RWANDA

Rwanda’s economic freedom score is 57.1, making its economy the 105th freest in the 2022 Index. Rwanda is ranked 16th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

In the past half-decade, the Rwandan economy accelerated from 2017 through 2019, contracted in 2020, and resumed growth in 2021. Economic freedom has fluctuated over the same five years. With significant decreases in scores for judicial effectiveness, fiscal health, and business freedom, Rwanda has recorded a steep 10.5-point overall loss of economic freedom since 2017 and has fallen from the “Moderately Free” category to the “Mostly Unfree” category. Monetary freedom is somewhat promising, but judicial effectiveness and financial freedom are seriously deficient.

IMPACT OF COVID-19: As of December 1, 2021, 1,343 deaths had been attributed to the pandemic in Rwanda, and the government’s response to the crisis ranked 55th among the countries included in this Index in terms of its stringency. The economy contracted by 0.2 percent in 2020.

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 the 62-year-old Kagame to govern until 2034 and strengthen his authoritarian rule. In July 2021, Rwanda deployed 1,000 security service personnel to Mozambique to fight an insurgency linked to Islamic State terrorists. Tourism, minerals, coffee, and tea are the main sources of foreign exchange.
The law recognizes and protects property and contractual rights. The inadequately resourced judiciary is not yet fully independent of the executive and suffers from capacity constraints and a heavy case backlog. Although graft remains a problem, Rwanda was ranked 49th out of 180 countries and cited as one of sub-Saharan Africa’s three least corrupt nations in Transparency International’s 2020 Corruption Perceptions Index.

The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 17.1 percent of total domestic income. Government spending has amounted to 28.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 61.0 percent of GDP.

Starting a business is easy, but non-regulatory factors such as geography and a small domestic market for goods and services can make operating a business a challenge. Affordable credit can be hard to obtain. All eight of the International Labor Organization’s core conventions have been ratified. The IMF projected that subsidies would consume about 2.6 percent of GDP in fiscal year 2021.

Rwanda has two preferential trade agreements in force. The trade-weighted average tariff rate is 13.4 percent, and 30 nontariff measures are in effect. With most sectors open to foreign investment, the investment regime is still evolving. However, it is not conducive to the dynamic expansion of new investment. Despite some progress, the cost of financing remains high, and access to banking services is limited.