CENTRAL AFRICAN REPUBLIC

The Central African Republic’s economic freedom score is 49.1, making its economy the 161st freest in the 2019 Index. Its overall score has decreased by 0.1 point, with declines in fiscal health, trade freedom, and business freedom outpacing improvements in labor freedom and monetary freedom. The Central African Republic is ranked 38th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The CAR is one of the world’s least-developed countries, constrained by a poor transportation system, a largely unskilled work force, and a legacy of misdirected macroeconomic policies. The CAR scores very poorly on such regulatory factors as labor market flexibility and taxation. Progress to achieve a more welcoming business environment has been marginal. More than half of the population lives in rural areas and depends on subsistence agriculture. Ongoing concerns include high debt levels and weakening security conditions in diamond-exporting areas.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Regional Rank</th>
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<tbody>
<tr>
<td>161</td>
<td>38</td>
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**ECONOMIC FREEDOM STATUS:** Repressed

**REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION):** 54.2

**WORLD AVERAGE:** 60.8

**HISTORICAL INDEX SCORE CHANGE (SINCE 2002):** -10.7

**CONCERNS:** Property Rights and Government Integrity

**RELATIVE STRENGTHS:** Fiscal Health and Government Spending

**BACKGROUND:** A former French colony, the Central African Republic became independent in 1960. After more than 30 years of mostly incompetent and frequently brutal military regimes, a democracy was established in 1993 that ended with a 2003 military coup led by François Bozizé, who was later elected president. In 2013, mostly Muslim Séléka rebels led by Michel Djotodia overthrew Bozizé. Subsequent sectarian violence precipitated French military intervention and the deployment of U.N. peacekeepers. Djotodia stepped down in 2014, and former Prime Minister Faustin-Archange Touadéra was elected president in 2016. Militia violence continues to fuel displacement and hunger. The CAR has abundant timber, gold, and uranium, and previously-banned exports of diamonds have resumed in some parts of the country.
Protection of property rights is weak. There have been numerous reports of armed militias entering homes without judicial authorization, seizing and damaging property without due process, and evicting persons from their places of residence both in Bangui and throughout the countryside. The courts do not enforce their rulings, and access to lawyers is difficult and costly. Corruption remains pervasive.

The top personal income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 9.0 percent of total domestic income. Over the past three years, government spending has amounted to 13.9 percent of the country’s output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 53.4 percent of GDP.

Establishing a business remains time-consuming, and other burdensome and opaque regulatory requirements increase the cost of conducting business. The labor market remains severely underdeveloped. Growing political instability and government distortions of the economy through subsidies and price controls undermine the basic functioning of state institutions.

The combined value of exports and imports is equal to 44.3 percent of GDP. The average applied tariff rate is 14.5 percent. Persistent nontariff barriers and impediments to investment are made worse by political volatility. The financial system is underdeveloped, and access to financing for businesses remains very limited. About 16 percent of adult Central Africans have access to an account with a formal banking institution.