WORLD RANK: **33** | REGIONAL RANK: **2**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

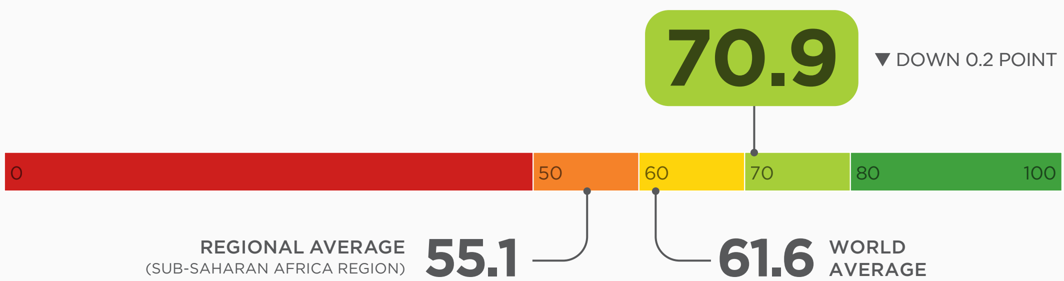
RWANDA

Rwanda's economic freedom score is 70.9, making its economy the 33rd freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to a drop in the **government integrity** score. Rwanda is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional and world averages.

This is the second year that the Rwandan economy has been rated mostly free after eight years in the moderately free category. GDP growth has been booming for the past five years, driven by export-focused agriculture and a high level of private investment inflows.

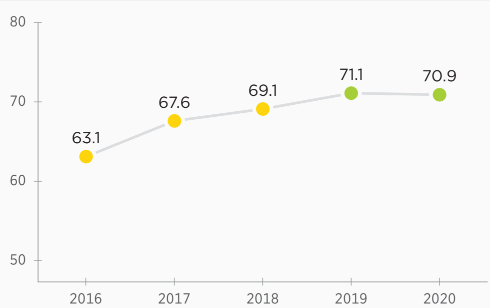
To climb higher in the mostly free ranks, the government needs to focus on two lagging *Index* indicators that are holding back economic freedom. Rwanda is already known as the region's most business-friendly country, but it needs to do more to attract investment. Also, the president's commitment to fighting corruption must be bolstered to improve government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +32.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
12.0 million

GDP (PPP):
$27.4 billion
8.6% growth in 2018
5-year compound annual growth 7.4%
$2,280 per capita

UNEMPLOYMENT:
1.0%

INFLATION (CPI):
1.4%

FDI INFLOW:
$398.5 million

PUBLIC DEBT:
40.7% of GDP

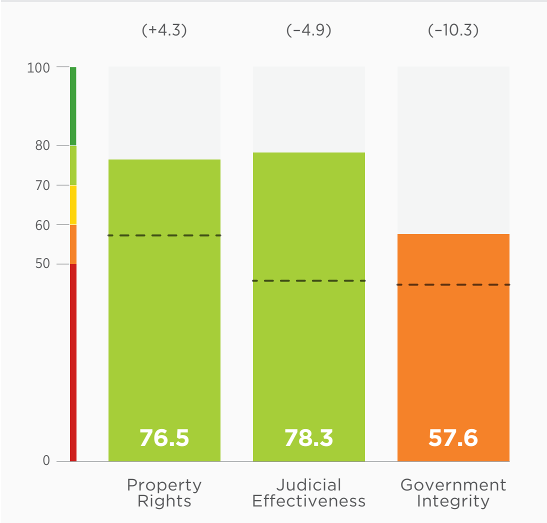
2018 data unless otherwise noted. Data compiled as of September 2019

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, primarily 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 the 62-year-old Kagame to govern until 2034 and strengthen his authoritarian rule. A border standoff with Uganda began in 2019 as each side accused the other of trying to overthrow its government. 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.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

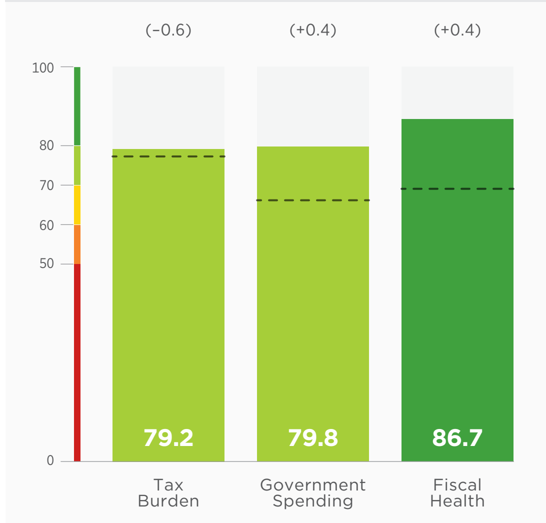
12 ECONOMIC FREEDOMS | RWANDA

RULE OF LAW



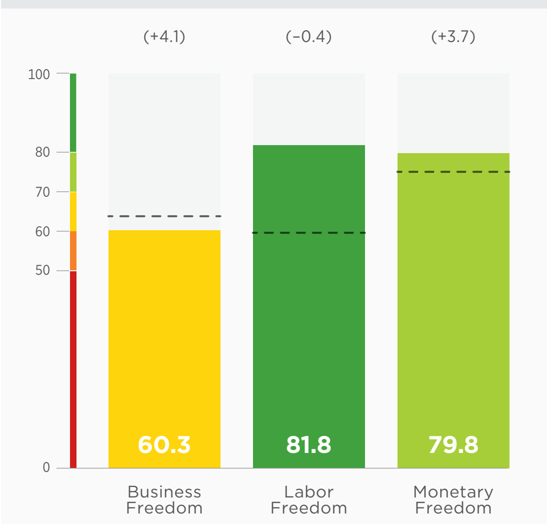
The law protects and facilitates acquisition and disposition of property, but the government has been criticized for seizing land for infrastructure and development projects without proper compensation. The judiciary lacks independence from the executive and suffers from a lack of resources and a heavy case backlog. Rwanda is rated among the least corrupt African countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



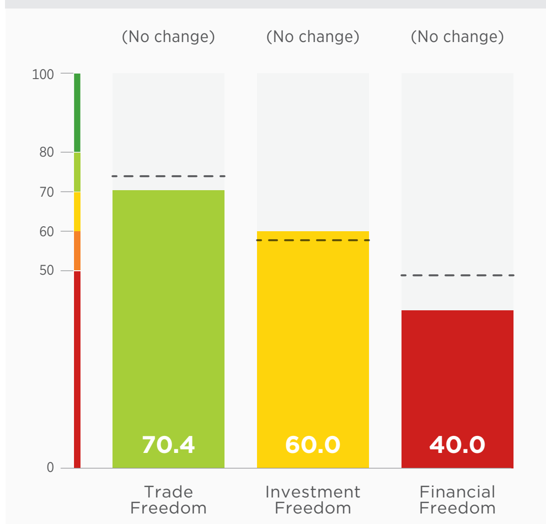
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 16.6 percent of total domestic income. Government spending has amounted to 26 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.

REGULATORY EFFICIENCY



Recent pro-business regulatory reforms include improvements in getting electricity and enforcing contracts, among others, but resolution of insolvency was made more difficult. A 2018 labor law contained a mixture of pro-employee and pro-business provisions the ultimate impact of which is uncertain. The government subsidizes agriculture, maintains price controls, and subsidizes power for the 20 percent of the population that has access to electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 51.5 percent of GDP. The average applied tariff rate is 7.3 percent, and 30 nontariff measures are in force. Most sectors are open to foreign investment, but the investment regime is still evolving and has not yet produced a dynamic expansion of new investment. Despite some progress, the cost of financing remains high, and access to banking services is limited.