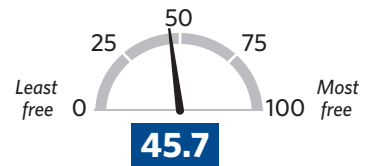


COMOROS

Economic Freedom Score



World Rank: **165** Regional Rank: **40**

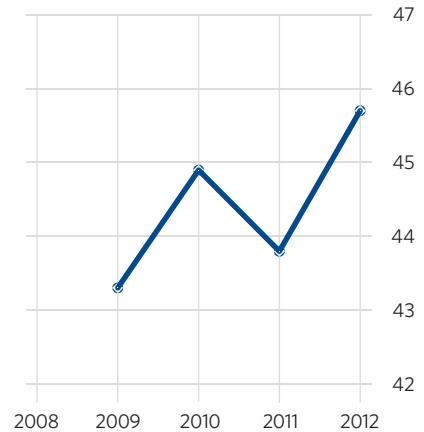
Comoros's economic freedom score is 45.7, making its economy the 165th freest in the 2012 *Index*. Its overall score is 1.9 points higher than last year, reflecting increases in trade freedom and investment freedom. Comoros is ranked 40th out of 46 countries in the Sub-Saharan Africa region, and its overall score is lower than the regional average.

Comoros remains one of the world's least economically free countries. As reflected in low scores for property rights and freedom from corruption, the country's foundations of economic freedom are limited and fragile. The public sector is inefficient and lacks transparency. Poor management of macroeconomic policies, coupled with political crises over the past decade, has hindered overall economic development.

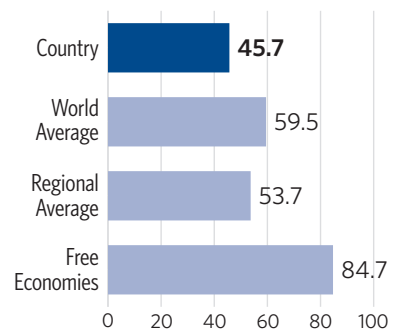
The overall business environment remains severely constrained. The development of a vibrant private sector is limited by a burdensome regulatory framework, poor access to credit, and the high costs of financing for entrepreneurial activity. In the absence of effective open-market policies, the economy remains highly dependent on foreign aid and remittances rather than trade and investment.

BACKGROUND: The Union of the Comoros is an archipelago of three islands: Grande Comore, Anjouan, and Moheli. Political turmoil has hampered economic and social development, but a 2001 constitution granting each island increased autonomy provided some stability. The presidency rotates among the three islands. Ikililou Dhoinine from Moheli was elected president in December 2010. Remittances from Comorans living abroad are an important source of income. Fishing, agriculture, and forestry employ approximately 80 percent of the population and provide over 40 percent of GDP. Though much of the terrain is not suitable for agriculture, Comoros is among the world's leading producers of ylang-ylang (a perfume ingredient), cloves, and vanilla. Basic infrastructure, such as ports and roads, is severely underdeveloped.

Freedom Trend



Country Comparisons



Quick Facts

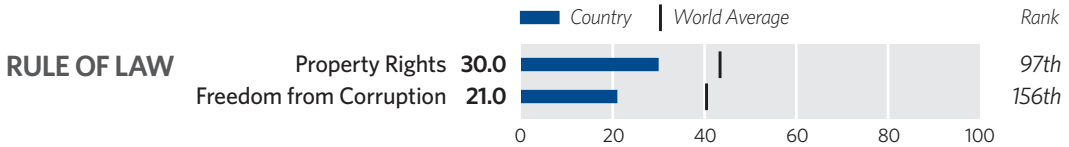
- Population:** 0.7 million
- GDP (PPP):** \$0.8 billion
- 2.1% growth in 2010
- 5-year compound annual growth 1.3%
- \$1,202 per capita
- Unemployment:** n/a
- Inflation (CPI):** 2.7%
- FDI Inflow:** \$9.4 million
- Public Debt:** 51.8% of GDP

How Do We Measure Economic Freedom?

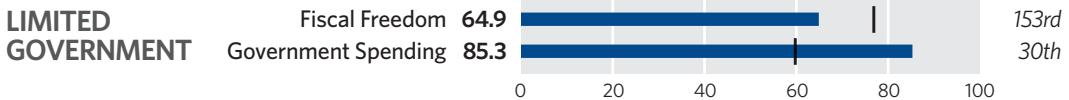
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

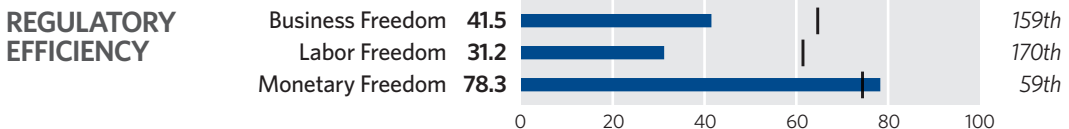
THE TEN ECONOMIC FREEDOMS



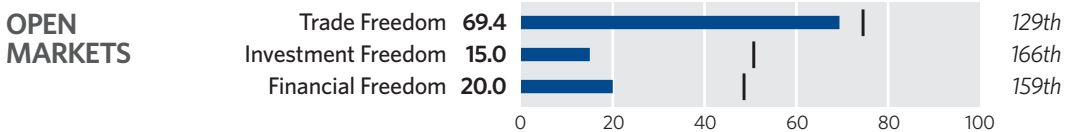
The judicial system is ineffective, contracts are weakly enforced, and courts are relatively inexperienced in commercial litigation. The government lacks the capacity to enforce intellectual property rights laws. Officials often engage in corrupt practices with impunity. The political environment remains fragile in the wake of the transfer of power following the December 2010 presidential election, which aggravated perceptions of corruption.



The top income tax rate is 30 percent, and the top corporate tax rate is 50 percent. Other taxes include a value-added tax (VAT) and an insurance tax, and the overall tax burden equals 10.4 percent of total domestic income. Government spending is equivalent to 22.1 percent of total domestic output. Public debt has decreased to 51.8 percent of GDP as a result of budget surpluses over the past three years.



The overall freedom to establish and run private enterprises is constrained by the inefficient regulatory environment. Although starting a business takes slightly less than the world average of 30 days, the associated minimum capital requirement remains over twice the annual average income. Much of the workforce is employed in the small retail services sector, and informal labor activity is widespread. Inflation has been modest.



The trade weighted tariff rate is 7.8 percent, with myriad non-tariff barriers severely undermining trade freedom. Non-transparent investment regulations and underdeveloped markets inhibit investment. The small financial sector remains without adequate regulation or supervision. Banking penetration is low, and many people still rely on informal lending and have no bank accounts. Microfinance institutions account for around 20 percent of lending.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-1.4	Trade Freedom	+7.0
Freedom from Corruption	-2.0	Government Spending	+7.5	Labor Freedom	+0.5	Investment Freedom	+5.0
				Monetary Freedom	+2.1	Financial Freedom	0