 million. Since the beginning of fiscal year 2012/2013, the Government has raised Rwfr5.7 billion (approximately US$8.7 million) from privatization of state-owned companies, out of a total of Rwfr7.9 billion (approximately US$12.1 million) planned for the entire fiscal year. The Government had lined up a total of 13 state-owned companies for privatisation by the end of the fiscal year 2014/2015, including companies in the agriculture, industry and services, transportation and banking and insurance sectors. The Government plans to raise approximately additional Rwfr10.0 billion (approximately US$15.4 million) from these divestitures by the end of fiscal year 2014/2015.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Rwanda has a highly open trade regime with trade liberalisation being an integral part of the Government's reform efforts. The Ministry of Trade and Industry is responsible for trade policy formulation, implementation and negotiations. Other ministries are involved as much as possible in trade-related activities, including, inter alia, the Ministries of Finance and Economic Planning, Agriculture, Infrastructure, Lands, Environment, Forestry, Water and Mines, and government institutions like the Rwanda Revenue Authority, the Rwanda Development Board and the National Bank of Rwanda. The Government is fully responsible for decisions on all trade negotiations and the final establishment of international treaties. The Government also makes rigorous efforts to involve non-state actors in trade matters, especially from the private sector.

Trade Policy

Rwanda is a signatory to regional and multilateral agreements as well as bilateral agreements. It is a member of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC), as well as of the World Trade Organization (WTO). It has bilateral agreements with the United States under the Africa Growth Opportunities Act (AGOA) and has access to the European Union's Everything But Arms, which grant preferential market access to the least developed countries (LDCs). In addition, it has bilateral agreements with other individual countries to which it exports to including China, Malaysia, South Africa and Thailand.

Rwanda accessed the EAC Customs Union in July 2009 and subsequently adopted the EAC Common External Tariff. Under the EAC Customs Union, goods originating in the EAC territory attract zero tariffs (zero import duty) once traded among EAC partner states. Tariff rates for imports sourced from outside the EAC have been set at 25.0 per cent. for finished goods, 10.0 per cent. for intermediate goods, and zero for raw materials and capital goods. Rwanda is currently in negotiations with the Southern African Development Community (SADC) and COMESA to form a tripartite free trade area (TFTA) between SADC, EAC and COMESA.

Rwanda's trade policy emphasizes the development of competitive domestic production capacity supported by a vibrant private sector. Participation in regional and international trade has allowed for more integration, leading to development gains in terms of job creation, welfare improvement and poverty reduction, moving Rwanda towards the goal of transformation of the economy from an agrarian to a knowledge-based economy.

As part of its on-going efforts to promote exports, the Government established several strategic initiatives in recent years. An Industrial Development and Export Promotion Council (IDEC) was established, with its main objective to oversee the implementation of the National Export Strategy. The key role of the IDEC is to provide oversight, coordination and guidance in the implementation of national policies and strategies related to industrial growth and development that combine multiple Ministries or that require the collaboration of the public and private sectors. The IDEC collects information from its internal technical teams as well as from exporters' clusters workshops. In an effort to modernize and centralize the information available to exporters, a web portal is being developed aimed at providing relevant information for domestic exporters and to promote Rwandan products and services to international buyers. This initiative also envisages developing a comprehensive directory of exporters, key suppliers and service providers, and to produce an exporter's handbook, which will be used as a useful reference guide for both existing and new exporters. The handbook will cover the mechanics of exporting (transport, documentation and payments) as well as exports planning (strategy, research, marketing and promotion).

The National Agricultural Export Development Board (NAEB) also established an export diversification committee, with special focus on non-traditional exports. In addition, the Ministry of Industry and Trade is in the process of finalizing a cross border trade strategy.

Rwanda was ranked 52nd out of 185 countries in the World Bank's Doing Business Report of 2013, compared to 48th in the 2012 report as measured through key variables benchmarked against regional and high income economy averages. In the World Bank's Doing Business Report of 2013, Rwanda was ranked as the 2nd most reformed economy in the world over the last five years and the 3rd easiest place to do business in Africa (1st place in the EAC). The business reforms that have driven this improvement are part of the Government's efforts to promote Rwanda as an attractive business and investment destination, in order to drive the growth of the private sector and generate wealth.

Rwanda has been recognized for making improvements in the areas of enforcing contracts (ranked 39th) and getting electricity (ranked 49th). The country made enforcing contracts easier by implementing an electronic filing system for initial complaints. The improved country rating for getting electricity was achieved by reducing the cost of obtaining a new connection to the grid by 30.0 per cent. The country recorded substantially high rankings in starting a business (8th easiest in the world) with a two-step company registration process which allows the process of incorporation to be concluded in as quickly as 6 hours. Rwanda was ranked 25th easiest place for paying taxes globally.

Rwanda's performance is also consistent with the 2012-2013 World Economic Forum Global Competitiveness Index (GCI), where for the second year Rwanda was ranked among the top countries in Sub-Saharan Africa, ranked in the 3rd place. The GCI is based on 12 indicators that include, among others, the strength of the economy, education and social welfare and innovation.

Imports and Exports

In 2012, exports value increased by 27.3 per cent. compared to 2011, while its volume rose by 73.0 per cent. Imports value rose by 25.6 per cent. while imports volume increased by 28.14 per cent. during the period. Exports covered 30.0 per cent. of imports in 2012, including cross-border trade. The coverage ratio is estimated at 41.0 per cent. when services are included.

The following table sets out certain information regarding expenditure on imports and export earnings for the periods indicated:

	Year ended 31 December					
	2007	2008	2009	2010	2011	2012
			(US$ millions)			
Trade balance	**(404.39)**	**(613.05)**	**(764.2)**	**(786.70)**	**(1,101.6)**	**(1,376.2)**
Exports (f.o.b.)	**176.77**	**267.67**	**234.9**	**297.28**	**464.2**	**590.8**
Coffee	35.67	47.05	37.29	56.08	74.60	60.9
Tea	31.52	44.95	48.27	55.71	63.90	65.7
Tin (Cassiterite)	31.97	41.25	28.58	42.21	96.82	52.9
Coltan	19.23	36.03	20.24	18.48	38.58	56.9
Wolfram	19.42	13.41	5.76	7.10	16.03	26.26
Hides and Skins	3.56	2.85	1.96	3.74	7.62	14.3
Pyrethrum	3.00	0.38	0.64	1.41	4.51	9.7
Other	32.32	85.80	49.26	69.66	85.61	195.9
Imports (f.o.b.)	**581.16**	**880.72**	**999.2**	**1,083.97**	**1,565.8**	**1,967.0**
Consumer Goods	154.4	189.4	250.5	298.4	414.8	500.84
Capital Goods	136.5	244.9	256.3	243.08	349.0	471.4
Intermediary Goods	127.99	216.03	228.8	259.7	394.9	497.9
Energy Products	77.0	107.7	122.54	143.3	259.17	289.13

Source: National Bank of Rwanda and National Institute of Statistics

Exports

In 2012, driven by minerals and export crops, exports recorded strong performances increasing both in value and volume by 27.3 per cent. and 73.0 per cent., respectively, between 2011 and 2012. In April 2011, the Government approved a multi-year export strategy (NES) in order to diversify the export base and extend it to non-traditional exports, targeting an increase in both exports of goods and services. The NES is managed by the IDEC and the strategy focuses on ten products that have been identified by the IDEC as potential incentives for growth in the domestic market (rice, wheat, cement and sugar) as well as for exports growth (pyrethrum, tea, horticulture, mining, manufacturing and agro-processing).

Exports of goods are dominated by traditional export products such as coffee, tea and minerals, which represented 45.2 per cent. of total export earnings in 2012. The value of major mineral exports was US$136.0 million, representing 23.4 per cent. of total export earnings, while coffee and tea amounted to US$126.6 million, representing 21.8 per cent.

Coffee exports performed relatively well in 2012, increasing by 9.0 per cent. in volume, however, due to a sharp price decrease of 25.1 per cent. in 2012 representing lower demand as production levels in some countries increased, coffee export value decreased by 18.4 per cent. amounting to US$60.9 million in 2012, compared to US$74.6 million in the previous year. Tea exports have continued to perform well in 2012. Tea exports increased by 2.9 per cent. in value from US$63.9 million to US$65.7 million but decreased in volume by 5.4 per cent. between 2011 and 2012. Tea export price increased by 8.7 per cent. in 2012 compared to 2011.

Exports in the mining sector showed different trends in 2012 compared to the previous year, mainly due to the changes in international prices of the major minerals exported by Rwanda, namely cassiterite, coltan and wolfram. While exports of coltan and wolfram significantly increased in both value and volume, even though wolfram prices declined, cassiterite exports showed significant price and volume decreases, resulting in the total minerals value and volume decreasing by 10.0 per cent. and 15.0 per cent., respectively. Mineral prices increased, by 14.7 per cent. for coltan, and decreased by 5.8 per cent. for wolfram and 18.1 per cent. for cassiterite. Overall mineral production decreased by 14.9 per cent. between 2011 and 2012, of which cassiterite decreased by 33.3 per cent., and coltan and wolfram increased by 28.6 per cent. and 74.0 per cent., respectively.

Re-export products significantly increased in value (195.8 per cent.) and in volume (194.4 per cent.) between 2011 and 2012, mainly as a result of petroleum products which represented 64.0 per cent. of its total value and 77.0 per cent. of total volume of re-exports in 2012. Re-exports total value amounted to US$107.9 million at the end of 2012, with re-exports of petroleum products totalling US$69.1 million and re-exports of vehicles totalling US$17.9 million. Rwanda re-export products in 2012 mainly include petroleum products, machines, engines and vehicles.

Other export products which included, among others, livestock, vegetables, fruits, cereals, milling products and beverages, increased by 129.0 per cent. in value and 111.0 per cent. in volume during 2012. Other exports value amounted to US$195.9 million at the end of 2012 mainly due to increases in animal or vegetable fats and oils products (1,021.7 per cent.), cereals (659.5 per cent.), iron and steel (231.1 per cent.) and milling products (136.4 per cent.).

During recent years, Rwandan export destinations have been diversified and expanded away from Europe. The share of exports to Europe has decreased from 47.3 per cent. of total exported volume in 2006 to only 9.9 per cent. in 2012. The share of exports to EAC countries (mainly Kenya) increased from 42.1 per cent. in 2006 to 54.4 per cent. in 2011, before declining to 38.5 per cent. in 2012 on account of other African countries (mainly DRC), increasing therefore from 2.4 per cent. in 2006 to 40.8 per cent. in 2012. On average, the shares of exports to Asia increased from 5.9 per cent. to 9.8 per cent. and exports to America decreased from 2.3 per cent. to 1.0 per cent. during the period.

The table below sets out certain information regarding the destination of Rwanda's exports for the periods indicated:

	Year ended 31 December						
	2006	2007	2008	2009	2010	2011	2012
			(% of Volume)				
Europe	47.3	26.0	24.4	19.0	20.0	13.5	9.9
EAC	42.1	51.9	52.4	58.8	56.0	54.4	38.5
Other Africa countries	2.4	15.2	18.3	18.3	18.9	26.1	40.8
Asia	5.9	5.1	4.5	3.2	3.6	4.9	9.8
America	2.3	1.7	0.3	0.7	1.5	0.86	1.0
Oceania	0.0	0.0	0.0	0.0	0.0	0.12	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: National Bank of Rwanda and National Institute of Statistics

Imports

Rwanda's primary imports include intermediary goods (47.4 per cent. of the total volume of imports), consumer goods (34.0 per cent.), energy products (14.8 per cent.) and capital goods (4.0 per cent.). Total imports of goods increased both in value and volume in 2012, by 25.6 per cent. and 28.1 per cent., respectively, mainly due to increases in imports of intermediary goods and capital goods. The significant increase in the volume of intermediary goods was primarily a result of an increase in the industry and services sectors.

In 2012, intermediary goods imports increased by 26.0 per cent. in value, while their volume rose by 33.0 per cent. This increase was attributed to construction materials which rose by 13.0 per cent. in value and by 27.0 per cent. in volume. Imported cement represented 77.0 per cent. of domestic consumption, reflecting the existing gap between local demand for cement and domestic production capacity. With the growing construction sector, import volume of cement and other similar construction materials increased to 361,182.5 tonnes at the end of 2012, compared to 272,587.3 tonnes in 2011. Cement import levels remain high despite the increase in local production of 12.0 per cent. between 2011 and 2012, as local demand remains significantly high compared to local production.

In 2012, the import value of capital goods rose by 35.1 per cent. to US$471.39 million from US$349.01 million in 2011, and increased by 34.8 per cent. in volume. Imports from capital goods were mainly composed of machines, devices and tools (approximately 61.7 per cent. in value) and transport materials (19.3 per cent. in value). Positive developments in imports of capital goods and intermediary products reflect a positive trend in the general industrial sector, as most industry sectors in the country indeed recorded positive developments in 2012. Industrial products value increased by 23.5 per cent. during 2012 while their volume increased by 40.3 per cent.

The import value of final consumer goods increased by 20.7 per cent. from US$414.8 million in 2011 to US$500.84 million in 2012 due principally to an increase in non-food products (with an increase in volume by 31.8 per cent.), while consumer goods unit price declined by 14.6 per cent. Non-food products represented the largest share with 63.6 per cent. of the total value of final consumer goods. Non-food products are mainly comprised of domestic articles, clothing, health care, pharmaceutical and perfume products. Food products imports increased by 10.0 per cent. in value as a result of an increased volume of 25.9 per cent.. Imports of energy and lubricants (of which 95.7 per cent. are petroleum products) increased by 11.6 per cent. in value (to U$289.14 million) and by 14.85 per cent. in volume in 2012.

Trading with EAC Countries

Rwanda's total trade with EAC partner states has significantly expanded in the last six years for both exports and imports. Since 2006, the total trade value with EAC countries recorded a significant increase and more than doubled from US$313.1 in 2006 to US$801.29 million in 2012, driven mainly by imports. The country's trade with the EAC remains in deficit.

The table below sets out certain information regarding Rwanda's trade with EAC countries for the periods indicated:

	Year ended 31 December						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
				(US$ millions)			
Exports to EAC..................	37.0	45.03	141.8	48.1	55.2	76.84	343.46
Imports from EAC	276.0	245.8	383.7	434.7	339.3	383.2	457.8
Trade balance....................	**(239.0)**	**(200.4)**	**(241.9)**	**(388.4)**	**(285.5)**	**(593.95)**	**(114.36)**
Total trade........................	**313.1**	**291.1**	**525.4**	**484.6**	**395.9**	**755.35**	**801.29**

Source: National Bank of Rwanda and National Institute of Statistics

Informal Cross-Border Trade

Informal cross-border trade is becoming a significant factor in Rwanda's external trade. Total exports in 2011 amounted to US$71.40 million compared to US$46.91 million in 2010 and accounted for approximately 15.0 per cent. of total formal exports. Informal cross-border export value, dominated by agriculture and husbandry products, was US$41.9 million at the end of September 2012 (21.0 per cent. of total exports for the period). Informal imports rose by 11.0 per cent. from US$21.23 in 2010 to US$23.50 million in 2011, leading to an improvement in Rwanda's positive trade balance with neighbouring countries. These informal cross border exports and imports are dominated by crop products and livestock. The main exports trading partner is the DRC (77.18 per cent. of total cross border exports at the end of September 2012) and the main import partner is Uganda.

Balance of Payments

Following eight consecutive years of surplus, the overall balance of payments showed a deficit of US$212.4 million at the end of 2012, compared to a surplus of US$234.5 million at the end of 2011. This was a result of increased imports and due to a larger current account deficit resulting from the postponement of certain donor budget support funds from 2012 to 2013. At the end of 2012, Rwanda recorded a capital and financial account surplus of US$582.5 million, a decrease of 14.7 per cent. compared to a surplus of US$682.5 million at the end of 2011. This was mainly attributed to a lower level of public sector capital (net) of US$92.98 million in 2012 compared to US$207.2 million in 2011, as a result of lower budget loans which stood at US$13.42 million in 2012 compared to US$124.06 million in 2011. Rwanda had excess of reserves of approximately 4.8 months of imports at the end of 2012.

The following table sets out certain information regarding Rwanda's aggregate balance of payments for the periods indicated:

	Year ended 31 December					
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(US$ millions)			
Trade Balance	**(404.39)**	**(613.05)**	**(764.2)**	**(786.70)**	**(1,101.6)**	**(1,376.2)**
Exports, f.o.b.	**176.77**	**267.67**	**234.9**	**297.28**	**464.2**	**590.8**
Of which: coffee	35.67	47.05	37.29	56.08	74.60	60.9
tea	31.52	44.95	48.27	55.71	63.90	65.7
Imports, f.o.b.	(581.16)	(880.72)	(999.2)	(1,083.97)	(1,565.8)	(1,967.0)
Services and income (net)	**(140.38)**	**(135.67)**	**(218.5)**	**(288.7)**	**(238.8)**	**(159.0)**
Services (net)	(123.16)	(100.60)	(181.6)	(246.22)	(187.86)	(85.2)
Income (net)	(17.22)	(35.07)	(36.86)	(42.5)	(51.8)	(73.8)
Trade and services and income balance	**(544.76)**	**(748.71)**	**(982.7)**	**(1,075.4)**	**(1,340.4)**	**(1,535.23)**
Current transfers (net)	**461.32**	**518.57**	**604.2**	**657.36**	**880.57**	**722.46**
Private	98.82	72.61	79.71	90.68	133.31	183.0
Public	362.50	445.96	524.31	566.68	747.25	539.5
Current account balance (including official transfers)	**(83.45)**	**(230.15)**	**(372.54)**	**(418.1)**	**(459.8)**	**(812.8)**
Capital and Financial account balance	**196.7**	**316.12**	**433.55**	**499.36**	**682.51**	**582.5**
Capital Account	**92.04**	**210.06**	**200.00**	**285.64**	**196.66**	**171.2**
Capital transfers	**92.04**	**210.06**	**200.00**	**285.64**	**196.66**	**171.2**
Debt Forgiveness	0.00	0.00	0.00	0.00	0.00	0.00
Migrants transfers	0.00	0.00	0.00	0.00	0.00	0.00
Other capital transfers	92.04	210.06	200.00	285.64	199.66	171.2
Financial transactions account	**104.67**	**106.06**	**233.55**	**213.72**	**485.86**	**411.2**
Public sector capital (LT) (net)	80.36	104.75	81.35	51.90	207.22	93.0
Private sector capital (LT) (net)	81.43	89.94	160.7	161.8	278.6	318.3
Lt. Debt	3.39	9.48	42.72	129.02	148.78	123.56
Amortization	(4.24)	(4.10)	(0.7)	(12.29)	(55.16)	(56.99)
Direct investment	82.28	84.56	118.7	63.71	137.50	159.81
Other Capital	(57.13)	(88.63)	(8.49)	(18.63)	47.51	85.10
Short term capital	(57.13)	(88.63)	(8.49)	(18.63)	47.51	85.10
Errors & Omissions	**(2.66)**	**(27.97)**	**2.05**	**(9.16)**	**11.88**	**(17.86)**
Overall balance	**110.60**	**58.01**	**57.05**	**72.1**	**234.5**	**(212.4)**

Source: National Bank of Rwanda

Foreign Direct Investment

FDI into Rwanda rose significantly in recent years from Rwfr223.17 billion in 2009 (US$373.2 million) to Rwfr364.4 billion (US$613.0 million) in 2010, an increase of 63.3 per cent. The Government of Rwanda has been actively working to attract foreign direct investments and create an investment climate which will make it easier for foreign investors to start business activities in the country and invest in the private sector. Some of the investment promotion packages, currently provided by the Rwanda Development Board, include the required regulatory framework and disclosure requirements, information and assistance with establishing or closing a business, registration facilities, working permits, Government's plan for investments protection, disputes settlements and transfer of funds facilities.

The following table sets out certain information regarding the origin of net FDI into Rwanda for the periods indicated:

	Year ended 31 December			
	2008	2009	2010	Change 2009/2010
		(Rwfr billions)		(%)
European Union countries	48.69	69.59	99.50	43.0
COMESA (non EAC and SADC)	29.01	42.29	120.20	184.2
SADC (non EAC and COMESA)	29.61	34.64	3.20	(76.3)
Asia	22.11	24.33	39.10	60.7
EAC countries (non SADC and COMESA)	12.24	20.30	42.60	109.8
OECD (non-European Union)	9.64	9.03	20.00	121.6
Others	14.66	22.99	39.80	51.4
Total	**165.97**	**223.17**	**364.40**	**63.3**

Source: National Bank of Rwanda, Foreign Private Capital Census Report 2011

The majority of FDI has been in the information and communications technology (ICT) sector (46.3 per cent. of the total liability inflows), followed by the mining sector (18.1 per cent.), wholesale and retail trade (12.7 per cent.), manufacturing (8.2 per cent.) and finance and insurance for the year ended 31 December 2010.

The Government has been taking significant measures in order to increase net capital inflows into the country. The Government and the NBR have embarked on a process to modernize and develop the retail payment system in order to meet international standards, and significant progress has been achieved in means of retail electronic payment systems for both card based and mobile based financial services, with the launch of the Visa National Net Settlement System (NNSS) in March 2012. Retail payments infrastructure has also improved considerably. The number of ATMs in the country has increased to 256 in the third quarter of 2012, compared to 167 ATMs at the end of 2011. Points of Sale (POS) have also increased in the third quarter of 2012 and amounted to 440, compared to 227 POS at the end of 2011. Nine banks are currently Visa members (2 principle members, 3 associate members and 4 cash disbursement members), China Union Pay card is accepted by 2 banks, Mastercard is accepted by one bank and Diner Club card is accepted by one bank as well. The level of interoperability has also shown significant improvement, with the number of ATMs which can accept both RSwitch proprietary cards and Visa Cards increasing by 75.0 per cent. during the first nine months of 2012.

To further enhance the development of the payment systems, the NBR, together with the Rwanda Bankers Association, have also launched the Cheque Truncation Project. This project will enable cheque clearing systems based on cheques images, allowing the cheque to be scanned and transmitted through the entire clearing cycle using the image instead of the physical cheque. At the regional level, the Rwanda Integrated Payments Processing System (RIPPS) has been upgraded to enable linkage to the regional payment systems, and in particular, to the East Africa Payment System (EAPS) and the COMESA Regional Payments and Settlement System (REPSS), in order to facilitate cross border payments in the East African community and the COMESA region.

PUBLIC FINANCE

Overview

Rwanda's fiscal performance has been improving during the last decade with GDP rebounding to an average annual growth of 7.7 per cent. from 2003 to 2012. Although Rwanda's economy continued to show improvement in recent years, a significant portion of the Rwanda budget is still dependent on foreign aid, which was budgeted in the 2012/2013 budget in the total amount of Rwfr441.8 billion (approximately US$681.0 million), comprising 38.4 per cent. of total budget receipts. See "*Risk Factors–Rwanda is highly dependent on foreign aid*". The overall deficit fell to 1.4 per cent. of total GDP in the fiscal year 2011/2012 but then increased to 6.0 per cent. of total GDP in the fiscal year 2012/2013.

Rwanda has both an ordinary budget for recurrent operations and a development budget for controlling development projects. In the 1960s and 1970s, prudent public finance management and generous foreign aid helped keep deficits and inflation low. With the fall of coffee prices during the 1980s, however, the Government increased its control over the economy and raised annual budget deficits to the equivalent of 11.0 per cent. of GDP by 1990.

In the fiscal year 2012/2013, total Government expenditure is expected to increase to Rwfr1,425.1 billion from Rwfr1,098.0 billion in the fiscal year 2011/2012. The main expenditures in the fiscal year 2011/2012 related to financing public investments, including infrastructure. The Government has budgeted for a large increase in spending in the 2012/2013 budget and expenditures are expected to rise by 21.1 per cent. (excluding expenditures using the sovereign bond proceeds) in the fiscal year 2012/2013. The focus, as across most of East Africa, is expected to be on improving infrastructure. Capital expenditures are budgeted to increase by 29.4 per cent. to Rwfr625.0 billion in 2012/2013 from Rwfr482.9 billion in 2011/2012, as the Government plans to construct or rehabilitate 460 km of road and add another 30 Mwe of power to the national grid (23.3 per cent. of the budget), construct and rehabilitate various educational institutions (16.4 per cent. of the budget) and provide for further investment in health facilities (12.3 per cent. of the budget).

Revenue performance is expected to increase to Rwfr707.7 billion in the fiscal year 2012/2013 compared to Rwfr591.8 billion in the fiscal year 2011/2012. Tax revenues are expected to increase to Rwfr641.2 billion in the fiscal year 2012/2013 compared with Rwfr557.0 billion in the fiscal year 2011/2012.

As a developing country, Rwanda faces certain structural economic challenges. These challenges include widening the tax base, diversification of the economy, high capital spending needs, agriculture subsidies, skills shortages, poverty, income inequalities, inadequate infrastructure and limited access to affordable finance. As a result, the Government is focused on sustaining macroeconomic stability and enhancing the efficiency of the economy. The Government is committed to prioritising economic diversification, tackling the high poverty levels and creating jobs under the EDPRS (including EDPRS II). See "*The Economy–Vision 2020*". By 2013, the Government aims to achieve substantial progress in enhancing rural development and improving service provision in rural areas, such as rural electrification, universal access to telecommunications, the development of rural feeder roads and enhancement of agricultural development. The Government also plans to improve water supply and sanitation.

The Government of Rwanda is in the process of carrying out a comprehensive reform programme of the public financial management system, including legal and regulatory reform, capacity and institutional building, restructuring of the Office of the Accountant General and adoption of Public Finance Management (PFM) Reform Strategy and its implementation framework. The Government is also in the process of launching and implementing an integrated system that is intended to resolve current problems of data inaccuracy, inconsistent reports by different agencies, bottleneck in monitoring performance, complex data consolidation and reconciliation. The integrated system will also consolidate accounting information scattered in number of standalone accounting software within Government institutions.

The Budget

Rwanda's public financial management system is established by the 2003 Constitution as a three-tier legislative framework. The Constitution provides for the Organic Budget Law and Ordinary Laws (the annual finance law). The Organic Budget Law was adopted in 2006, establishing the principles of planning, budgeting and monitoring of state resources and management of state budget. The Government has also issued Financial Regulations in 2007 to accompany the Organic Budget Law. The Financial Regulations provide further ministerial instructions regarding the budget calendar, expenditure categorization, reallocations and accounting standards. Following Rwanda's decision to join the EAC, Rwanda adopted the fiscal year model, running between June and July, instead of the calendar year model. The last calendar budget was issued for the calendar year 2008 and the first fiscal year budget was issued for the fiscal year 2009/2010.

The Constitution does not provide details on budget preparation. With respect to timing, the Constitution does not specify that the Chamber of Deputies must adopt the budget before the beginning of the fiscal year. However, in the event that the budget is not voted and promulgated before the commencement of a financial year, the Prime Minister authorizes a monthly expenditure on a provisional basis of an amount equal to one twelfth of the budget of the preceding year. This provision prevents a Government shutdown should the budget not be adopted in a timely manner.

The Budget Unit in the Ministry of Finance and Economic Planning (MoF) is responsible for issuing guidance for the preparation of budget proposals and consolidating these into a Budget Framework Paper (BFP) for discussion by the Cabinet. It is also responsible for the preparation of the recurrent and development budgets, in coordination and consultation with the Ministries and districts units, in order to guarantee full sectorial coverage. In addition to drafting, negotiating and delivering a comprehensive Rwandan budget consistent with macro-fiscal targets and aligned with the Governments' economic and social objectives, the Budget Unit is responsible for overseeing the process of budget approvals in consultation with the Cash Management Unit in order to implement a viable cash plan.

The key dates in the budget preparation calendar are specified in the Financial Regulations. The budget preparation process is guided by a Budget Call Circular (BCC) prepared by the MoF. This sets out preliminary expenditure ceilings and allocations for negotiation with spending agencies that are based on a medium-term macroeconomic framework issued in August each year. Attached to the BCC is a set of guidelines on the budgeting process for spending agencies that includes requests for information based on macroeconomic projections and a review of the budget outturn for the previous year. Under the Financial Regulations, the deadline for the MoF to issue the final BCC for the budget for the following year is the second week of December.

The following stages describe the budget planning and execution process as set out in the Financial Regulations:

1. Before September – notices are sent by the MoF to the various budget agencies; financial statement and annual reports are being prepared at the districts and Ministries levels, as well as an update of the macro-fiscal framework by the MoF.

2. During October – preliminary Budget Call Circular (BCC) is issued.

3. Between October and December – Joint Sector Reviews are being prepared by the Ministries and District Expenditure Reviews are being prepared at the districts level. The Cabinet approves the annual reports (Annual Financial Statements).

4. During December – Consultations are being held by the Ministries and the districts in order to assess sectors, Ministries and districts' priorities for budget considerations. The MoF issues the final BCC.

5. January to March – the MoF prepares the revised budget which is then submitted and approved by Cabinet and Parliament. Ministries and districts finalize budget estimates and

submit all budget data through an online electronic system. The MoF prepares the BFP and budget estimates and submits the materials for Cabinet approval.

6. During April – BFP and budget estimates are submitted to Parliament no later than April 15. Sectorial consultation meetings on the districts budgets are finalized and budget scrutiny discussions commence by the Parliament in collaboration with the Ministries.

7. May to June – Parliament discusses the BFP and budget estimates. The MoF prepares the draft Finance Law and submits it to Parliament by June 15. The Parliament debates and approves the budget for the following year. Once the Finance Law has been approved by Parliament, it is published in the Gazette within a month of its adoption.

Revenue and Expenditure

In the fiscal year 2012/2013, total revenues and grants were budgeted at Rwfr1,149.5 billion, or 24.6 per cent. of GDP, compared to Rwfr1,049.1, or 25.4 per cent. of GDP, in the fiscal year 2011/2012. Total revenue is expected to amount to Rwfr707.7 billion in 2012/2013, exceeding the Rwfr591.8 billion collected in 2011/2012 by Rwfr115.9 billion, due to the good performance of the economy and several ongoing reform measures implemented by the Rwanda Revenue Authority to facilitate tax payments and improve compliance. Total grant receipts from donors are expected to amount to Rwfr441.8 billion in the fiscal year 2012/2013 compared to Rwfr457.3 in the fiscal year 2011/2012.

Tax revenues are expected to amount to Rwfr641.2 billion in the fiscal year 2012/2013 compared to Rwfr557.0 in fiscal year 2011/2012. This increase of Rwfr84.2 billion is expected to result from improved tax revenue collection and enforcement measures implemented by the Rwanda Revenue Authority. Tax collections have consistently surpassed the target rates in recent years, reflecting an improving level of efficiency in revenue collections, however, the large informal sector and the high illiteracy levels still impose challenges to the revenue collections authorities.

The MoF is in the process of further improving revenue collection and strengthening enforcement measures, whilst at the same time seeking to facilitate trade. The Government is reviewing tax policy and administration with the view to revise tax incentives, particularly with regard to VAT exemptions, customs and excise duties. See "*–Taxation*". A number of strategies have been adopted to improve revenue collection and management and diversify the revenue base, including an electronic sales register for VAT payments and e-filing and e-payments systems, aimed at reducing time and resources used for in-person service, compliance costs incurred by taxpayers and improve general service delivery. As a result of these measures, total revenue is expected to increase to approximately 15.1 per cent. of GDP in the fiscal year 2012/2013, compared to 14.3 per cent. of GDP for the fiscal year 2011/2012.

Total expenditures and net lending in the fiscal year 2012/2013 are expected to amount to Rwfr1,425.1 billion, representing 30.5 per cent. of GDP in the fiscal year 2012/2013. Current expenditures are expected to amount to Rwfr634.6 billion, comprising Rwfr178.2 billion for personal emoluments such as public salaries and wages, Rwfr117.4 billion for purchase of goods and services and Rwfr28.4 billion for payments of interest. In line with EDPRS and EDPRS II objectives, the largest share of capital spending will be in the areas of infrastructure (energy and roads projects) as well as investment in education and health facilities. Accordingly, the Government has identified the core expenditures in infrastructure, education and health, amounting to approximately 36.0 per cent. of total expenditures, to be classified as priority expenditures. These expenditure projects and programmes are usually "ring fenced" in the budget due to their key role in achieving the MDGs as well as the Vision 2020 targets.

The overall budget deficit (including grants) is expected to amount to Rwfr275.6 billion in the fiscal year 2012/2013, representing 5.8 per cent. of GDP in the fiscal year 2012/2013, compared to Rwfr62.6 billion in the fiscal year 2011/2012, representing 1.2 per cent. of GDP in the fiscal year 2011/2012. The deficit is expected to be financed through borrowings. The expected increase in the budget deficit in the fiscal year 2012/2013 is mainly attributed to infrastructure expansion programmes in the road and energy sectors. See "*The Economy–Infrastructure*", "*The Economy–Energy*" and "*Risk Factors–Rwanda is highly dependent on foreign aid*".

The tables below set out certain information regarding Government operations for the periods indicated:

	Fiscal Year ended 30 June[1]				
	2008/09	2009/10	2010/11	2011/12	2012/13
			(Rwfr billions)		
Revenue and grants	**670.7**	**800.7**	**863.4**	**1,049.1**	**1,149.5**
Total revenue	413.0	391.4	484.4	591.8	707.7
Tax revenue	361.4	376.4	463.8	557.0	641.2
Direct taxes	130.1	148.8	180.9	228.5	260.0
Taxes on goods and services	179.3	195.0	245.1	282.6	340.1
Taxes on international trade	52.0	32.6	37.8	45.9	41.1
Nontax revenue	51.7	15.0	20.6	34.7	66.5
Of which: Payments for Peacekeeping Operations	—	—	—	—	44.6
Of which: Agaciro Development Fund	—	—	—	—	2.0
Grants	257.7	409.3	379.0	457.3	441.8
Budgetary grants	167.0	283.0	215.0	265.7	197.9
Capital grants	90.7	126.3	164.0	191.7	243.9
Of which: Global Fund	—	—	0.0	78.0	96.2
Total expenditure and net lending	**731.2**	**804.2**	**984.3**	**1,098.0**	**1,425.1**
Current expenditure	401.7	459.2	527.0	614.1	634.6
Of which: priority	233.1	280.4	310.8	350.8	344.5
Wages and salaries	90.8	106.9	122.0	144.8	178.2
Civil	66.1	77.5	91.4	110.3	140.2
Defense	24.7	29.4	30.6	34.6	38.0
Purchases of goods and services	103.2	106.3	124.1	149.5	117.4
Civil	82.9	94.3	109.5	133.6	103.3
Defense	20.2	12.0	14.6	15.9	14.1
Interest payments	11.4	14.7	15.6	18.4	28.4
Domestic debt	7.4	10.1	10.9	13.2	10.5
External debt	4.0	4.6	4.7	5.2	17.9
Of which: Sovereign bond	—	—	—	—	7.9
Transfers	141.6	179.6	197.2	225.6	238.2
Exceptional expenditure	54.7	51.6	68.1	75.8	72.4
Capital expenditure	306.6	316.7	438.6	482.9	625.0
Of which: priority	124.9	129.2	176.6	175.7	206.1
Domestic	139.7	159.3	218.9	231.6	254.8
Of which: Agaciro Development Fund	—	—	—	—	2.0
Foreign	167.0	157.4	219.7	251.3	370.2
Of which: Global Fund	—	—	47.8	47.8	96.2
Net lending and privatization receipts	22.9	28.2	18.7	1.1	165.5
Of which: Kigali Convention Centre	—	18.0	—	—	90.8
Of which: RwandAir	—	4.5	25.2	34.5	73.9
Of which: Privatization receipts	—	—	(17.2)	(28.0)	(5.1)
Primary balance[2]	(62.2)	(160.8)	(177.8)	(159.7)	(109.3)
Domestic fiscal balance[3]	(147.2)	(250.7)	(275.5)	(249.7)	(280.9)
Overall deficit (payment order)					
After grants	(60.5)	(3.5)	(120.9)	(48.9)	(275.6)
Before grants	(318.1)	(412.8)	(499.9)	(506.3)	(717.4)
Change in arrears	(9.0)	(11.2)	(11.9)	(13.7)	(8.0)
Overall deficit (incl. grants, cash basis)	**(69.4)**	**(14.7)**	**(132.8)**	**(62.6)**	**(283.6)**
Financing	**69.4**	**14.7**	**132.8**	**56.8**	**283.6**
Foreign financing (net)	72.5	26.1	68.6	95.1	355.5
Drawings	77.0	31.1	76.5	104.7	370.8
Budgetary loans	0.7	0.0	21.4	53.5	17.4
Project loans	76.3	31.1	55.1	51.3	353.4
Of which: Sovereign Bond	—	—	—	—	227.0
Amortization	(4.4)	(5.0)	(7.9)	(9.7)	(15.3)
Net domestic financing	(3.1)	(11.4)	64.2	(38.2)	(71.9)
Net credit from banking system	18.0	8.4	77.8	(15.4)	(84.0)
Of which: Sovereign Bond	—	—	—	—	(84.3)
Nonbank sector	(21.2)	(18.1)	(19.6)	(22.8)	(12.5)
Errors and omissions	**0.0**	**(1.7)**	**0.0**	**(5.8)**	**0.0**

Source: MoF, National Institution of Statistics, IMF

1 Fiscal year runs from July to June.
2 Total revenue minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital investment.
3 Total revenue minus current expenditure (excluding interest on external debt), domestically financed capital expenditure, and net lending.

	Fiscal year ended 30 June[1]				
	2008/09	2009/10	2010/11	2011/12	2012/13
			(% of fiscal year GDP)		
Revenue and grants	**24.2**	**25.6**	**24.3**	**25.4**	**24.6**
Total revenue	14.9	12.5	13.6	14.3	15.1
Tax revenue	13.0	12.0	13.1	13.5	13.7
Direct taxes	4.7	4.8	5.1	5.5	5.6
Taxes on goods and services	6.5	6.2	6.9	6.8	7.3
Taxes on international trade	1.9	1.0	1.1	1.1	0.9
Nontax revenue	1.9	0.5	0.6	0.8	1.4
Of which: Payments for Peacekeeping Operations	—	—	—	—	1.0
Of which: Agaciro Development Fund	—	—	—	—	—
Grants	9.3	13.1	10.7	11.1	9.4
Budgetary grants	6.0	9.0	6.1	6.4	4.2
Capital grants	3.3	4.0	4.6	4.6	5.2
Of which: Global Fund	—	—	0.0	1.9	2.1
Total expenditure and net lending	**26.3**	**25.7**	**27.7**	**26.6**	**30.5**
Current expenditure	14.5	14.7	14.8	14.9	13.6
Of which: priority	8.4	9.0	8.7	8.5	7.2
Wages and salaries	3.3	3.4	3.4	3.5	3.8
Civil	2.4	2.5	2.6	2.7	3.0
Defense	0.9	0.9	0.9	0.8	0.8
Purchases of goods and services	3.7	3.4	3.5	3.6	2.5
Civil	3.0	3.0	3.1	3.2	2.2
Defense	0.7	0.4	0.4	0.4	0.3
Interest payments	0.4	0.5	0.4	0.4	0.6
Domestic debt	0.3	0.3	0.3	0.3	0.2
External debt	0.1	0.1	0.1	0.1	0.4
Of which: Sovereign bond	—	—	—	—	0.2
Transfers	5.1	5.7	5.6	5.5	5.1
Exceptional expenditure	2.0	1.6	1.9	1.8	1.5
Capital expenditure	11.0	10.1	12.3	11.7	13.4
Of which: priority	4.5	4.1	5.0	4.3	4.3
Domestic	5.0	5.1	6.2	5.6	5.4
Of which: Agaciro Development Fund	—	—	—	—	—
Foreign	6.0	5.0	6.2	6.1	7.9
Of which: Global Fund	—	—	1.3	1.2	2.1
Net lending and privatization receipts	0.8	0.9	0.5	0.0	3.5
Of which: Kigali Convention Centre	—	0.6	—	—	2.0
Of which: RwandAir	—	0.1	0.7	0.8	1.6
Of which: Privatization receipts	—	—	(0.5)	(0.7)	(0.1)
Primary balance[2]	(2.2)	(5.1)	(5.0)	(3.9)	(2.3)
Domestic fiscal balance[3]	(5.3)	(8.0)	(7.8)	(6.0)	(6.0)
Excl. demobilization and peacekeeping expenditure	(4.4)	(7.2)	(6.7)	(5.8)	(9.0)
Overall deficit (payment order)					
After grants	(2.2)	(0.1)	(3.4)	(1.2)	(5.9)
Before grants	(11.5)	(13.2)	(14.1)	(12.3)	(15.3)
Change in arrears	(0.3)	(0.4)	(0.3)	(0.3)	(0.2)
Overall deficit (incl. grants, cash basis)	**(2.5)**	**(0.5)**	**(3.7)**	**(1.2)**	**(6.1)**
Financing	**2.5**	**0.5**	**3.7**	**(1.4)**	**6.1**
Foreign financing (net)	2.6	0.8	1.9	2.3	7.6
Drawings	2.8	1.0	2.2	2.5	7.9
Budgetary loans	0.0	0.0	0.6	1.3	0.4
Project loans	2.7	1.0	1.6	1.2	7.6
Of which: Sovereign Bond	—	—	—	—	4.9
Amortization	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Net domestic financing	(0.1)	(0.4)	1.8	(0.9)	(1.5)
Net credit from banking system	0.7	0.3	2.2	(0.4)	(1.8)
Of which: Sovereign Bond	—	—	—	—	(1.8)
Nonbank sector	(0.8)	(0.6)	(0.6)	(0.6)	(0.3)
Errors and omissions	**0.0**	**(0.1)**	**0.0**	**(0.1)**	**0.0**

Source: MoF, National Institution of Statistics, IMF

1 Fiscal year runs from July to June.

2 Total revenue minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital investment.

3 Total revenue minus current expenditure (excluding interest on external debt), domestically financed capital expenditure, and net lending.

Taxation

Personal Income Tax

Personal income tax rates in Rwanda are progressive to 30.0 per cent. Residents are taxed on worldwide income while non-residents are taxed only on Rwandan-source income. Foreign-source income derived by residents is subject to personal income tax in the same way as Rwandan-source income. Capital gains are taxable as ordinary income at the normal personal income tax rate. Income accruing to registered collective investment schemes and employees' shares scheme are exempted from income tax.

Corporate Income Tax

The corporate tax rate in Rwanda is 30.0 per cent. of taxable income with some discounts for registered investors based on the number of employees and the amount of income derived from the export of goods and services. Foreign-source income derived by residents is subject to corporation tax in the same way as Rwandan-source income. Corporation tax is imposed on a company's total income after deduction of normal business expenses.

Newly listed companies on the Rwanda capital market are entitled to a special tax incentive during the first five years of listing, and are taxed according to the following rates:

- 20.0 per cent. if the company sells at least 40.0 per cent. of its shares to the public;
- 25.0 per cent. if the company sells at least 30.0 per cent. of its shares to the public; and
- 28.0 per cent. if the company sells at least 20.0 per cent. of its shares to the public.

Venture capital companies registered with the Rwanda Capital Market Authority benefit from a corporate income tax of zero per cent. for a period of five years.

Dividends received by a Rwandan-resident company from another Rwandan company are exempt from corporation tax, other dividends are subject to a withholding tax of 15.0 per cent. Withholding tax on dividends and interest income on securities listed on capital markets and interest arising from investments in listed bonds with a maturity of three years and above have been reduced from 15.0 per cent. to 5.0 per cent. for EAC citizens. Foreign owners of debt securities will still be subject to a 15.0 per cent. withholding tax on interest accruing on debt instruments.

Capital gains are taxable as ordinary income at the standard rate of corporation tax, however, capital gains on secondary market transaction with respect to listed securities are exempted from capital gains tax.

Turnover tax for Small and Medium Enterprises (SMEs)

A new taxation system for SMEs was recently introduced in order to support and promote small and medium businesses in Rwanda by simplifying the tax law, mainly for the purposes of: (i) lowering both compliance costs and administrative costs, (ii) reducing uncertainty faced by taxpayers, and (iii) improving the level of voluntary compliance.

The turnover tax, which is used as proxy for corporation tax for those businesses that do not maintain tax accounting records, has been decreased by the new legislation from 4.0 per cent. to 3.0 per cent. for small enterprises whose turnover is between Rwfr12,000,001 and Rwfr50,000,000. Under the same law, micro-enterprises with a turnover equal to or lower than Rwfr12,000,000 will pay a fixed amount in lieu of all other taxes.

The Rwanda Revenue Authority is also in the process of establishing Transfer Pricing Guidelines, which are currently still in draft form.

VAT

VAT applies to the supply of goods and services by taxable persons in Rwanda and on the import of goods and services into the country. VAT is payable at the rate of 18.0 per cent. of the value of the goods supplied or imported. Certain items are eligible for a zero per cent. rate, including transfer of shares and capital market transactions for listed securities. The MoF is currently considering an amendment to the VAT Law, proposing to withhold VAT on Government tenders.

Recent Developments

In June 2012, the EAC decided to increase the uniform tax rate applicable to imported construction materials from 5.0 per cent. to 10.0 per cent., as published in the EAC Gazette under Legal Notice No. EAC/30/2012.

In July 2012, the Government passed the Gaming Tax Law (Law No. 29/2012 of 27/07/2012) which stipulates a 13.0 per cent. tax rate on gaming activities and a 15.0 per cent. withholding tax on any gaming winnings. The Gaming Law came into force on 10 September 2012.

On 3 April 2013, the Cabinet approved a draft bill establishing royalties on mineral exports which will range between 4.0 and 6.0 per cent., depending on the type of mineral. The bill is currently in the process of being considered by Parliament.

Governance and Transparency

Despite Rwanda's political instability following the 1994 genocide, the Government, with assistance from the World Bank and the UN, has worked towards deepening its democratic institutions, adopting a wide array of reforms and policies to transform the social fabric of the country, including increasing the accessibility of education, health care, housing, water resources, and other social services for the majority of population that were previously excluded.

The Government anticipates that it will continue to play a role in the region through EAC and COMESA and continue to co-operate with the IMF, World Bank and the UN.

According to the 2012-2013 Global Competitiveness Index produced by the World Economic Forum, Rwanda ranked 63rd out of 144 countries, significantly ahead of its neighbouring countries and other EAC members (Kenya ranked 106th, Tanzania 120th, Uganda 123rd, Zambia 102nd and Burundi 144th), and ranked 3rd in Sub-Saharan Africa. Rwanda ranked 96th out of 144 in terms of infrastructure, 78th macroeconomic environment, 49th financial market development, 20th institutions, 11th labour market efficiency and 100th health and primary education. Infrastructure, health and primary education and higher education and training, still remain the areas which need improvement. The competitiveness studies confirm the IMF's conclusion that Rwanda's primary concerns are low productivity levels, high cost of transport and factor inputs, inadequate transport infrastructure, and shortage of skilled labour.

In 2012, Rwanda ranked 23rd out of all African nations in the Ibrahim Index of African Governance, which measures the delivery of public goods and services to African citizens by government and non-state actors using indicators across four main categories: safety and rule of law, participation and human rights, sustainable economic opportunity and human development.

The World Bank's Doing Business report of 2013 ranks Rwanda 52nd out of 185 countries. Rwanda compares favourably to other countries in the region in terms of getting credit, paying taxes and trading across borders. However, despite Rwanda's favourable scores, areas such as registering property, dealing with construction permits and resolving insolvency need improvement.

Rwanda's Office of Ombudsman established in 2003 by the Constitution is the country's authority against corruption. Since the 2003 Constitution was enacted, the Government has put in place various rules and regulations targeted at monitoring and eliminating corruption and financial crimes, including the Prevention of Corruption Law and the Law on Money Laundering and Financing Terrorism. There is also pending legislation with respect to whistleblowing protection and asset recovery from crime and corruption related offences. As part as the aggressive anti-corruption and transparency policy, the Government is now making public the list of outstanding anti-corruption cases. This policy serves the purpose of national corruption prevention as well as regional awareness to the strict anti-corruption standards set by the Rwandan Government. The Office of Ombudsman has been mandated to lead the Government's efforts to combat and prevent corruption through law enforcement, educating the public and enlisting their support against corruption, and providing advisory services. In 2011, the Office of Ombudsman received 117 complaints on corruption related cases, and at the end of 2011, the Office of Ombudsman investigations resulted in eight convictions, compared to only one in 2010. On Transparency International's Corruption Perceptions Index 2012, Rwanda ranked fourth in Africa and at 50^{th} place globally, well ahead of Ghana (64), Burkina Faso (83), Zambia (88), Mozambique (123), Uganda (130), Kenya (139) and Cameroon (144). Rwanda has ratified the UN Convention against Corruption in October 2006.

PUBLIC DEBT

Overview

The Government's debt policy is anchored in the principles established in its comprehensive public debt management strategy. The main objective of this strategy is to ensure that the financing requirements and repayments are met at less cost, with cautious risk considerations, while keeping debt sustainable. The Government has set clear limits for loans and guarantees that are consistent with the provisions in the Organic Budget Law, and the country is building the capacity to undertake timely Debt Sustainability Analyses (DSAs) to guide public investment choices. A new medium-term debt strategy was submitted to the cabinet in December 2012, which, in addition to moderating Rwanda's external debt exposure, will define the level of domestic financing that is consistent with the development of domestic capital markets, envisaging both external and domestic borrowing while reducing donor aid dependency.

Rwanda's total public and publicly guaranteed total debt amounted to US$1.65 billion (including external central government debt of US$1.068 billion, domestic public debt of US$481.0 million and guaranteed debt amounting to US$103.1 million), representing 24.2 per cent. of GDP as of 31 December 2012, compared to US$1.59 billion, representing 25.3 per cent. of GDP, as of the end of 2011, and US$1.28 billion, representing 23.4 per cent. of GDP, at the end of 2010. This increase was largely due to an increase in both external and domestic financing. The increase in external debt was mainly attributable to larger concessional disbursements, including the International Development Association (IDA) project loans, as well as higher commercial borrowing for the Kigali Convention Centre (KCC) project and RwandAir fleet expansion. The increase in domestic financing was a result of treasury bills (one-year maturity debt), used for cash flow purposes, to cover delays in donor disbursements. External debt amounted to 70.9 per cent. of total debt with 84.0 per cent. owed to multilateral creditors at the end of 2012.

Interest payments on total debt decreased from 0.5 per cent. of GDP in the fiscal year 2009/2010 to 0.4 per cent. in the fiscal year 2010/2011 and remained unchanged at 0.4 per cent. in the fiscal year 2011/2012. Interest payments are projected to increase between 2012/2013 and 2015/2016, indicating Rwanda's preference for a mix of concessional (i.e. intergovernmental borrowing at lower interest rates and longer repayment periods than typical commercial or multilateral loans) and non-concessional borrowing. The Government is committed to using its US$255 million non-concessional borrowing ceiling under the IMF Policy Support Instrument (PSI) programme to finance core strategic investment programmes without compromising debt sustainability. The Government medium-term debt strategy targets development projects, including strategic investments such as the Kigali Convention Centre, Bugesera Airport and energy projects.

Nonetheless, Rwanda's ability to incur additional debt remains vulnerable to a sharp decrease in exports due to the country's narrow export base or to a decline in foreign aid. See "*Risk Factors–Rwanda is highly dependent on foreign aid*". A National Export Strategy (NES) was approved in April 2011 and prioritises export diversification and job creation by focusing on the development of the traditional (coffee, tea, tourism and mining) and non-traditional (horticulture and business-process outsourcing) sectors. The NES is also expected to reduce exposure to export shocks and thus ensure debt sustainability.

Public Debt

Approximately 70.9 per cent. of general Government debt was foreign currency denominated at the end of 2012. A large share of foreign currency-denominated external debt is multilateral (approximately 84.0 per cent.). The National Bank of Rwanda holds 48.0 per cent. of local currency debt and approximately 52.0 per cent. is held by the domestic banking sector. There is no Government's local currency debt that is held by non-residents.

The following table sets out certain information regarding Rwanda's public debt for the periods indicated:

	Year ended 31 December								
	2010			2011			2012		
	(US$ million)	*(% of total debt)*	*(% of GDP)*	*(US$ million)*	*(% of total debt)*	*(% of GDP)*	*(US$ million)*	*(% of total debt)*	*(% of GDP)*
Total (External + Domestic)	**1,284**	**100**	**23.4**	**1,597**	**100**	**25.3**	**1,652.0**	**100**	**23.3**
External Debt	**799**	**62**	**14.6**	**1,135**	**71**	**18.0**	**1,171.0**	**70.9**	**16.5**
Government	776	60	14.2	1,007	63	16.0	1,067.9	64.6	15.0
Multilateral	633	49	11.5	830	52	13.2	896.6	54.3	12.6
IMF	15	1	0.3	14	1	0.2	13.7	0.8	0.2
IDA	259	20	4.7	394	25	6.3	431.2	26.1	6.1
African Development Bank	170	13	3.1	218	14	3.5	230.5	14.0	3.2
Other Multilateral	189	15	3.5	203	13	3.2	229.13	14.0	3.4
Official Bilateral	143	11	2.6	177	11	2.8	171.3	10.4	2.4
Paris Club	20	2	0.4	28	2	0.4	0.727	0.0	0.0
Non-Paris Club	123	10	2.2	149	9	2.4	170.6	10.3	2.4
Guaranteed by the Government	23	2	0.4	128	8	2.0	103.1	6.0	**1.5**
Domestic Debt	**486**	**38**	**8.9**	**462**	**29**	**7.3**	**481.0**	**29.0**	**6.8**
In Rwfr billions	288	38	8.9	279	29	7.3	303.7	29.0	**6.8**
Of which: Short-term Government and central bank	139	18	4.3	175	18	4.6	164.1	**16.0**	**3.7**

Source: IMF, MoF

Domestic Public Debt

Domestic public debt (including the Government and the National Bank of Rwanda) was US$481.0 million (6.8 per cent. of real GDP) at the end of 2012, compared to US$462 million (7.3 per cent. of real GDP) at the end of 2011, and US$486 million (8.9 per cent. of real GDP) at the end of 2010. Out of total domestic debt, 3.8 per cent. of real GDP were short-term maturities at the end of 2012. 38.5 per cent. of local currency debt in 2012 was held by the NBR and the remainder was held by the domestic banking sector and the non-bank sector. Domestic debt consists of treasury bills and treasury bonds, and is mostly short and medium-term.

External Public Debt

Rwanda's Government external debt was US$1,171.0 million (16.5 per cent. of real GDP) at the end of 2012, compared to US$1,135 million (18.0 per cent. of real GDP) at the end of 2011, and US$799 million (14.6 per cent. of real GDP) at the end of 2010. At the end of 2012, multilateral creditors held more than 84.0 per cent. of all Government external debt, with the key share held by the International Development Association (IDA) and Africa Development Bank Group (ADB) for a combined 73.8 per cent.

Similar to other emerging market countries in Africa and elsewhere, economic difficulties during the 1970s and 1980s resulted in the accumulation of significant debt, with external debt equal to approximately 90.0 per cent. of GDP in 2004 prior to the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) initiatives, in which Rwanda took part in 2005 and 2006. Pursuant to the HIPC and MDRI initiatives, which Rwanda completed in 2006, US$87.5 million of Rwanda's Paris Club and US$1.15 billion of Rwanda's multilateral debt was forgiven, resulting in a total of US$1.2 billion in debt relief. Following the debt relief, a total amount of approximately US$300 million of external debt remained outstanding, mainly owed to the World Bank and ADB.

External Public Debt Service

In 2012, external debt service rose by 14.3 per cent. to US$26.4 million from US$23.7 million in 2011. Out of the total debt service, principal payments amounted to US$17.3 million and interest payments amounted to US$9.2 million. In 2011, external debt service rose by 33.5 per cent. to US$23.7 million from US$17.8 million in 2010. Out of the total debt service, principal payments amounted to US$15.0 million and interest payments amounted to US$8.1 million in 2011.

The following table sets out certain information regarding Rwanda's external public debt service for the periods indicated:

	Year ended 31 December					
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(US$ million)			
Principal	8.3	7.45	7.45	9.81	15.0	17.3
Interest	6.1	6.9	7.0	7.9	8.1	9.2
Total	**14.4**	**14.3**	**14.5**	**17.8**	**23.7**	**26.40**

Source: National Bank of Rwanda

Relationships with International Financial Institutions

IMF

Rwanda became a member of the International Monetary Fund ("**IMF**") on 30 September 1963 and is on the IMF's standard 12 month Article IV consultation cycle. Rwanda's first post-war programme with the IMF started in June 1998 and was mainly targeted at reconstruction and stabilisation. During the next decade, Rwanda successfully completed three IMF Poverty Reduction and Growth Facilities ("**PRGF**") and has been upgraded to the IMF Policy Support Instrument Programme ("**PSI**") which was approved by the IMF Executive Board in June 2010. The PSI aims to achieve sustainable high growth and poverty reduction, in line with EDPRS, while maintaining macroeconomic stability and reducing Rwanda's aid dependency. The programme is designed to achieve these goals by maintaining a sustainable fiscal position, strengthening monetary and exchange rate policies, and supporting growth with structural reforms to diversify the export base and improve the business environment. Reaching an agreement with the IMF with respect to the PSI is a strong indicator of Rwanda's sound macroeconomic policies and successful economic reforms. IMF's Executive Board plays a critical role in assessing performance under the PSI and allowing the programme to adapt to economic developments. The IMF review is done twice a year and provides donors and the private sector timely information in order to assess their financing and investment decisions.

An IMF mission visited Kigali between 26 September and 9 October 2012 in order to conduct the 2012 Article IV Consultation and the Fifth Review under the PSI. According to the IMF 2012 Article IV Consultation and Fifth Review under the PSI report published on 21 March 2013 (the "**IMF Report**") Rwanda has satisfactorily implemented the economic programme supported by the PSI, carried out against a challenging global economic environment. The IMF staff praised the Rwandan authorities for their strong performance under the PSI, for the country's notable economic achievements over the last decade, including strong economic growth and sharp poverty reduction, and for the Government's continued commitment to prudent macroeconomic policies. The IMF Report specifically addressed and commended the Government's appropriate response to the delay in donor aid disbursement in 2012, shifting certain spending financed with delayed donor flows from the second half of 2012 into the first half of 2013 and identifying contingent measures to preserve the recent fiscal consolidation gains. See "*Public Finance–Revenue and Expenditure*". These measures were further supported by the NBR, which tightened the monetary policy and reaffirmed its commitment to maintain macroeconomic stability. The IMF Report also indicated the ongoing challenges for the Government, including Rwanda's rapidly increasing imports and a widening current account deficit, combined with delays in donor aid that, if prolonged, could be disruptive to growth and poverty reduction. The IMF advised that the Government should align spending priorities, carefully taking into account availability of financing, and at the same time minimize to the extent possible recourse to domestic bank financing to preserve macroeconomic stability. An IMF mission visited Kigali again between 5-18 April 2013 in order to conduct the Sixth Review under the PSI.

As of 28 February 2013, according to the IMF, Rwanda has outstanding purchases and loans in the amount of US$8.35 million special drawing rights (SDRs) owed to the IMF under the IMF's extended credit facility (ECF) programme.

World Bank

Rwanda commenced its cooperation with the World Bank in 1998. The World Bank has been supporting Rwanda's development projects, mainly in the energy, agriculture and transport sectors. Currently, the World Bank is the country's largest budget support donor. It provides one general budget support tranche each year and US$125 million is planned for the fiscal year 2012/2013. On 19 February 2013, the World Bank approved US$60 million for capital investments in electricity projects over the next three years. On 14 March 2013, the board of the World Bank approved the disbursement of US$50 million for social protection projects, which was disbursed on 8 April 2013. A board meeting is also scheduled for 14 May 2013 to approve the disbursement of US$50 million and US$35 million has been reprogrammed for the fiscal year 2013/2014.

A significant percentage of on-going World Bank supported projects have mobilized support from other development partners including the Energy Access Project (Nordic Development Fund, OPEC Fund for International Development, Netherlands), the Demobilization and Integration Project (Sweden, Germany and the Netherlands), and the LWH Project (USAID, Canada and GAFSP).

According to World Bank's statistics, the World Bank is currently engaged in nine operations in Rwanda with a total aid commitment of US$283.3 million as of the end of 2012. These include, among others, the Rwanda Electricity Access Scale-up and Sector Wide Approach, a development project with a total commitment of US$70 million and Land Husbandry, Water Harvesting and Hillside Irrigation project with a commitment of US$34 million.

African Development Bank Group

Rwanda is a member of the African Development Bank Group ("**ADB**"). The overarching objective of the ADB is to encourage sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. As of November 2012, ADB's portfolio of approved and on-going projects and programmes in Rwanda consisted of 10 projects (3 multinational and 7 national projects) with a total commitment of US$436.6 million. These projects include, among others, programmes to contribute to improved enterprise competitiveness and the development of a modern livestock industry in Rwanda. ADB provided Rwanda with disbursements in the amount of US$13.5 million in September 2012 and additional US$40 million was planned to be provided prior to the end of the fiscal year 2012/2013. On 3 April 2013, the board of ADB approved the disbursement of US$39.95 million for sector budget support.

MONETARY SYSTEM

Monetary Policy

The National Bank of Rwanda ("**NBR**") is the central bank of Rwanda and responsible for the formulation and implementation of monetary policy. The NBR's responsibilities include those usually performed by a central bank, such as issuing currency, managing the efficient operation of the foreign exchange system, acting as fiscal agent of the government and regulating commercial banks.

The NBR is governed by Law No. 55/2007 of 30/11/2007 ("**NBR Law**"), which authorizes the NBR to conduct monetary and supervisory activities independently of the Government. According to the NBR Law, the main missions of the NBR are to ensure and maintain price stability, to enhance and maintain a stable and competitive financial system without any exclusion and to support Government's general economic policies. In order for the NBR to achieve its missions, the NBR has the following functions:

- Defining and implementing the monetary policy;
- Organising, supervising and regulating the foreign exchange market;
- Supervising and regulating the activities of financial institutions notably banks, micro finance institutions, insurance companies, social security institutions, collective placement companies and pension funds institutions;
- Supervising and regulating payment systems;
- Minting and managing money;
- Holding and managing official foreign exchange reserves;
- Acting as State cashier; and
- Carrying out any other task that the NBR Law or any another law may assign to it.

The currency of Rwanda is the Rwandan franc. The NBR operates a managed floating exchange rate regime, relying on the foreign exchange interbank market to determine the reference exchange rate. The NBR is responsible for the management and organisation of the foreign exchange market, ensuring the application of foreign exchange regulations and revising them, in case necessary, in order to improve the functioning and efficiency of the foreign exchange market. However, in case of exceptional circumstances, foreign exchange rates can be determined by law for a given period. To minimise the impact of rapid movements in the exchange rate, the NBR plans to maintain its policy of intervention to reduce volatility.

The NBR is continuing to pursue a monetary policy that focuses on reducing inflation and maintaining adequate levels of liquidity in the banking system. In recent years, Rwanda's main inflationary risks have been supply shocks such as highly volatile fuel and food prices.

In response to rising inflation and continued uncertainties in international and regional environment, the NBR Monetary Policy Committee raised the NBR policy rate (repo) three times over the last two years, from 6.0 per cent. to 6.5 per cent. in October 2011, 7.0 per cent. in November 2011 and 7.5 per cent. in May 2012. Prior to the interest rate increases, the NBR's policy rate was kept unchanged at 6.0 per cent. since November 2010.

Inflation

Rwanda has had a good track record of containing inflation since 1994, and the average annual inflation rate in 1998-2002 was only 2.2 per cent. However, between 2003 and 2010, annual inflation rate rose, averaging over 9.0 per cent. As with many African countries, the consumer price index (CPI) is heavily weighted toward basic foodstuffs, so food price increases due to bad weather and weak agricultural production were an important factor in the higher levels of inflation during these periods. Increased transport costs because of high international oil prices and rising energy costs due to the electricity shortages have also had an impact. Landlocked Rwanda is particularly vulnerable to increases in international oil prices, as imports travel long distances overland—and in this context, the ability of monetary policy to influence inflation is limited.

Inflation in Rwanda has significantly declined from an average annual rate of 15.4 per cent. in 2008 to 10.3 per cent. in 2009, 2.3 per cent. in 2010, 5.7 per cent. in 2011 and 6.3 per cent. in 2012. The decline in inflation during these periods is explained by the improved domestic food production, a stable exchange rate which limited the pass-through of imported inflation to domestic market and a good coordination and management of fiscal and monetary policies. Although global and regional inflationary pressures increased during 2012, local inflation has been maintained at moderate levels through efficient management of monetary policy, a stable exchange rate against the US dollar, and exchange rate appreciation against the currencies of EAC trade partners. The key drivers of inflation as of December 2012 were food and non-alcoholic beverages (increased by 12.42 per cent.), housing, water, electricity, gas and other fuels (increased by 4.79 per cent.), furnishing, household equipment and routine household maintenance (increased by 4.45 per cent.), alcoholic beverages and tobacco (increased by 4.13 per cent.), clothing and footwear (increased by 3.74 per cent.) and education (increased by 1.93 per cent.).

According to NBR statistics, inflation is expected to remain stable at moderate levels and is not expected to exceed 8.0 per cent. in 2013. However, significant risks to meeting inflation targets are increases in international oil prices and the likely higher depreciation of the Rwandan franc due to sustained growth in imports driven by capital and raw materials, as well as food inflation due to seasonal factors as agriculture is rain fed. The NBR continues to closely monitor and analyze the underlying factors of inflation in order to timely adjust its monetary policy stance to limit the effects of these supply side restrains.

The table below sets out information regarding year-on-year overall inflation for the periods indicated:

Year	**Annual Average**[1]	**As of 31 December**[2]
	(%)	
2006	8.8	12.1
2007	9.1	6.6
2008	15.4	22.3
2009	10.3	5.7
2010	2.3	0.2
2011	5.7	8.3
2012	6.3	3.9

Source: National Bank of Rwanda

1 Average of monthly inflation (sum of monthly inflation divided by 12).
2 Year on year change, as at December in each year.

Foreign Assets

As part of its prudent monetary policy, the NBR uses reserve money as the main operational target to regulate the liquidity in the economy, targeting to align the reserve money level to the level of nominal GDP growth. As at 31 December 2011, gross international reserves increased to US$1,049.8 million from US$813.0 million in December 2010 due to a significant increase in capital inflows, foreign direct investment, exports revenue and remittances. This translated into approximately 7.7 months of import of goods cover at the end of 2011 compared to 7.0 months at the end of 2010.

In 2012, following a strong increase in demand for foreign exchange to finance high imports driven by dynamic financing activities, mainly in the mortgage industry and the services sector, official reserves have declined to US$859.21 million as of the end of June 2012 and further declined to US$843.45 million by the end of December 2012, representing 4.8 months of imports of goods.

Foreign Exchange

Over the last eight years, the Rwandan franc has depreciated against major currencies, depreciating by 4.5 per cent. against the US dollar in 2012 from Rwfr604.14/US$ at the end of 2011 to Rwrf631.41/US$ at the end of 2012. With regard to the Euro and the Pound Sterling, the Rwandan franc significantly depreciated by 7.7 per cent. and 10.0 per cent., respectively, from Rwfr777.288/€ at the end of December 2011 to Rwrf837.245/€ at the end of December 2012, and from Rwfr928.625/£ at the end of December 2011 to Rwfr1,021.300/£ at the end of December 2012. The Rwandan franc appreciated by 0.1 per cent. against the South African Rand to an average of Rwfr74.070/ZAR at the end of December 2012 from Rwfr74.144/ZAR at the end of 2011. The NBR remains committed to keeping the exchange rate fundamentally market driven, depending on the demand and supply of foreign exchange in the domestic market.

Domestic foreign exchange market activity in 2012 was driven by increases both in resources and expenditures of foreign exchange by 47.7 per cent. and 43.3 per cent., respectively, reaching the total amounts of US$4.69 billion and US$4.74 billion. The relatively high increase in expenditures compared to revenues was mainly due to the rising demand for foreign exchange in the private sector, attributed to increasing imports of goods by 25.6 per cent., while private transfers increased by 43.3 per cent., offsetting a decline of 21.8 per cent. in Government external budget support. At the same time, Government spending in foreign exchange increased by 10.5 per cent. Supply and demand for foreign exchange by commercial banks increased by 54.1 per cent. and 36.3 per cent., respectively, while supply and demand for foreign exchange by foreign exchange bureaus increased by 35.4 per cent. and 39.0 per cent., respectively.

In order to respond to the overall increasing demand for foreign exchange, by the end of 2012, the NBR sold US$455.51 million to commercial banks, compared to only US$327.82 million during 2011. The NBR continued to maintain a flexible exchange rate policy while intervening time to time on the domestic foreign exchange market by selling foreign exchange to banks in order to smooth Rwanda franc exchange rate volatility.

The Banking Sector

As at the date hereof, the banking sector in Rwanda is comprised of nine commercial banks, one development bank which merged with the mortgage financing bank during the year 2011, three microfinance banks and one cooperative bank, all supervised under the Banking Law (as defined below).

The banking sector continues to dominate Rwanda's financial sector, controlling over 65.8 per cent. of the total assets in 2012. The banking sector's (commercial banks and specialized banks) showed significant growth during 2012, with total assets amounting to Rwfr1,247.6 billion at the end of December 2012 compared to Rwfr1,084.2 billion at the end of December 2011, an increase of 15.1 per cent. The increase of the asset base was mainly attributable to new entrants (one commercial bank and the two microfinance institutions that scaled up to the level of microfinance banks). Commercial banks held 80.9 per cent. of the total banking sector assets at the end of 2012, while the remainder was held by the specialized banks.

The main drivers of the banking sector asset base at the end of December 2012 included loans and advances (59.9 per cent.), placements in local banks and other financial institutions (8.0 per cent.), placements in foreign banks (7.5 per cent.) and investments in both Government securities and others (6.8 per cent.). The banking institutions' participation in resources mobilization and reallocation to the private sector was positive. At the end of December 2012, commercial banks controlled 87.8 per cent. and 78.0 per cent., respectively, of the total sector deposits and gross loans. At the end of December 2012, 91.9 per cent. of deposits were utilized to finance the credit to the private sector.

According to the NBR's assessments and stress tests at the end of December 2012, the Rwanda banking sector showed profit growth, improved asset quality and strong liquidity. At the end of December 2012, capitalisation levels, as measured by total capital to risk weighted assets, amounted to 23.9 per cent., compared to 25.0 per cent. realized at the end of December 2011, which is well above the regulatory capital ratio of 15.0 per cent. Through close supervision and monitoring of banks, the quality of assets improved significantly as measured by the non-performing loans to total gross loans (NPL ratio). The NPL ratio improved substantially from 8.0 per cent. at the end of December 2011 to 6.0 per cent. at the end of December 2012.

The following table sets out the Rwandan banking sector's net assets, domestic credit and liabilities for the periods indicated:

	Year ended 31 December					
	2007	2008	2009	2010	2011	2012
	(Rwfr billions)					
Net foreign assets	**351.6**	**403.8**	**442.9**	**518.9**	**663.8**	**555.8**
Net domestic assets	**72.9**	**85.6**	**84.3**	**97.0**	**116.7**	**334.1**
Domestic credit	182.6	220.9	217.0	268.2	299.2	545.6
Government (net)	(75.4)	(144.6)	(141.3)	(131.3)	(212.3)	(137.2)
Public enterprises	1.8	2.8	3.0	3.2	2.8	2.5
Private sector	257.4	363.1	357.3	397.1	509.8	682.5
Other items net (Assets: +)	(109.6)	(135.3)	(132.8)	(171.2)	(182.5)	(211.5)
Broad money M3	**425.7**	**486.5**	**526.6**	**615.9**	**780.7**	**889.9**
Currency in circulation	63.2	80.8	77.0	90.5	102.8	107.0
Deposits	**362.4**	**405.7**	**447.5**	**525.4**	**678.0**	**782.9**
Of which: Transferable deposits	151.7	167.7	190.1	240.1	279.1	318.7
Nontransferable deposits	142.0	135.5	162.4	186.1	263.3	299.6
Foreign currency deposits	68.6	82.3	97.0	99.2	135.6	164.6

Source: National Bank of Rwanda

Profitability levels have increased, as evidenced by current performance. The sector's net profit after tax increased by 19.7 per cent. to Rwfr27.3 billion for 2012, compared to Rwfr22.8 billion in 2011. The banking sector's profitability, as measured by the return on assets and return on equity (measured on a 12 month moving average), increased and stood at 2.2 per cent. and 10.4 per cent., respectively, in 2012, compared to 2.2 per cent. and 10.5 per cent. in 2011. The banking sector's liquidity position over its obligation stood at 41.2 per cent. liquid assets to short term liabilities as of the end of December 2012, compared to 45.3 per cent. as of the end of December 2011.

Similarly, the banking sector remains liquid as evidenced by the liquid asset to total deposits ratio of 41.2 per cent. for the end of 2012 well above the 20.0 per cent. regulatory requirement.

With regards to interest rates developments, money market interest rates have been relatively stable and in line with NBR monetary policy stance in 2012. Average repo rate evolved closely to the central bank rate, increasing from 6.5 per cent. in December 2011 to 7.5 per cent. in December 2012. Treasury bills rates were stable at around 8.0 per cent. in the first five months of 2012 before increasing to 12.4 per cent. in December 2012 due to a significant increase in domestic borrowing. However, commercial banks' lending rates have been relatively stable in 2012, fluctuating around 17.0 per cent., while the average weighted deposit rate increased from 8.0 per cent. in December 2011 to 10.7 per cent. in December 2012. This trend reflects increasing competition among commercial banks and their effort to mobilise deposits.

Domestic credit grew by 82.3 per cent. in 2012 to Rwfr545.6 billion, compared to Rwfr299.2 billion in 2011, driven by significant increases in both private sector and Government demand. As a result, in 2012 outstanding banks' credit to private sector ratio increased by 33.9 per cent. and the net credit to the Government ratio increased by 35.4 per cent.. In 2012, financial institutions continued to mobilise more savings and deposits from which more loans have been granted. Bank deposits increased by 15.5 per cent. in 2012 attributed to all categories of deposits, as demand deposits increased by 14.2 per cent. while time deposits and foreign currency deposits increased by 13.8 per cent. and 24.3 per cent., respectively. Broad money supply recorded an annual increase of 14.0 per cent. by the end of 2012, mainly attributed to net domestic assets which increased by 186.3 per cent. from 2011 to 2012, partially offset by a decline of 16.3 per cent. in net foreign assets.

Non-performing Loans

The asset quality of the banking sector has improved as reflected by the reduction in gross non-performing loans ("**NPL**") ratio from 8.0 per cent. at the end of 2011 to 6.0 per cent. as at the end of 2012. This was due to an increase in annual gross loans of 37.0 per cent. compared to an increase in non-performing loans of only 3.2 per cent.. Gross loans increased from Rwfr631.3 billion at the end of 2011 to Rwfr865.1 billion at the end of 2012, whereas non-performing loans grew from Rwfr50.5 billion to Rwfr52.1 billion during the same period.

Regulation

The legal and regulatory framework relating to regulation and supervision of banks in Rwanda is mainly provided for under Law No. 007/2008 of 08/04/2008 Concerning Organisation of Banking (the "**Banking Law**") together with its supporting Regulations and Instructions, as well as the NBR Law. Other supporting legislation includes the Law on Money Laundering and Financing Terrorism and the Law Establishing the Organisation of Micro Finance Activities. In addition, the NBR has also issued Capital Adequacy Requirements Regulations, Credit Concentration and Large Exposure Regulations and Corporate Governance Regulations to provide minimum standards to be observed by commercial banks in the area of risk management and corporate governance. The NBR has continued to revise these frameworks on an on-going basis to ensure that they address current challenges in the sector.

According to the Regulations on Capital Adequacy Requirements, the minimum capital requirement for banks has been set at Rwfr5.0 billion. According to NBR data, as of 31 December 2011, the top five banks had an average capitalisation of approximately Rwfr19.2 billion, with the average for the remaining three banks being Rwfr5.3 billion.

In June 2004, the Basel Committee on Banking Supervision (the "**Basel Committee**") published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework," which set out a new capital adequacy framework (commonly referred to as "**Basel II**") to replace the Basel Capital Accord issued in 1988. The Basel Committee has also issued a final comprehensive framework which adopted further revisions to the new regulatory regime for capital and liquidity standards for banks ("**Basel III**") in December 2010. Basel II has been adopted in many countries and although it has not yet been adopted in Rwanda, the NBR has taken steps for the implementation of Basel II and Basel III and an external consultancy process is ongoing to determine the current status and establish a road map for Basel II/III implementation. Currently, only a limited number of banks in Rwanda use sophisticated risk management tools, such as scoring systems and rating models in order to classify their borrowers, whereas other domestic banks continue to focus their credit models on judgmental assessments. Most of Rwandan banks have started applying stress testing on credit loans, foreign exchange and liquidity to measure and manage market risk.

Financial Reform

Vision 2020 set the stage for the financial sector reform process in Rwanda. The Rwandan Financial Sector Development Programme (FSDP) was launched in 2006 with a vision to develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty. The FSDP is one of the key components in the implementation strategy for Vision 2020, as part of the EDPRS and EDPRS II, and has four key objectives:

- To enhance access and affordability of financial services by developing a strong, efficient and competitive banking sector offering a diversified array of financial products and services. This includes developing a well-regulated and professionally managed microfinance sector as a tool to extend financial services to the unbanked population and to contribute to poverty reduction;

- To enhance savings mobilisation by creating an appropriate environment, developing institutions and fostering market incentives for the development of long-term financial instruments and an efficient capital market;
- To develop an appropriate policy, legal and regulatory framework for non-bank financial institutions; and
- To develop an efficient, secure and technology-based modernised national payment system.

During the first years of implementation, the focus of the Government's financial reform was on the development of a stronger and more effective banking system, and the mobilisation of the Rwandan population to save money through the formal financial system. The latter was pursued by creating an appropriate environment and developing institutions that could provide access to Rwandans who did not use the services of the formal financial institutions, mainly due to proximity and deposit restrictions. The Umurenge Savings and Credit Cooperatives initiative ("**SACCO**") was launched in 2009 and targeted at those parts of the population that were inaccessible or unattractive to the formal banking system. As of the end of 2011, Rwanda had 416 SACCOs spread throughout all geographically defined sectors countrywide.

The establishment of the SACCOs proved to be successful in bringing formal financial services to the Rwandan population who was previously excluded from the formal financial system. The percentage of Rwandan adults who are formally served increased from 21.0 per cent. in 2008 to 42.0 per cent. in June 2012. SACCOs played a significant role in expanding the boundaries of formal financial access for farmers, farm workers and other individuals who are part of the informal employment sector.

Improving access to financial services while safeguarding financial stability remains a key objective for Rwanda throughout the implementation of its financial reform. According to Finscope survey (2012), as of June 2012, 72.0 per cent. of Rwanda's adult population had access to financial services (compared to only 48.0 per cent. in 2008), out of which 42.0 per cent. used products or services from a formal financial institution (compared to 21.0 per cent in 2008). The increase in formal inclusion in the financial system was caused by an increase in the uptake of banking products, as well as products offered by non-bank formal financial institutions (such as the SACCOs and insurance companies), and the Government targets reaching a level of 80.0 per cent. inclusion in the formal financial system by 2017. As of June 2012, 23.0 per cent. of Rwandan adults had bank accounts (compared to only 14.0 per cent. in 2008). This increase was mainly due to new banks entering the market and increased outreach of the existing banks. The bank branch network increased from 259 branches and outlets in 2008/2009 to 467 in June 2012.

Significant progress has been achieved in means of retail electronic payment systems for both card based and mobile based financial services, with the launch of the Visa National Net Settlement System (NNSS) in March 2012. Retail payments infrastructure has also improved considerably. The number of ATMs in the country has increased to 256 in the third quarter of 2012, compared to 167 ATMs at the end of 2011. Electronic Points of Sale (POS) have also increased in the third quarter of 2012 and amounted to 440, compared to 227 POS at the end of 2011. Nine banks are currently Visa members (2 principle members, 3 associate members and 4 cash disbursement members). China Union Pay card is accepted by 2 banks, Mastercard is accepted by one bank and Diner Club card is accepted by one bank as well. The level of interoperability has also shown significant improvement, with the number of ATMs which can accept both RSwitch proprietary cards and Visa Cards increasing by 75.0 per cent. during the first nine months of 2012.

Mobile banking services in Rwanda are considered financial services and as such, they are regulated and supervised by the NBR. Mobile financial services are provided by financial institutions (banks) and non-financial institutions (mobile operators). Currently, all three mobile network operators are authorized to provide payment services, while seven commercial banks provide mobile banking services. As an important means of providing financial services to Rwandans who do not have access to formal financial institutions, mobile financial services showed significant growth during the last couple of years. The number of mobile banking subscribers increased from 795,659 at the end of 2011 to 1.4 million at 30 September 2012, the number of mobile banking transactions increased from 3.9 million at the end of 2011 to 17.4 million at 30 September 2012 and the value of mobile payments and mobile banking transactions increased from Rwfr56,239 million at the end of 2011 to Rwfr127,068 million for at 30 September 2012.

Non-bank Financial Sector

The NBR regulates financial reporting by banks and non-bank financial institutions, through the NBR Department of Supervision of Non-Banking Institutions. The non-bank financial sector in Rwanda consists of the insurance and pension sectors and it is the role of the National Bank of Rwanda to ensure that the institutions are financially sound and stable.

By end of 2012, the insurance sector was composed of six non-life insurers, three life insurers and two public insurers, making a total of 11 insurers in the market. Additionally, there were six insurance brokers, 152 agents and nine loss adjusters in the country.

During 2012, the insurance sector performance improved. The total assets of the Rwandan insurance sector as of the end of 2012 increased by 36.0 per cent., reaching Rwfr214.0 billion, compared to Rwfr157.0 billion as of the end of 2011. Gross premiums also increased by 67.0 per cent. from Rwfr46.0 billion in 2011 to Rwfr77.0 billion in 2012. This positive performance was primarily attributable to the impact of the supervisory reforms undertaken in the last five years, including, among other, prudent underwritings, investments and improved professional skills in the sector.

The pension sector assets (excluding private pension schemes) also continued to grow, reaching Rwfr334.0 billion at the end of 2012, compared to Rwfr192.0 billion at the end of 2011, an increase of 74.0 per cent.. The Government is currently in the process of enacting a new Pension Law which will, amongst others, increase the minimum retirement age from 55 to 60, while maintaining the statutory maximum retirement age of 65, and set new caps with respect to the pension benefits under the RSSB pension scheme. The new law is expected to further contribute to the formalization and the continued growth of the pension sector.

Capital Markets

The Rwanda Capital Market Advisory Council ("**CMAC**"), now the Capital Market Authority ("**CMA**"), was established on 28 March 2007 to initially guide the development of a capital market in Rwanda. CMAC operated as the capital market regulator and facilitated the creation of the Rwanda Stock Exchange until the establishment of the CMA in June 2011.

The Rwanda Over The Counter Market ("**ROTC**") was established by CMAC in January 2008. The trading operations on the ROTC commenced in January 2008 with the launch of the bond market. The Rwanda Stock Exchange ("**RSE**") was incorporated on 7 October 2005 and launched on 31 January 2011, and basically took over all the activities of the ROTC. The RSE secondary market operations are conducted through both OTC and open outcry systems.

The CMA was established on 9 June 2011 pursuant to the Law No. 11/2011 of 18/05/2011. The CMA is governed by a non-executive board and supervised by the Minister of Finance and Economic Planning. The CMA has a mandate to regulate the capital market in Rwanda, including the licensing and approval of all market players. The legal framework regulating the Rwandan capital market consists of the Law Regulating the Capital Market, the Law Regulating the Collective Investment Schemes and the Central Depository Law. Rwanda is currently in the progress of implementing the EAC Common Market Protocol in order to integrate the Rwanda capital market into the East African capital markets. CMA is also member of the East African Securities Regulators Association (EASRA).

Rwanda Stock Exchange

The Rwanda Stock Exchange ("**RSE**") was incorporated on 7 October 2005 as a company limited by shares. The RSE is 60.0 per cent. owned by members, 20.0 per cent. by the Government of Rwanda and 20.0 per cent. by institutional investors. The official trading days are Monday to Friday and the settlement cycle from 9:00 to 12:00 through open outcry sessions and OTC trading sessions which take place at the close of formal trading sessions until the following open outcry session.

The settlement cycle is T+2 for equities and T+1 for bonds. The clearing and settlement system is supported by a Central Securities Depository under the NBR which is automatically linked to the central bank's payment systems.

As at 28 January 2013, the total market capitalisation was Rwfr1,197.2 billion (approximately US$1.88 billion). There are no restrictions on the number or percentage of shares that may be held by foreign investors in companies listed on the RSE.

Since its inception, the Government has listed bonds worth over Rwfr30.0 billion on the RSE.

The RSE domestic equities market was activated on 31 January 2011 and as at 28 February 2013, the equity market recorded a total turnover of Rwfr44.27 billion (approximately US$70.03 million) from 245.8 million shares traded. Domestic shares (BRALIRWA and BK) accounted for more than 99.0 per cent. of the total turnover and volume.

Since its inception, there were two domestic listings on the RSE equities market. Brasseries et limonaderies du Rwanda ("**BRALIRWA**") was the first domestic company to go public, where the Government of Rwanda sold to the public 25.0 per cent. of its shareholding at the a price of Rwfr136 per share. The majority shareholder in the brewery is Heineken International. The IPO was over-subscribed at a level of 276.0 per cent., mostly by regional and international investors. The share price has risen by over 455.9 per cent. to close at Rwfr756 per share at the end of February 2013.

The Bank of Kigali S.A ("**BK**") was the second domestic company to go public and its IPO took place between 30 June and 29 July of 2011. 45.0 per cent. of BK's shares were offered to the public, whereby the Government of Rwanda sold 20.0 per cent. of its shares (leaving it with a 29.8 per cent. share) while BK raised new capital equal to 25.0 per cent. of the bank' s capital. The offer price for BK shares was Rwfr125 per share and the IPO was over-subscribed at a level of 285.0 per cent. At the end of February 2013, the bank's share price was at Rwfr184, an increase of 47.2 per cent. from the IPO price.

In addition to the two domestic companies, the RSE has attracted two cross listed securities from the Nairobi Securities Exchange in Kenya. These are the Kenya Commercial Bank (KCB) and the Nation Media Group, both are regional companies in banking and the media, respectively.

In addition to the successful sale in 2011 of the Government's shares in BK and BRALIRWA, the Government expects more initial public offerings for state-owned companies during the next three years in an effort to deepen financial markets and bolster the new Rwanda Stock Exchange.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Republic of Rwanda of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

The Republic of Rwanda

Pursuant to article 51 of Law No. 16/2005 of 18/08/2005 on direct taxes on income, a withholding tax of fifteen (15) per cent. is normally levied on interest payments made by resident entities. The withholding agent is required to file a tax declaration and transmit the tax withheld to the Tax Administration within fifteen (15) working days after the tax is withheld. However, pursuant to a letter issued by the Minister of Finance and Economic Planning of Rwanda on 11 April 2013, a special waiver has been granted providing that all payments made by the Issuer of interest and principal under the Notes shall be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by Rwanda or any political subdivision or taxing authority thereof or therein.

United States

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain US federal income tax considerations relevant to US Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the US federal income tax considerations for initial purchasers of Notes at their issue price (as defined below) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the US Internal Revenue Code of 1986 (the "**Code**"), final, temporary and proposed US Treasury regulations, administrative and judicial interpretations each as in effect on the date hereof. All of which are subject to change, possibly with retroactive effect. The "**issue price**" of a note is generally equal to the first price at which a substantial amount of notes are sold for money to investors (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

This summary does not discuss all aspects of US federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) certain financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass through entities, or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes; (ix) investors that have a functional currency other than the US dollar and (x) US expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address US federal estate, gift or alternative minimum tax considerations, or non-US, state or local tax considerations.

For the purposes of this summary, a "**US Holder**" is a beneficial owner of Notes that is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source or (iv) a trust that is subject to US tax on its worldwide income regardless of its source.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Payments of interest and original issue discount

The Notes may be treated as having been issued with original issue discount ("**OID**") for US federal income tax purposes. An obligation generally is treated as having been issued with OID if its "stated redemption price at maturity" exceeds its issue price, described above, by more than the "OID *de minimis* amount." The OID *de minimis* amount equals 1/4 of 1 per cent. of the debt instrument's stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity. The "stated redemption price at maturity" of a note is the sum of all payments required to be made on the note other than "**qualified stated interest**" payments. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single rate.

A US Holder is required to include qualified stated interest payments (including any additional amounts with respect thereto as described under "*Terms and Conditions of the Notes–Taxation*") in income as interest when such holder accrues or receives those payments (in accordance with such holder's accounting method for tax purposes). It is expected that the stated interest on the Notes will be treated as qualified stated interest. Therefore, stated interest paid to a US Holder on a Note will be includible in such holder's gross income as ordinary interest income at the time it accrues or is received, in accordance with such holder's usual method of tax accounting. In addition, if the Notes are issued with OID, a US Holder will be required to include OID in income before such holder receives the associated cash payment, regardless of such holder's accounting method for tax purposes. The amount of the OID, if any, that a US Holder should include in income is the sum of the daily accruals of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which such holder held the Note. The daily portion is determined by allocating the OID, if any, for each day of the accrual period. An accrual period may be of any length and the accrual periods may even vary in length over the term of the Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID, if any, allocable to an accrual period is equal to the difference between (1) the product of the "**adjusted issue price**" of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any qualified stated interest allocable to the accrual period. The "**adjusted issue price**" of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID, if any, allocable to all prior accrual periods reduced by any payments a US Holder received on the Note that were not qualified stated interest. Under these rules, a US Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

Under the applicable US Treasury regulations, a holder of a note with OID may elect to include in gross income all interest that accrues on the note using the constant yield method. Once made with respect to a note, the election cannot be revoked without the consent of the IRS. If you are a US Holder considering an election under these rules you should consult your tax advisor.

Interest paid by the Issuer on, and any OID included in a US Holder's gross income with respect to, the Notes will generally constitute income from sources outside the United States.

Sale or other disposition of Notes

A US Holder's adjusted tax basis in a Note will generally be its cost increased by the amount of any OID included in such holder's gross income with respect to the Note under the rules discussed herein. A US Holder will generally recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the adjusted tax basis of the Note. The amount realised will not include any amount attributable to accrued but unpaid stated interest, which will be taxed as described in "*–Payments of interest*" above. Gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and will be treated as from US sources for purposes of the US foreign tax credit limitation. In the case of a US Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Backup withholding and information reporting

In general, payments of principal, interest (including any OID) on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a US Holder by a US paying agent or other US related intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain US Holders are not subject to information reporting and backup withholding.

For taxable years beginning after 18 March 2010, certain individual US Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with a US financial institution. Investors who fail to report required information could be subject to substantial penalties. US Holders are urged to consult their tax advisors regarding the effect, if any, of this reporting requirement on the acquisition, ownership and disposition of the Notes.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

CLEARING AND SETTLEMENT ARRANGEMENTS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both US and non-US securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both US and non-US securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes.

The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "**street name**", and will be the responsibility of such Participant and not of DTC, relevant agents or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "**Subscription and Sale**" and "**Transfer Restrictions**".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Registration and Form

Book entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. Book entry interests in the Notes held through DTC will be represented by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book entry interests in the Notes. The relevant Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates–Registration of Title*", holders of Notes represented by those individual Certificates. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Paying Agent will also be responsible for ensuring that payments received by the Paying Agent from the Issuer for holders of book entry interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book entry form. Purchasers electing to hold book entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book entry interests in the Clearing Systems. Title to such book entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

General

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

BNP Paribas and Citigroup Global Markets Limited as the Joint Lead Managers (the "**Joint Lead Managers**") have in a subscription agreement dated 26 April 2013 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions is contained therein, severally and not jointly agreed to subscribe and pay for the Notes at an issue price of 98.213 per cent. of their principal amount less (i) a combined management and underwriting commission and (ii) other expenses incurred in connection with the issue of Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

In September 2011, the Government entered into a US$100 million bilateral loan facility (the "**Bilateral Facility**") with Citibank, N.A., London Branch for the purpose of financing the continued construction of the Kigali Convention Centre. The Bilateral Facility is due to mature in September 2013. Part of the proceeds of the Notes will be used to repay the outstanding balance of the Bilateral Facility.

United States of America

No registration under Securities Act

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Joint Lead Managers, in reliance on, and in compliance with, Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of Rwanda

No registration of the Notes is required under the Law and regulation governing capital markets in Rwanda.

The Notes have not been and will not be registered under the Law and regulation governing capital markets in Rwanda.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation. Each Joint Lead Manager represents and agrees that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, as such term is used under the Swiss Code of Obligations, and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland, as such term is used under the Swiss Code of Obligations.

Kenya

This Prospectus has not been nor will it be approved by the Capital Markets Authority of Kenya. The offer of interests in the Notes does not constitute an offer to the public. The offer of interests in the Notes in Kenya will be carried out as a "private offer" within the meaning of regulation 21 of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (as amended). This Prospectus will be distributed in Kenya to a limited number of investors and will not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Notes may not be offered or sold directly or indirectly to the public in Kenya.

South Africa

In relation to South Africa, each Joint Lead Manager has represented, warranted and agreed that it will not make an "**offer to the public**" (as such expression is defined in the South African Companies Act, 2008 (the "**SA Companies Act**")) of Notes (whether for subscription, purchase or sale) in South Africa. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act. No South African Residents (as defined in the South African exchange control regulations) or their offshore subsidiaries may subscribe for or purchase any Note or beneficially hold or own any Note unless such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings or policies of the Financial Surveillance Department of the South African Reserve Bank (previously known as the Exchange Control Department).

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "**SFA**") and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

(c) the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law; or

    (4) as specified in Section 276(7) of the SFA.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under that Ordinance.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Joint Lead Manager has acknowledged that the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Qatar

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell, or deliver, directly or indirectly, any Notes in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

This Prospectus has not been reviewed or approved by or registered with the Qatar Exchange, the Qatar Central Bank or the Qatar Financial Markets Authority. This Prospectus is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

General

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Notes, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be QIBs in reliance on, and in compliance with, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged that:

(i) the purchaser (a) is a QIB, (b) is acquiring the 144A Notes for its own account or for the account of one or more QIBs and (c) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the Rule 144A Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) to the Issuer or an affiliate thereof, or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and it will, and each subsequent holder of the Rule 144A Notes is required to, notify any purchaser of the Rule 144A Notes from it of the resale restrictions on the Rule 144A Notes;

(iii) the purchaser understands that the Rule 144A Notes (to the extent they are in certificated form) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER ("RULE 144"), IF AVAILABLE, (D) TO THE ISSUER OR AN AFFILIATE THEREOF, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE

SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

(iv) it understands that the Issuer, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers; and

(v) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of this Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(i) it is, or at the time the Regulation S Notes are purchased will be, the beneficial owner of such Notes and it is located outside the United States (within the meaning of Regulation S); and it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(ii) the Regulation S Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that it will not offer, sell, pledge or otherwise transfer Regulation S Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States; and

(iii) it understands that the Issuer, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers.

GENERAL INFORMATION

1. **Authorisation**

The creation and issue of the Notes has been authorised and approved on 31 October 2012 by the Rwandan Cabinet.

2. **Listing and admission to trading**

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Main Securities Market. It is expected that admission of the Notes to trading will be granted on or before the next working day after the Closing Date.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.

The total expenses related to the admission to trading of the Notes are expected to be approximately €4,940.

3. **Legal and Arbitration Proceedings**

Save as disclosed in this Prospectus in the sub-section entitled "*Legal Proceedings*" on page 45, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering the previous 12 months which may have or have had in the recent past significant effects on the Issuer's financial position.

4. **Significant/Material Change**

Since the end of the last fiscal year, there has been no significant change in the Issuer's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade and balance of payment figures, (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.

5. **Documents on Display**

For so long as any Notes shall be outstanding, electronic copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent:

(a) the budget for the current fiscal year;

(b) the Agency Agreement; and

(c) the Deed of Covenant.

6. **Yield**

On the basis of the issue price of the Notes of 98.213 per cent. of their principal amount, the gross real yield of the Notes is 6.875 per cent. on a semi-annual basis.

7. **Legend Concerning US Persons**

The Notes appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange, or redemption will be treated as ordinary income.

8. **ISIN and Common Code**

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The ISIN for the Unrestricted Global Certificate is XS0925613217 and the Common Code for the Unrestricted Global Certificate is 092561321. The ISIN for the Restricted Global Certificate is US78347YAA10 and the CUSIP for the Restricted Global Certificate is 78347YAA1.

9. **Third Party Information**

The Issuer confirms that where information included in the Prospectus has been sourced from a third party the source is identified, and that information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10. **Interested Persons**

Save as described in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offering has any interest in the offering which is material to the offering.

11. **Managers transacting with the Issuer**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer in the ordinary course of business.

ISSUER

The Republic of Rwanda
Ministry of Finance and Economic Planning
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JOINT LEAD MANAGERS

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London NW1 6AA
United Kingdom

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Citigroup Centre
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London E14 5LB
United Kingdom

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Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

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