Rwanda’s economic freedom score is 71.1, making its economy the 32nd freest in the 2019 Index. Its overall score has increased by 2.0 points, led by higher scores for government integrity, the tax burden, fiscal health, and judicial effectiveness. Rwanda is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Strong economic growth has continued but remains driven in part by an unsustainable and self-defeating policy of import substitution and fiscal measures imposed to curb import demand. Previous structural reforms and adoption of a sound regulatory framework facilitate entrepreneurial activity, and the government plans additional measures to improve the business climate. Personal and corporate tax rates are moderate. However, progress toward greater economic freedom is hindered by continuing institutional weaknesses. The judicial system lacks independence and transparency, and foreign investment is deterred by ongoing political instability.

BACKGROUND: Decades of violence followed Rwanda’s independence from Belgium in 1959. In 1994, Paul Kagame’s Tutsi-led Rwandan Patriotic Front seized power after state-sponsored genocide killed an estimated 800,000 people, mostly Tutsis. Kagame has been president since 2000 and was reelected to seven-year terms in 2010 and 2017 amid allegations of fraud, intimidation, and violence. In 2015, voters approved a constitutional change that would permit Kagame to govern until 2034 and strengthen his authoritarian rule. Tourism, minerals, coffee, and tea are the main sources of foreign exchange. Although poverty remains widespread, government figures indicate that it has been declining rapidly.
The law recognizes and protects all property rights. Property registration was made easier in 2018 with the implementation of online services. The judiciary has yet to secure full independence from the executive and suffers from a lack of resources and a heavy case backlog. Rwanda is among Africa’s least corrupt countries and is ranked 8th in the world in Transparency International’s 2017 Corruption Perceptions Index.

The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 15.0 percent of total domestic income. Over the past three years, government spending has amounted to 26.2 percent of the country’s output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 40.6 percent of GDP.

Rwanda’s adoption of structural reforms has facilitated the emergence of entrepreneurial activity. Regulatory reform measures have contributed to a more favorable business environment, although the pace of reform has slowed in recent years. Labor regulations are relatively flexible. The government subsidizes agriculture, maintains price controls, and subsidizes power for the 20 percent of the population with access to electricity.

The combined value of exports and imports is equal to 51.0 percent of GDP. The average applied tariff rate is 7.3 percent. As of June 30, 2018, according to the WTO, Rwanda had 30 nontariff measures in force. The investment code provides for equal treatment of foreigners and nationals for many types of activity. About 54 percent of adult Rwandans have access to an account with a formal banking institution.