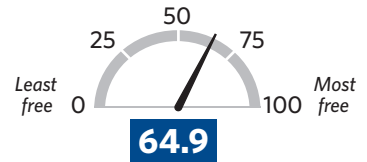


RWANDA

Economic Freedom Score



World Rank: **59** Regional Rank: **3**

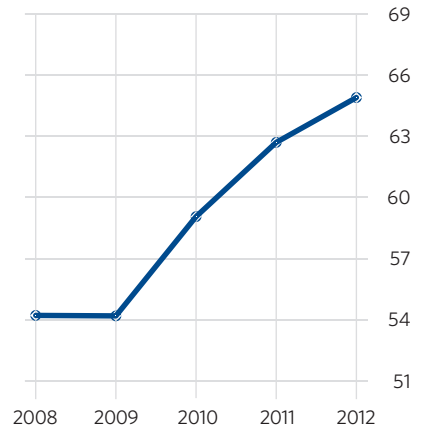
Rwanda's economic freedom score is 64.9, making its economy the 59th freest in the 2012 *Index*. Its score is 2.2 points better than last year, reflecting notable improvements in freedom from corruption, monetary freedom, and investment freedom. Rwanda is ranked 3rd out of 46 countries in the Sub-Saharan Africa region and achieved the fifth largest score improvement in the 2012 *Index*.

Securing its status as one of the world's "moderately free" economies, the Rwandan economy has registered impressive score gains of more than two points in each of the past three years. Reforms have supported economic expansion and a gradual reduction in poverty.

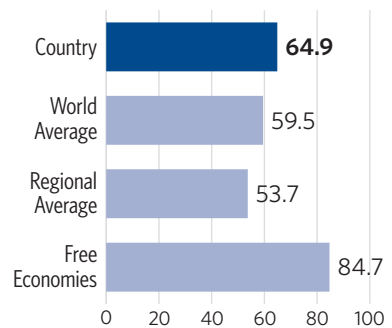
The positive economic results achieved through advancing economic freedom have created valuable momentum for additional institutional reforms that are needed to ensure long-term economic vitality. The weak rule of law and lingering corruption remain serious drags on economic development. Accelerating judicial reforms, along with continued efforts to streamline public administration, will help to sustain economic growth and further broaden improvements in living standards.

BACKGROUND: Decades of ethnic tension culminated in 1994 in the genocidal slaughter of an estimated one million Tutsis and moderate Hutus. After Paul Kagame's Tutsi-led Rwandan Patriotic Front seized power, millions of Hutus fled to the Democratic Republic of Congo. Rwandan forces have entered the DRC repeatedly to confront Hutu militia. Kagame, who has focused on political reconciliation and rebuilding Rwanda's shattered economy, was re-elected overwhelmingly in August 2010 amid allegations of fraud, voter intimidation, and violence. Recovery has been bolstered by economic reforms, but the government has been criticized for constraints on political and media freedoms. Despite strong growth based on tourism and exports of coffee and tea, poverty remains widespread, and over 80 percent of Rwandans depend on subsistence agriculture supplemented by cash crops.

Freedom Trend



Country Comparisons



Quick Facts

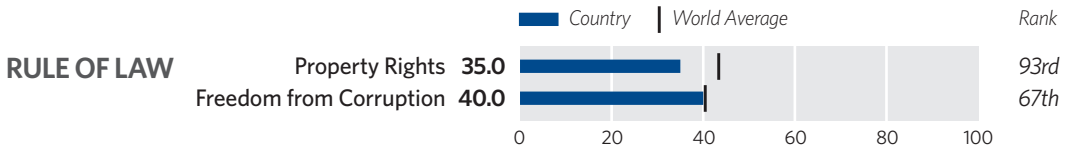
- Population:** 10.0 million
- GDP (PPP):** \$12.2 billion
- 6.5% growth in 2010
- 5-year compound annual growth 7.3%
- \$1,217 per capita
- Unemployment:** n/a
- Inflation (CPI):** 2.3%
- FDI Inflow:** \$42.3 million
- Public Debt:** 23.2% of GDP

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

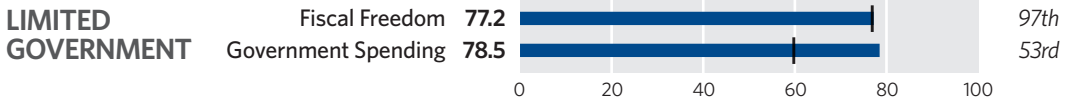
How Do We Measure Economic Freedom?

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

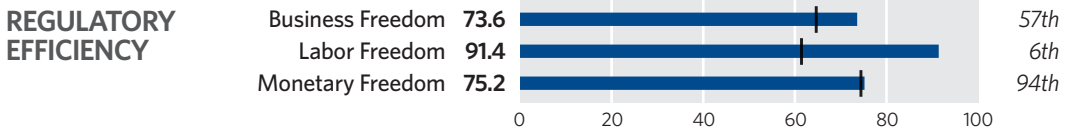
THE TEN ECONOMIC FREEDOMS



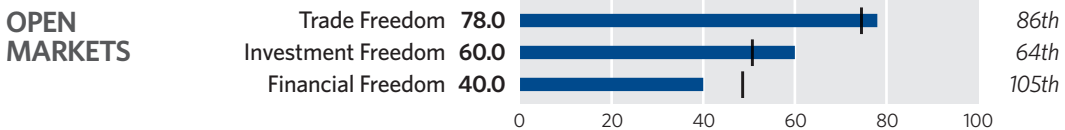
The legal framework is not adequate to maintain respect for the rule of law or provide strong protection for property rights. The judiciary remains vulnerable to political interference. Administrative inefficiency causes delays in the court system. Enforcement of intellectual property rights is not effective, and trading of counterfeit goods continues. Despite some progress, corruption is still perceived as significant.



The top income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax (VAT) and a property transfer tax, with the overall tax burden amounting to 12.3 percent of total domestic income. Government spending is equivalent to 26.8 percent of GDP, with the budget balance recording small surpluses in recent years. Public debt has hovered at around 20 percent of total domestic output.



Impressive regulatory reforms have been implemented since 2008, eliminating bureaucratic hurdles to entrepreneurial activity and increasing regulatory efficiency. Legislative actions have contributed to a more favorable business environment, although the pace of reform has slowed in comparison to previous years. Labor regulations are relatively flexible, but a more vibrant formal labor market has yet to develop. Inflation has moderated.



The trade weighted average tariff rate is 6 percent, and non-tariff barriers add to the cost of trade. Domestic and foreign investors officially receive equal treatment, with most sectors open to foreign investment. However, the investment regime is still evolving and is not conducive to dynamic expansion of investment in new production. The cost of financing remains high, and access to banking services continues to be limited.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.3	Business Freedom	-3.3	Trade Freedom	+0.2
Freedom from Corruption	+7.0	Government Spending	-0.1	Labor Freedom	+1.5	Investment Freedom	+10.0
				Monetary Freedom	+6.7	Financial Freedom	0