

# Chapter 3 Institutions and Economic, Political, and Civil Liberty in Africa

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## Introduction

This chapter will focus on the economic, political, and civil institutions of 26 African countries. During the past two decades, scholarly research has confirmed the importance of institutional factors including the rule of law, security of property rights, openness of the political process, limitations on the power of the executive, monetary stability, liberal trade regimes, and civil liberties as sources of human development, economic growth, and high incomes per capita.<sup>1</sup> The economic, political, and civil institutions of countries are interrelated. Economic institutions are an outgrowth of the political process. Moreover, there is evidence that moves toward economic liberalization sometimes lead to subsequent moves toward political liberalization, and vice versa.<sup>2</sup> Further, civil liberties influence the public discourse and thereby exert an impact on both economic and political decision-making. Because of these interrelationships, it is important to consider institutional quality in all of these areas.

While 39 African countries are included in index published in *Economic Freedom of the World* (EFW), the detailed institutional data presented in this chapter are available for only 26 of the 39. The EFW data for 1980 and 1985 are unavailable for nine countries: Angola, Burkina Faso, Chad, Ethiopia, Guinea-Bissau, Lesotho, Mauritania, Mozambique, and Namibia. Four other countries—Central African Republic, Niger, Togo, and Tunisia—are omitted because their data for the other institutional measures of this study are not available. As of 2011, the 26 countries included in this chapter comprise 71% of the total population of the African continent. The primary purpose of our analysis is to enhance the knowledge of the interaction among institutional factors, and the strengths and weaknesses of each of these 26 African economies.

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- 1 Acemoglu, Johnson, Robinson, 2005. For additional information on the importance of institutions in growth, see Hall and Jones, 1999; Knack and Keefer, 1995.
- 2 Acemoglu et al., 2008. For more information on the connections between economic and political liberalization, see Persson and Tabellini, 2008; Rode and Gwartney, 2012.

In 2011, the mean per-capita income on the African continent was US\$3,045. The population-weighted, average per-capita income for the 26 countries in this analysis was a little higher, \$3,400. The comparable figures for Latin American countries and Asian countries are \$11,870 and \$7,009, respectively. Thus, the mean per-capita income of Africans is approximately half that of Asians, and a third that of Latin Americans.

Not only are the mean income levels low, so too are the growth rates. The mean population-weighted, annual per-capita growth rate of the 26 countries in the analysis was  $-0.08$  from 1980 to 1990,  $-0.23$  from 1990 to 2000, and  $2.59$  from 2000 to 2010. The good news here is that while incomes stagnated during the 1980s and 1990s, most African countries have registered modest growth during the most recent decade.

### **Economic freedom in Africa**

Given the linkage between institutions and prosperity, the low incomes of African countries elevate the importance of institutional analysis in this region. The EFW data indicates that the region has become more economically free since 1980, particularly during the past two decades. The mean EFW chain-linked summary rating of the 26 African countries included in this chapter rose from 4.44 in 1980 to 4.73 in 1990 and 5.83 in 2000. By 2010, the mean regional EFW rating had risen to 6.25, an increase of 1.81 units compared to 1980. While the mean EFW rating increases of the 26 countries have been substantial since 1990, the changes have been highly uneven. The EFW rating of eight countries—Zambia, Uganda, Nigeria, Tanzania, Sierra Leone, Rwanda, Egypt, and Ghana—rose by more than two units between 1990 and 2010. Two of these countries—Zambia and Uganda—saw increases in the EFW chain-linked summary rating of more than four units from 1990 to 2010. But the ratings of Côte d'Ivoire, Gabon, and Senegal increased by less than half a point during the same period. Still more troublesome, the EFW chain-linked summary ratings of Zimbabwe and the Republic of the Congo have fallen since 1995.

In spite of these recent increases, the economic institutions of African countries are still among the poorest in the world. Compared to countries worldwide, African nations are heavily regulated and have a politicized legal system; government intervention in business is common and the movement of people and goods are extensively restricted. Compared to the other 144 nations included in the EFW Index, only six African nations rank in the top half—Mauritius, Rwanda, Uganda, Zambia, Botswana and Ghana—and, of this group, only Mauritius ranks in the top quartile. On the other hand, seven countries rank in the bottom 20—Zimbabwe, the Republic of the Congo, the Democratic Republic of the Congo, Algeria, Burundi, Côte d'Ivoire, and Gabon—and 12 rank in the bottom quartile.

Nine of the 26 African countries rank in the top 50 worldwide in the Area 1, measure of size of government. Yet, 11 rank in the bottom 50 worldwide in this area. The legal system (Area 2) and regulatory policies (Area 5) are major weaknesses in the region. For Legal System and Property Rights, only three African countries—Botswana, Rwanda, and Mauritius—place in the top 50 among the 144 countries worldwide. In contrast, 14 of the 26 African countries place in the bottom 50 worldwide for this area. Only five—Rwanda, Uganda, Mauritius, Botswana, and Gabon—rank in the top 50 worldwide in the Regulation area, while 14 countries in the region place in the bottom 50.

Furthermore, African countries fall far behind the rest of the world in terms of sound money (Area 3) and freedom to trade internationally (Area 4). In Area 3, only two countries—Mauritius and Rwanda—rank in the top 50 worldwide, while 16 of the 26 African countries rank in the bottom 50. Only Mauritius ranked in the top 50 for freedom of international exchange, while 16 African nations ranked in the bottom 50 worldwide. The mean tariff rates in African countries are very high. The average among all 26 African nations is 13.1%. Three countries in the region—the Democratic Republic of the Congo, the Republic of the Congo, and Zimbabwe—rank in the bottom 50 in every area of the EFW index. In contrast, only Mauritius ranked in the top 50 in every area.

### **Broader economic, political, and civil institutional measures**

In addition to the index published in *Economic Freedom of the World*, two other measures of the quality of economic institutions will be integrated into our analysis. These two measures are the World Bank's *Doing Business* report and the *Global Competitiveness Report* of the World Economic Forum. The *Doing Business* report compares the regulatory cost imposed on business activity across countries and over time. The index is based on the cost in time and money of regulatory compliance accompanying ten generic business activities. The ten areas covered by the index are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. Countries imposing regulations that increase the cost of engaging in normal business activities and/or substitute government mandates for agreements among parties are given lower ratings.

The *Global Competitiveness Report* (GCR) uses a combination of objective and survey data to rate the “competitiveness” of various countries. While this measure considers some institutional variables, it also incorporates factors such as education and skill levels of the labor force, size of the domestic market, the environment for innovation, access to advanced technology, and the development of the country's physical infrastructure (roads, telecommunications, and transportation networks).

#### **Economic institutions**

While several components from both the *Doing Business* report and *Global Competitiveness Reports* are included among the 42 components of the EFW index, the three economic indicators measure different dimensions of a country's economic environment. The original ratings of the three indicators were converted to a zero-to-10 scale and averaged to derive a measure of the economic institutional quality of each of the 26 African countries. These ratings are presented in the left graph of **Exhibit 3.1**.

#### **Political institutions**

Turning to the political institutions, five measures were used to rate countries in this area. The five measures were: (1) the rating for the Legal System and Property Rights Area from the EFW index, (2) the political rights rating from Freedom House's *Freedom in the World*,<sup>3</sup> (3) the Polity IV rating on

<sup>3</sup> The data for this measure can be found at Freedom House (2012a).

the authoritarian-democratic scale, (4) the Polity IV rating for constraints on the executive,<sup>4</sup> and (5) the *Corruption Perceptions Index* from Transparency International. As in the case of the economic institutional measures, these five indicators were placed on a zero-to-10 scale and the mean of the five ratings used to calculate a summary rating for the quality of the political institutions of each country. This rating is presented in the middle graph of **Exhibit 3.1**. Clearly, this measure incorporates a broad range of political factors, including a legal system that protects property rights and enforces contracts in an even-handed manner, democratic decision-making, constraints on the executive, openness of the political process, and absence of corruption.

### Civil liberty

Three measures were used to examine cross-country differences in civil liberty: (1) the civil liberties rating from Freedom House,<sup>5</sup> (2) the summary rating from Freedom House's *Freedom of the Press*,<sup>6</sup> and (3) the rating from the *Press Freedom Index* from Reporters without Borders.<sup>7</sup> The civil liberties component from Freedom House provides a measure of the degree to which freedom of speech, religion, association, and other civil liberties of individuals are protected both legally and in practice. Freedom House's *Freedom of the Press* considers legal, political, and economic factors that might interfere with the free flow of news or exert an impact on its content. The Reporters without Borders *Press Freedom Index* measures violations of press freedom, government efforts to ensure freedom of the press, and indicates the degree of freedom available to journalists and news organizations. The latter measure gives considerable attention to violence against journalists, censorship of news media, searches and harassment, self-censorship, and financial pressures that affect the freedom of the press. Again, the original ratings of the three civil liberty indicators were placed on a zero-to-10 scale and the average used to calculate a summary civil liberties rating for each country. This rating is presented in the right graph of **Exhibit 3.1**. This combined rating provides a broad indicator of the extent to which a country protects civil liberties and provides a free and competitive environment for the news media.

In order to provide some international perspective on the ratings of African countries, the economic, political, and civil liberty measures were also derived for the top 20 countries in the index of *Economic Freedom of the World*. This benchmark will provide perspective on the strengths and weaknesses of African countries compared to the world's most economically free institutions.

As **Exhibit 3.1** illustrates, the top five African countries for economic institutions are Mauritius, South Africa, Rwanda, Botswana, and Ghana. However, all of these countries fall well below the top-20 benchmark. Mauritius has the highest rating, 7.08, compared to the benchmark, 7.28. At the other end of the spectrum, the five countries with the lowest economic institutional rating are the Republic of

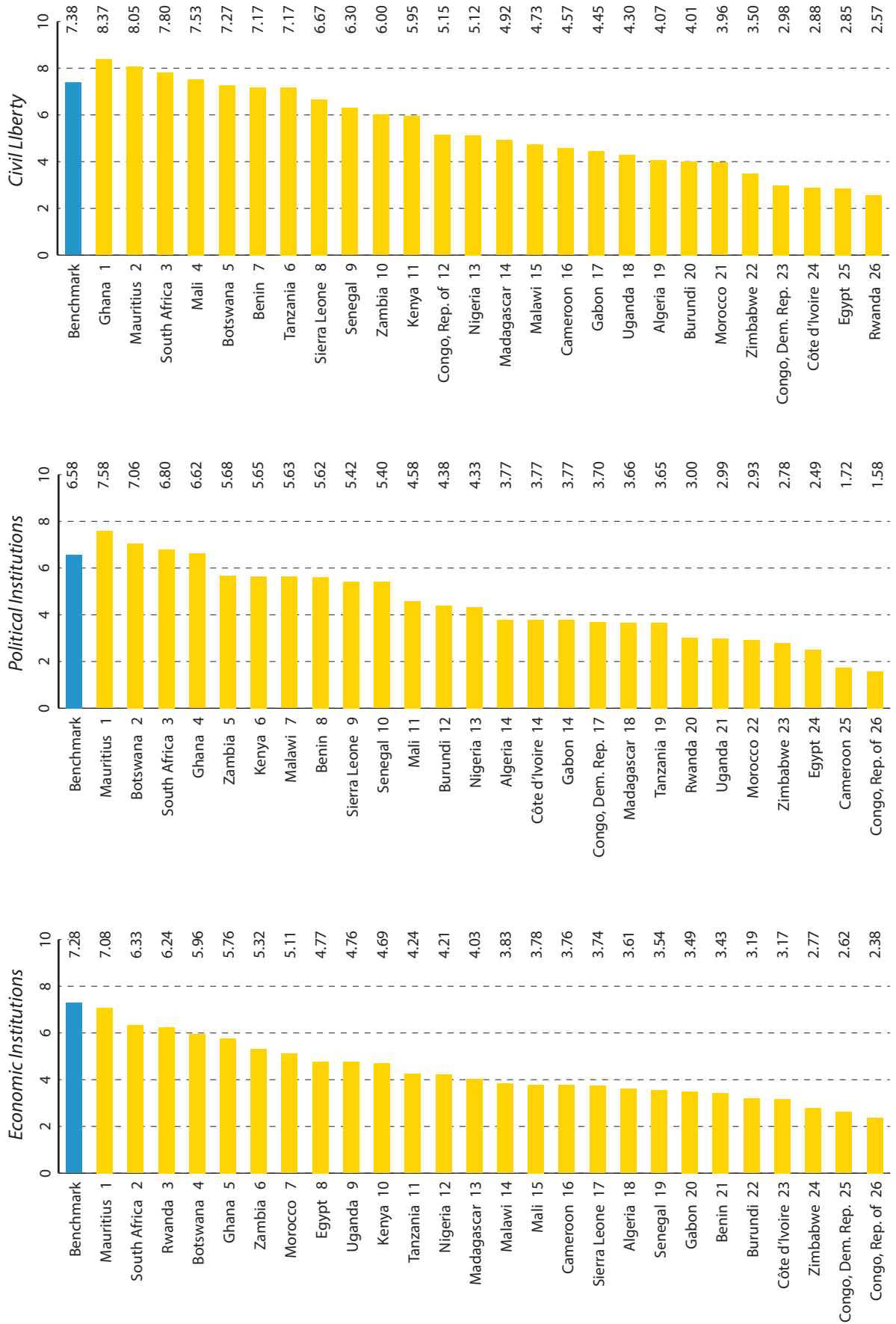
4 The data for both Polity IV measures can be found at Marshall (2011) or <<http://www.systemic-peace.org/inscr/inscr.htm>>.

5 The data for this measure can be found at Freedom House (2012a).

6 The data for this measure can be found at Freedom House (2012b).

7 The data for this measure can be found at Reporters without Borders (2012) or <<http://en.rsf.org/press-freedom-index-2011-2012,1043.html>>.

**Exhibit 3.1: Economic, Political, and Civil Liberties of African Countries for 2011**



the Congo, the Democratic Republic of the Congo, Zimbabwe, Côte d'Ivoire, and Burundi. The economic institutional rating for each of these five countries is more than four points below the benchmark.

The political institutional ratings of four African countries—Mauritius, Botswana, South Africa, and Ghana—exceed the top-20 benchmark. All other countries are below the benchmark. The bottom five countries in the political institutions category are the Republic of the Congo, Cameroon, Egypt, Zimbabwe, and Morocco. In the civil liberties area, the five highest-rated African countries are Ghana, Mauritius, South Africa, Mali and Botswana. These top five countries in Africa exceed the top-20 benchmark. The bottom five countries in this category are Rwanda, Egypt, Côte d'Ivoire, the Democratic Republic of the Congo, and Zimbabwe.

There is a close relationship between the quality of economic and political institutions. Countries that have institutions of high quality in one tend to rank highly in the other. For example, five countries—Mauritius, South Africa, Botswana, Ghana, and Zambia—rank in the top eight among the 26 African countries in both economic and political institutional quality. Similarly, two countries—Republic of the Congo and Zimbabwe—rank in the bottom eight in both the economic and political categories.

### **Institutions and the development of Africa**

African countries are characterized by uncertain protection of property rights, biased law enforcement, trade restrictions, and regulations that restrict entry into markets and impose heavy costs on business. The low ratings of African countries in Areas 2, 4, and 5C of the *Economic Freedom of the World* index reflect these deficiencies. Consider the impact of the high tariff rates and other trade restrictions. The geographic size of most African countries is about the same as that of the typical US state. Before resources and products can cross these national boundaries, they are subject to both taxes and customs clearance delays that often last two or three weeks. This is a costly, time-consuming, and onerous ordeal that exerts a corrupting influence on both business and government. Most important, it is a major deterrent to gains from specialization, economies of scale, entrepreneurship, and investment. If trade restrictions of this type were present among the American states, the United States would be considerably poorer. The trade restrictions alone would be enough to undermine prosperity in Africa but, when coupled with legal systems that fail to enforce contracts and protect property rights, and regulations that restrict entry and drive up the cost of doing business, the results are catastrophic.

What determines the quality of a country's economic, political, and civil institutions? In an important recent book, *Why Nations Fail*, economists Daron Acemoglu of the Massachusetts Institute of Technology, and James Robinson of Harvard University present evidence that history provides a big part of the answer.<sup>8</sup> Acemoglu and Robinson argue that a country's experience during the colonial era exerted a major impact on the evolution of their institutions. Their research indicates that countries with colonial settlers who planned on staying were more likely to develop institutions that limited the powers of political leaders, provided for more secure property rights, and permitted open markets—all of which encouraged trade, innovation, and entrepreneurship. In contrast, colonizers settling in

<sup>8</sup> Acemoglu and Robinson, 2012. For additional information on the importance of institutions as a source of economic success, see Hall and Jones, 1999; Acemoglu, Johnson, and Robinson, 2001.



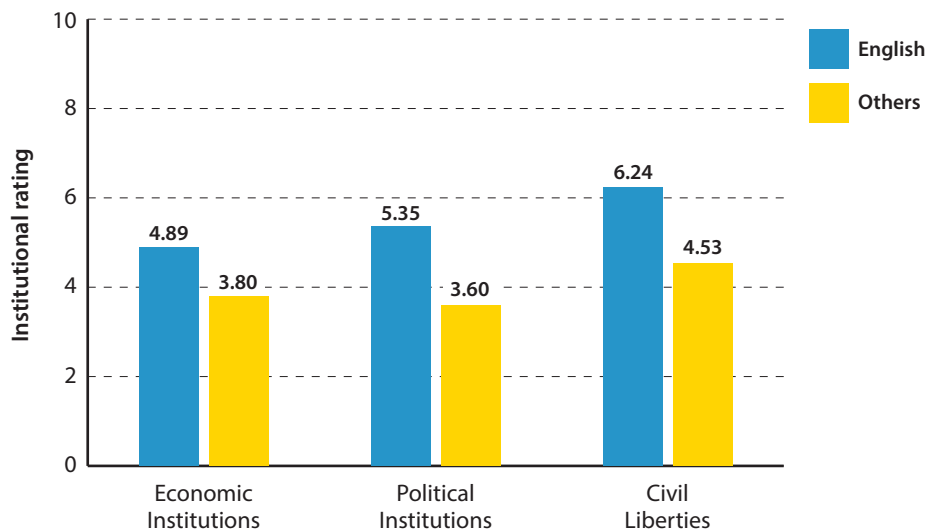
harsh climates and with short-term interests in the extraction of mineral resources were more likely to choose institutions that provided few limitations on the power of government. When the colonizers were not planning on permanent settlement, they were not very interested in individual rights, protection of property, and even-handed application in the enforcement of the law.

The hot and humid climatic conditions of most of Africa made it unattractive to most Europeans as a location for permanent settlement. Thus, the colonizers were more likely to establish extractive rather than protective institutions. Even though the colonial era is over, the imprint on African institutions remains.

Research also indicates that the identity of the colonizer exerts an impact on institutional quality. Countries colonized by England tended to develop institutions more consistent with limited government and protection of individual rights than those colonized by France, Spain, and Portugal. The powers of the monarchy were more limited in England than in other European countries. The Magna Carta and Glorious Revolution provide evidence on this point. Similarly, the writings of John Locke, Adam Ferguson, David Hume, and most of all Adam Smith developed a powerful case for private ownership, gains from trade, competitive markets, and limited government. Their writings exerted an impact on both English intellectuals and popular culture. During the 18<sup>th</sup> century, no parallel set of literature was present in any other European country.

Moreover, the English common law system provides for greater stability and protection under the law than French civil law. Under English common law, legal changes occur as the result of precedents derived from judicial decisions rendered by judges. This system leads to more gradual changes and greater constraint on the ability of political decision-makers to alter the law. No such check is present under civil law, the foundation of which is that the law is what the political decision-makers say it is.

**Exhibit 3.2: Institutional Differences by Colonizer**

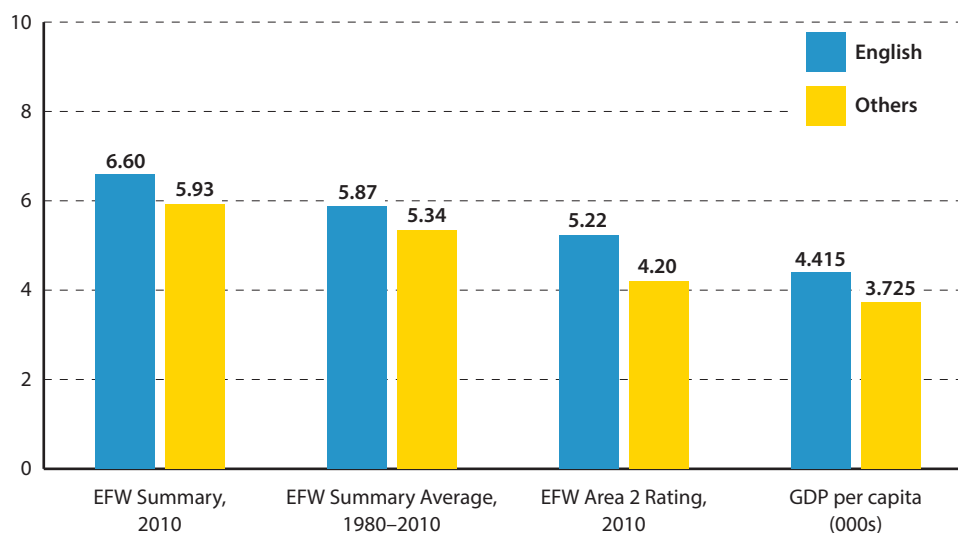


Did the identity of the colonizer make any difference in Africa? Exhibits 3.2 and 3.3 present evidence on this point. Half of the 26 African countries included in our analysis were colonized by the English and the other half by another European country, France in most cases. Using the country ratings of Exhibit 3.1, Exhibit 3.2 presents the average rating for the economic, political, and civil institutions of African countries according to the identity of the colonizer. Interestingly, the mean rating for all three of these institutional measures is at least one full point higher for the countries colonized by the English than for those colonized by another European power.

Exhibit 3.3 presents the mean of the 2010 EFW summary rating and the legal system (Area 2) ratings as well as the average of the EFW chain-linked summary rating for 1990 to 2010 according to the identity of the colonizer. Again, all of these institutional ratings were higher for the countries colonized by the English. Finally, Exhibit 3.3 shows the mean 2011 per-capita income level by the identity of the colonizer. The mean per-capita income of countries colonized by the English was US\$4,415, compared to \$3,725 for those colonized by another European country.

While what happened a century or more ago leaves an imprint, the colonial era is over. Countries are now in a position to make their own institutional and policy choices. As in other regions, the future of Africa is dependent on its ability to establish and develop institutions supportive of economic freedom, limited government, and civil liberties. We now turn to a more detailed analysis of the institutional environment of each of the 26 African countries.

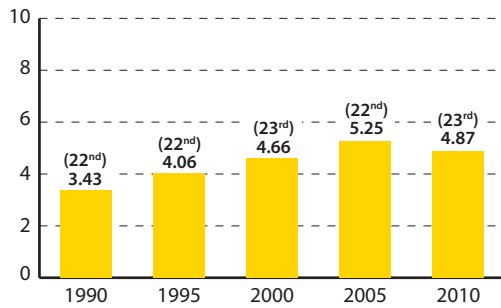
**Exhibit 3.3: Economic Freedom and Income by Colonizer**



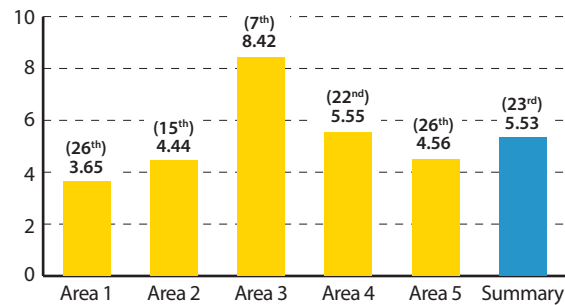


## Algeria

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, Algeria's per-capita income was \$8,655, placing it 5<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.22%, the 14<sup>th</sup> most rapid in the region. Algeria's population is 35.5 million.

### Economic institutions and analysis

In 2010, Algeria ranked 23<sup>rd</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was higher in the *Doing Business* report, 16<sup>th</sup> in the region, and in the *Global Competitiveness Report*, 11<sup>th</sup>. In the past two decades, Algeria's chain-linked summary EFW rating has been one of the lowest in the region. It has made substantial improvements in economic freedom, increasing gradually from 3.43 in 1990 to 5.25 in 2005, in stride with the economic liberalization of the rest of the region. By 2010, however, its rating had receded to 4.87.

Algeria ranked in the top ten in the region in only one area in 2010, Sound Money, where it ranks 7<sup>th</sup>. The inflation rate in the most recent year was modest, 3.9%, and citizens are permitted to own foreign currency bank accounts. Algeria ranked 22<sup>nd</sup> in the region and 133<sup>rd</sup> among 144 countries in the world in the Freedom to Trade Internationally area. The mean tariff rate is the second highest in the region, 18.6%, and varies substantially with a standard deviation of 10.4.

Algeria ranked last in the region and 142<sup>nd</sup> worldwide in both the Size of Government and the Regulation areas. Government consumption as a share of the total is 30.5%, the highest in the African region. Transfers and subsidies are

7.3% of GDP, a high figure for the region. Government enterprise and investment accounts for 61.3% of total investment in Algeria, indicating that the private sector is substantially crowded out. Algeria has significant controls on capital markets, labor markets, and business with no rating above 5.0 for these subsections (5A, 5B, and 5C). Military conscription is required in Algeria.

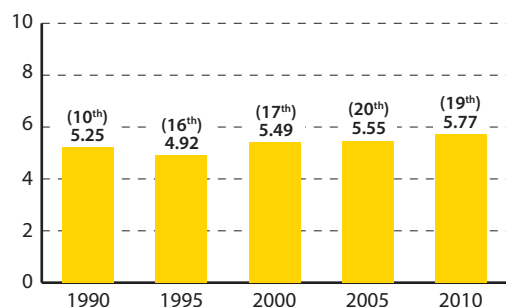
### Political institutions and civil liberty

Algeria's political institutions are largely undemocratic and military involvement in politics is common. In the Legal System and Property Rights area of the EFW Index, Algeria ranks 15<sup>th</sup> among African countries. Freedom House categorizes Algeria as "not free" in its political rights measure. In the Polity IV measure of democracy, it ranks 18<sup>th</sup>, and it ranks 9<sup>th</sup> in the constraints on the executive component. Algeria ranks 13<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*. Despite this moderate ranking, Freedom House comments, "high levels of corruption plague Algeria's business and public sectors".

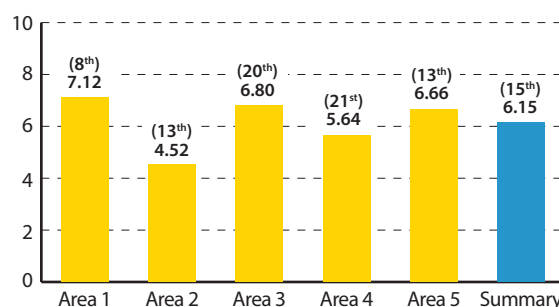
The measures of civil liberty give consistent conclusions for Algeria. Of the 26 countries in the region, it ranks 16<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. Algeria ranks 17<sup>th</sup> in Freedom House's *Freedom of the Press* and is in the "not free" group for its civil liberties measure. There are restrictions on the media, but they have been relaxed a bit in recent decades. However, most private newspapers still rely on the government for printing, which leads to substantial self-censorship.

## Benin

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and Growth

Benin's 2011 per-capita income of \$1,617 places it 16<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 0.78%, the 5<sup>th</sup> slowest in the region. Benin's population as of 2010 was 8.9 million.

### Economic institutions and analysis

In 2010, Benin ranked 15<sup>th</sup> in the region in both the *Economic Freedom of the World* index and the *Global Competitiveness Report*. Its ranking was lower (23<sup>rd</sup> in the region) in the *Doing Business* report. This indicates that Benin is a highly regulated economy. The country has made gains in economic freedom in the last 15 years. Its chain-linked summary EFW rating increased from 4.92 in 1995 to 5.77 in 2010. However, it has not kept with the pace of the rest of the region, falling from 16<sup>th</sup> place in 1995 to 19<sup>th</sup> place in 2010.

Benin's highest area ranking was in the area of Size of Government where it ranked 8<sup>th</sup> in the region and 44<sup>th</sup> worldwide. Government consumption as a share of total consumption (13.4%) and transfers and subsidies as a share of GDP (1.8%) are low. The top marginal income-tax rate in Benin is 35%. Benin achieved its next highest ranking, 13<sup>th</sup>, in both EFW Area 2 and EFW Area 5. However, its worldwide ranking for the Regulation area is 142<sup>nd</sup> of 144 countries. The component that contributes the most to this low ranking is 5Bi, hiring regulations and minimum wage. The regulation of credit is also cumbersome; it takes four years to resolve insolvency in Benin.

Benin ranked 20<sup>th</sup> in the region in Area 3, Sound Money. Inflation in 2010 was moderate, 2.3%. However, ownership of foreign currency bank accounts is forbidden in Benin. In Area 4, Freedom to Trade Internationally, Benin ranked 21<sup>st</sup> in the region and 133<sup>rd</sup> in the world. Revenues derived from tariffs sum to 15.7% of the trade sector. Capital controls are strict and it is onerous for foreigners to obtain visas in Benin. The mean tariff rate is 11.9%, high by world standards.

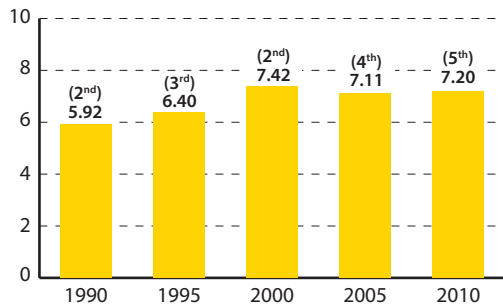
### Political institutions and civil liberty

Benin is an electoral democracy with elections generally characterized as free and fair. However, courts in Benin are "highly inefficient and susceptible to corruption", according to Freedom House. In the Legal System and Property Rights area of the EFW Index, Benin ranks 13<sup>th</sup> among African countries. It is in the "free" group in Freedom House's political rights measure. In the Polity IV measure of democracy it ranks 6<sup>th</sup>, and it ranks 9<sup>th</sup> in the constraints on the executive component. Benin also ranks 9<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

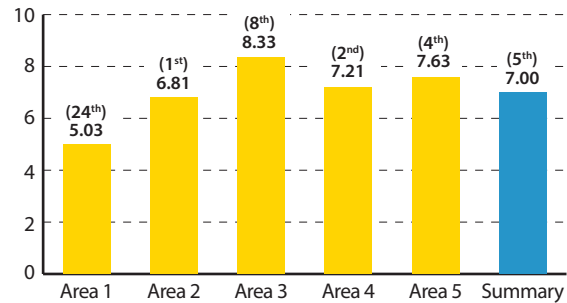
Of the 26 countries in the region, Benin ranks 12<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. It ranks much higher in Freedom House's *Freedom of the Press*, 4<sup>th</sup>, and falls in the "free" group in Freedom House's civil liberties measure. While freedom of expression, religion, and assembly are respected in Benin, human trafficking is widespread and the legal protections available to women are minimal.

## Botswana

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Botswana is one of the wealthiest countries in Africa. In 2011, GDP per capita was \$14,746, 2<sup>nd</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.78%, 11<sup>th</sup> most rapid in the region. The population in Botswana was 2 million in 2010.

### Economic institutions and analysis

Though Botswana ranked 67<sup>th</sup> worldwide in the *Economic Freedom of the World* index in 2010, it still has some of the strongest economic institutions in the region. Botswana ranked 5<sup>th</sup> among the 26 African countries in the EFW Index and the *Global Competitiveness Report*. Its ranking was a little higher, 4<sup>th</sup> in the region, in the *Doing Business* report. In the past two decades, Botswana has continued to be one of the most economically free African countries in this analysis. Its chain-linked summary EFW rating climbed from 5.92 in 1990 to 7.42 in 2000. In recent years, however, its rating has receded, slipping to 7.20 in 2010.

Botswana ranked first in the region and 35<sup>th</sup> worldwide in EFW Area 2, indicating that its legal system provides for relatively secure property rights and even-handed enforcement of contracts. It ranked 2<sup>nd</sup> in the region and 69<sup>th</sup> worldwide in EFW Area 4 with a mean tariff rate of 7.7%, the second lowest in the region. Botswana ranked 4<sup>th</sup> in the region and 35<sup>th</sup> worldwide in the Regulation Area. It takes 152 hours for a business to prepare and pay taxes, the 3<sup>rd</sup> shortest amount of time in Africa and it only takes 1.7 years to resolve insolvency, the fastest in the region. Botswana received a rating of 10.0 in the hiring regulations and minimum wage component (5Bi). However, it takes 61 days to start a business in Botswana, the 2<sup>nd</sup> longest in the region.

In the Sound Money area, Botswana ranked 8<sup>th</sup> in the region and 74<sup>th</sup> in the world. However, the country has a relatively high rate of inflation, 7.0% in the most recent year. Botswana's lowest area ranking is in the Size of Government area, 24<sup>th</sup> in the region and 121<sup>st</sup> worldwide. Government consumption as a share of the total is high, 26.6%, as are transfers and subsidies as a share of GDP, 10.9%. However, the top marginal income-tax rate and marginal income and payroll tax rate is reasonable, 25%.

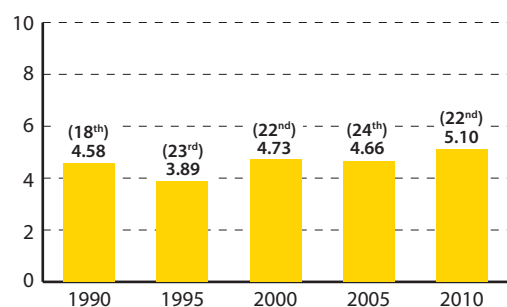
### Political institutions and civil liberty

Botswana's political institutions place it 2<sup>nd</sup> in the region behind only Mauritius. Botswana is an electoral democracy and the courts generally operate without direct political obstruction. In the Legal System and Property Rights area of the EFW index, Botswana ranks first among African countries. It is a member of the "moderately free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 3<sup>rd</sup>, and it ranks first in the constraints on the executive component. Botswana also ranks first in the region in Transparency International's *Corruption Perceptions Index*.

In the area of civil liberties, Botswana places 5<sup>th</sup> among African countries. Of the 26 countries in the region, Botswana ranked 4<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. It ranked 6<sup>th</sup> in Freedom House's *Freedom of the Press* and is in the "moderately free" group in Freedom House's civil liberties measure. According to Freedom House, "Botswana has a free and vigorous press, with several independent newspapers and magazines", and the freedoms of religion, assembly, and association are respected.

## Burundi

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

In 2011, Burundi's per-capita income was \$604, the second lowest in the region. From 2000 to 2010, real GDP per capita grew at an annual rate of 0.55%, the 4<sup>th</sup> slowest in the region. Burundi's population in 2010 was 8.3 million.

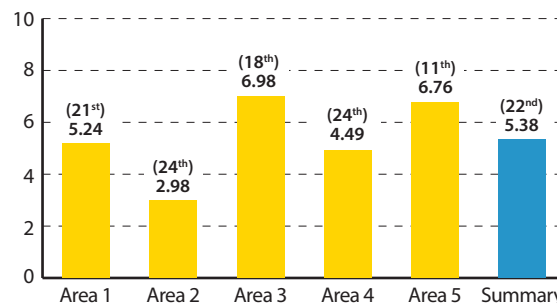
### Economic institutions and analysis

The economic institutions of Burundi rank in the bottom five in the region. In 2010, Burundi ranked 22<sup>nd</sup> among the 26 African countries in the *Economic Freedom of the World* index and 24<sup>th</sup> in the *Global Competitiveness Report*. Its ranking was a little higher, 18<sup>th</sup> in the region, in the *Doing Business* report. Burundi's chain-linked summary EFW rating has fluctuated substantially in recent decades. It fell from 4.58 in 1990 to 3.89 in 1995, and then rose to 4.73 in 2000. The rating declined slightly to 4.66 in 2005 but it rose once more to 5.10 in 2010.

Burundi did not rank in the top ten in the region in any area of the EFW Index. It ranked 11<sup>th</sup> in the region in the Regulation area, its highest area ranking. Burundi received a rating of 10 in the hiring regulations and minimum wage component (5Bi). It only takes eight days and four procedures to start a business in Burundi, the 5<sup>th</sup> shortest amount of time in the region. However, bureaucracy costs (component 5Cii) are high and extra payments, bribes, and favoritism (component 5Civ) play a large role in business. For these components, Burundi received a rating of 2.8 and 2.6, respectively. Burundi's next highest regional ranking was in Area 3, Sound Money, 18<sup>th</sup>. In the most recent year, the rate of inflation was 6.4%.

In the other three areas, Burundi ranked in the bottom 30 worldwide. In the Size of Government, Burundi ranked

Comparison of EFW Area Ratings (Rankings) in 2010



21<sup>st</sup> in the region and 114<sup>th</sup> in the world. Government enterprise and investment accounts for 84% of total investment in Burundi, severely crowding out private investment. Burundi ranked 24<sup>th</sup> in the region in both EFW Area 2 (137<sup>th</sup> worldwide) and EFW Area 4 (138<sup>th</sup> worldwide). Burundi ranked last among African countries in the impartial courts component (2B) and 21<sup>st</sup> in the protection of property rights component (2C), illustrating major deficiencies of its legal system. The mean tariff rate in Burundi is 12.5%, and the cost of importing is great, the 2<sup>nd</sup> highest in the region.

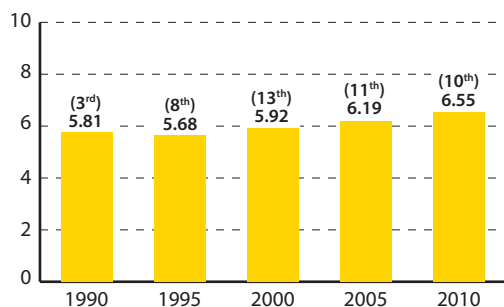
### Political institutions and civil liberty

The political institutions of Burundi are for the most part undemocratic and corruption is a significant problem. In the Legal System and Property Rights area of the EFW index, Burundi ranked 24<sup>th</sup> among 26 African countries. Yet, it is only "moderately not free" according to categories derived from the Freedom House political rights measure. In the Polity IV measure of democracy it ranked 11<sup>th</sup>, and it ranked 5<sup>th</sup> in the constraints on the executive component. Burundi ranked last in the region in Transparency International's *Corruption Perceptions Index*, providing still more evidence of the deficiencies of its legal system.

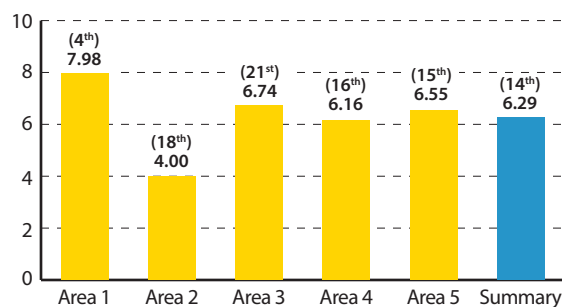
In the area of civil liberties, Burundi ranks 20<sup>th</sup> in the region. Of the 26 African countries, Burundi ranked 18<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. It ranked lower in Freedom House's *Freedom of the Press*, 23<sup>rd</sup> in the region. According to Freedom House, "press laws restrict journalists in broad, imprecise ways, and sanctions for defamation and insult include harsh fines and imprisonment". Burundi is in the "moderately not free" group in Freedom House's civil liberties measure.

## Cameroon

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, the per-capita income of Cameroon was \$2,359, placing it 10<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 0.98%, the 6<sup>th</sup> slowest in the region. The population of Cameroon was 19.6 million in 2010.

### Economic institutions and analysis

In 2010, Cameroon ranked 14<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. It ranked 19<sup>th</sup> in the *Doing Business* report and 12<sup>th</sup> in the *Global Competitiveness Report*. Cameroon has made improvements in economic freedom since 1995. Its chain-linked summary EFW rating increased from 5.68 in 1995 to 6.55 in 2010. However, these gains have not been as strong as other countries in the region. Its chain-linked summary ranking in 1990 was 3<sup>rd</sup>, but it fell to 10<sup>th</sup> in 2010.

Cameroon's highest area ranking, 4<sup>th</sup> in the region and 21<sup>st</sup> worldwide, was for Size of Government. Government investment as a share of the total is low, 14%. Government consumption as a share of total consumption is also low, 13.3%, but top marginal income-tax rates are relatively high, 39%, and 41% when the payroll tax is included.

Cameroon ranked 15<sup>th</sup> in the region in EFW Area 5 and 16<sup>th</sup> in EFW Area 4. It takes 654 hours for a business to prepare and pay taxes in Cameroon, the 2<sup>nd</sup> longest among

African countries and the mean tariff rate is high, 17.8%. Cameroon's lowest ranking, 21<sup>st</sup> in the region, was in Area 3, Access to Sound Money. Inflation in 2010 was moderate, 1.3%, yet citizens have no freedom to own foreign currency bank accounts in Cameroon.

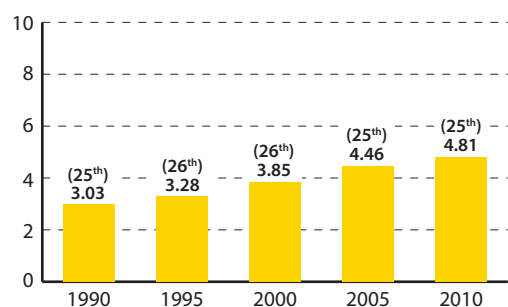
### Political institutions and civil liberty

In the overall measure of political institutions, Cameroon ranks 25<sup>th</sup> among 26 African countries in the region. The political institutions of Cameroon are largely undemocratic and corruption is endemic. In the Legal System and Property Rights area of the EFW index, Cameroon ranks 18<sup>th</sup> among African countries. However, it is in the "not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 23<sup>rd</sup>, and it ranks 24<sup>th</sup> in the constraints on the executive component. Cameroon ranks 22<sup>nd</sup> in the region in Transparency International's *Corruption Perceptions Index*.

Though the constitution guarantees freedom of speech, freedom of expression is not respected in practice. Of the 26 countries in the region, Cameroon ranks 13<sup>th</sup> in the Reporters without Borders *Press Freedom Index*, and still lower, 19<sup>th</sup>, in Freedom House's *Freedom of the Press*. It is a member of the "not free" category in the Freedom House's civil liberties measure and self-censorship among journalists is prevalent.

## Democratic Republic of the Congo

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

The Democratic Republic of the Congo (DR Congo) is the poorest country in the region. In 2011, GDP per capita was \$373 and real GDP per capita grew at an annual rate of 2.01% from 2000 to 2010. In 2010, the population of the DR Congo was 65.97 million.

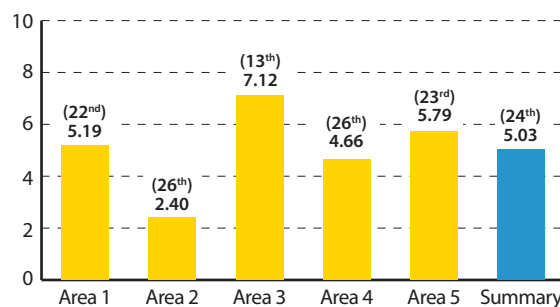
### Economic institutions and analysis

The economic institutions of the Democratic Republic of Congo are among the poorest in the region. In 2010, DR Congo ranked 24<sup>th</sup> among the 26 African countries and 140<sup>th</sup> of 144 countries in the world in the *Economic Freedom of the World* index. Its ranking was even lower in the *Doing Business* report, 25<sup>th</sup>, illustrating the economy's highly regulated nature. Data for DR Congo is not available in the *Global Competitiveness Report* but has made small improvements in economic freedom since 1990. Its chain-linked summary EFW rating was 3.03 in 1990 and has steadily risen thereafter, reaching 3.85 in 2000 and 4.81 in 2010. However, it has continually maintained one of the lowest summary ratings in the region, ranking either 25<sup>th</sup> or 26<sup>th</sup> in every five-year increment.

DR Congo does not rank in the top ten in any areas of the EFW index. It's highest regional ranking, 13<sup>th</sup>, was in the Sound Money area. Even in this area, the inflation rate in the most recent year was 22.4%, the highest among African countries. However, its citizens are permitted to own foreign currency bank accounts.

The DR Congo ranked in the bottom five in the region in each of the other EFW areas. It ranked 22<sup>nd</sup> in the region and 116<sup>th</sup> among 144 countries in the world in the area of Size of Government. Top marginal income-tax rates are high, 50%,

Comparison of EFW Area Ratings (Rankings) in 2010



and 54% when the payroll tax is included. Its next highest ranking was in EFW Area 5, 23<sup>rd</sup> in the region and 130<sup>th</sup> worldwide. It takes 58 days to start a business in the DR Congo, the fourth longest in the region. It takes 5.2 years to resolve an undisputed contractual issue, the longest in the region. The DR Congo ranks last in the region and 141<sup>st</sup> worldwide in the Freedom to Trade Internationally area. The length of time for customs clearance is among the longest in the region, and extensive controls are applied to the cross-border movements of both capital and people.

### Political institutions and civil liberty

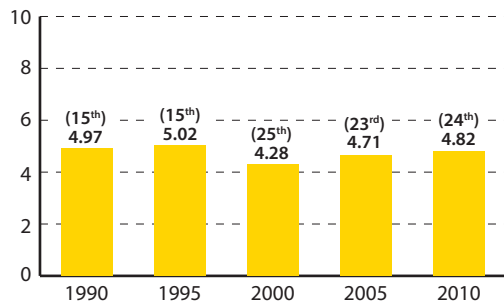
The political institutions of the DR Congo are largely undemocratic and corruption is a major problem. According to Freedom House, "the 2006 and 2011 elections lacked credibility and transparency, and were marred by fraud, voting irregularities, voter intimidation, and violence". In the Legal System and Property Rights area of the EFW index, the DR Congo ranks last among African countries and 142<sup>nd</sup> among 144 countries worldwide. It is in the "not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 13<sup>th</sup>, and it ranks 9<sup>th</sup> in the constraints on the executive component. The DR Congo ranks 24<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

In the overall civil liberties measure, the DR Congo ranks 23<sup>rd</sup> in the region. Of the 26 African countries, DR Congo ranks 21<sup>st</sup> in the Reporters without Borders *Press Freedom Index*. It is in the "not free" group in the Freedom House civil liberties measure. It ranks last in Freedom House's *Freedom of the Press*, indicating the presence of substantial restrictions on freedom of the press.

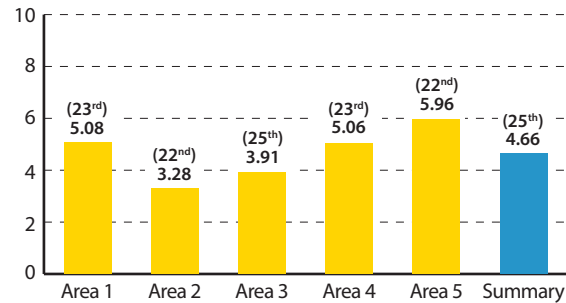


## Republic of the Congo

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, the per-capita income of the Republic of the Congo was \$4,360, placing it 8<sup>th</sup> among the 26 African countries in the region. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.06%, the 15<sup>th</sup> most rapid in the region. The population of the Republic of the Congo was 4 million in 2010.

### Economic institutions and analysis

Central planning, trade restrictions, and other roadblocks limiting market activity characterize the economic institutions of the Republic of the Congo. In 2010, the Republic of the Congo ranked 25<sup>th</sup> among the 26 African countries and 141<sup>st</sup> of 144 countries worldwide in the *Economic Freedom of the World* index. Its ranking was even lower in the *Doing Business* report, 26<sup>th</sup>, indicating considerable business regulations. Data for the Republic of the Congo is not available in the *Global Competitiveness Report*. Moreover, its economic institutions have changed little in the recent decades. The Republic of the Congo's chain-linked summary EFW rating rose from 4.97 in 1990 to 5.02 in 1995 and then plunged to 4.28 in 2000. It has made small improvements in the last decade with a rating of 4.82 in 2010.

The Republic of the Congo ranked in the bottom five in every area of the EFW Index. For Size of Government, the Republic of the Congo ranked 23<sup>rd</sup> in the region, and 119<sup>th</sup> among the 144 countries worldwide. The top marginal income-tax rate is high, 45%, and 49% when the payroll tax is included, and government consumption as a share

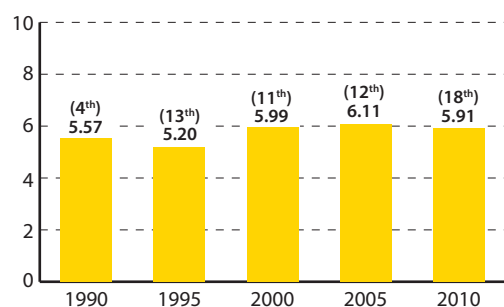
of total consumption is large, 21%. In the Freedom to Trade area, it ranked 23<sup>rd</sup> in the region and 135<sup>th</sup> worldwide. The compliance costs of importing and exporting are high (component 4Bii) and controls on the movements of capital and people are broad (components 4Dii and 4Diii). The Republic of the Congo ranked 22<sup>nd</sup> in both EFW Area 2 and EFW Area 5. It takes 606 hours per year to prepare and pay taxes, the 3<sup>rd</sup> longest in the region and 161 days to start a business, the longest among African countries. The Republic of the Congo ranked 25<sup>th</sup> in the region and 143<sup>rd</sup> worldwide in EFW Area 3. Inflation in the most recent year was 20.7%, the 2<sup>nd</sup> highest in the region.

### Political institutions and civil liberty

Like the Democratic Republic of the Congo, the political institutions of the Republic of the Congo are also characterized by authoritarianism and rampant corruption. In the Legal System and Property Rights area of the EFW index, the Republic of the Congo ranks 22<sup>nd</sup> among African countries. It is a member of the "not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 23<sup>rd</sup>, and it places 24<sup>th</sup> in the constraints on the executive component. The Republic of the Congo ranks 22<sup>nd</sup> in the region and 144<sup>th</sup> of 176 countries worldwide in Transparency International's *Corruption Perceptions Index*. Of the 26 countries in the region, the Congo ranks 11<sup>th</sup> in the Reporters without Borders *Press Freedom Index* and in Freedom House's *Freedom of the Press*. It is in the "not free" group in the Freedom House civil liberties measure.

## Côte d'Ivoire

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

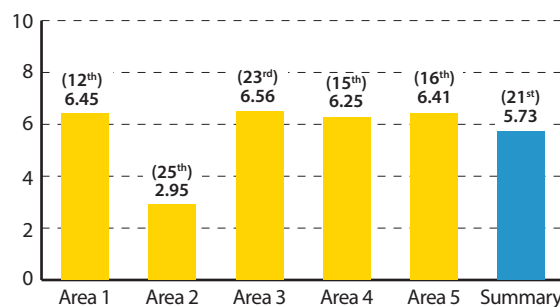
The per-capita income of Côte d'Ivoire was \$1,789 in 2011, the 13<sup>th</sup> highest among the 26 African countries. However, Côte d'Ivoire was one of only three African countries experiencing declining income from 2000 to 2010. Real GDP per capita actually declined at an annual rate of  $-0.66\%$  during the decade. In 2010, the population of Côte d'Ivoire was 19.7 million.

### Economic institutions and analysis

In 2010, Côte d'Ivoire ranked 21<sup>st</sup> among the 26 African countries in the *Economic Freedom of the World* index and the *Global Competitiveness Report*. Its ranking was even lower in the *Doing Business* report, 24<sup>th</sup> in the region, which implies the country faces large regulatory burdens. Côte d'Ivoire made increases in economic freedom in the past two decades but not at the pace of the rest of the region. Its chain-linked summary EFW rating was 5.20 in 1995 and rose to 6.11 in 2005. However, while most of the countries in the region were experiencing increases, the rating of Côte d'Ivoire fell to 5.91 in 2010.

Côte d'Ivoire's highest area ranking was in the Size of Government area, 12<sup>th</sup> in the region. Government consumption as a share of total consumption is low, 10.6%, but the top marginal income-tax rates are high, 39%, and 54% when the payroll tax is included. Côte d'Ivoire ranked 15<sup>th</sup> among African countries in EFW Area 4, Freedom to Trade Internationally. The mean tariff rate is low for the region, 11.9%, yet high compared to worldwide standards.

Comparison of EFW Area Ratings (Rankings) in 2010



Côte d'Ivoire ranks 16<sup>th</sup> in the Regulation area. The country exercises military conscription (component 5Bvi), bureaucracy costs are high (component 5Cii), and extra payments, bribes, and favoritism plague the conduct of business (component 5Civ).

In the Area 3, Sound Money, Côte d'Ivoire ranked 23<sup>rd</sup> among African countries and 121<sup>st</sup> among 144 countries in the world. Even so, its inflation rate in the most recent year was low, 1.7%. However, citizens are forbidden to own foreign currency bank accounts.

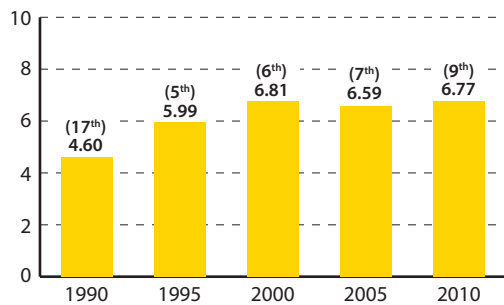
### Political institutions and civil liberty

The political institutions of Côte d'Ivoire are largely undemocratic and one party, *Rassemblement des républicains*, dominates the political scene. In the Legal System and Property Rights area of the EFW index, Côte d'Ivoire ranks 25<sup>th</sup> among African countries. Freedom House places it in the "not free" group in its political rights measure. In the Polity IV measure of democracy it ranks 14<sup>th</sup>, and it ranks 9<sup>th</sup> in the constraints on the executive component. Côte d'Ivoire ranks 18<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

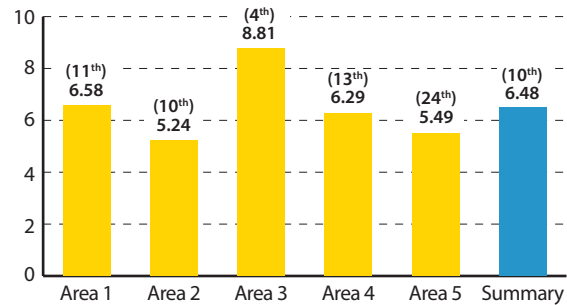
In the overall measure of civil liberties, Côte d'Ivoire ranks 24<sup>th</sup> among African countries. Of the 26 countries in the region, Côte d'Ivoire ranks 24<sup>th</sup> in the Reporters without Borders *Press Freedom Index* and 21<sup>st</sup> in Freedom House's *Freedom of the Press*. It is included in the "not free" group in the Freedom House civil liberties measure. The *Press Freedom Index* reports that violence against journalists is prevalent.

## Egypt

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, Egypt's per-capita income was \$6,281, the 6<sup>th</sup> highest among 26 African nations. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.97%, the 9<sup>th</sup> most rapid in the region. Egypt's population in 2010 was 81.1 million, the second largest country in the region.

### Economic institutions and analysis

In 2010, Egypt ranked 10<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index and the *Global Competitiveness Report*. Its ranking was a little higher in the *Doing Business* report, 8<sup>th</sup> in the region. Egypt made substantial improvements in economic freedom in the 1990s. Its chain-linked summary EFW rating rose from 4.60 in 1990 to 6.81 in 2000. However, it reversed some of this gain in the most recent decade and its rating declined to 6.77 in 2010.

Egypt's highest area ranking was in EFW Area 3, 4<sup>th</sup> in the region and 61<sup>st</sup> among 144 countries worldwide. Yet, inflation in the most recent year was relatively high, 11.3%. However, citizens of Egypt are permitted to own foreign currency bank accounts. Egypt ranked 11<sup>th</sup> in the region and 66<sup>th</sup> worldwide in the Size of Government area. Government consumption as a share of total consumption is low, 13%, but transfers and subsidies are sizeable, 12% of GDP. Egypt has the lowest top marginal income-tax rate among African countries, 20%, but this rate is much higher—40%—when the payroll tax is included.

In Area 4, Freedom to Trade Internationally, Egypt ranked 13<sup>th</sup> in the region and 108<sup>th</sup> worldwide, with the second cheapest cost of importing among African countries,

\$755 per container. However, its mean tariff rate is very high, 17%, and varies outrageously with a standard deviation of 149.5. Egypt ranked 24<sup>th</sup> in the region and 134<sup>th</sup> worldwide in EFW Area 5. Conscripton (component 5Bvi) and the high cost of dismissing workers (component 5Bv) pull down Egypt's EFW Area 5 rating.

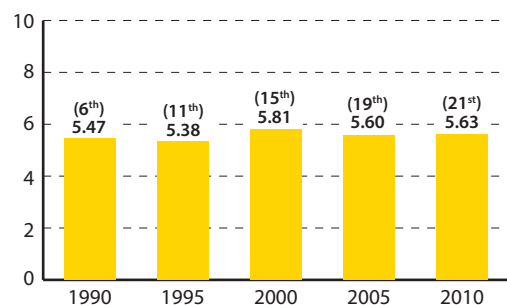
### Political institutions and civil liberty

In recent decades, Egypt's political institutions have been characterized by authoritarianism and extensive involvement of the military. In the Legal System and Property Rights area of the EFW index, Egypt ranked 10<sup>th</sup> among the 26 African countries. In the Polity IV measure of democracy it ranks 22<sup>nd</sup>, and 24<sup>th</sup> in the constraints on the executive component. This indicates that the autocratic government of Egypt faces few limits on its power. Egypt is a member of the "not free" group in the Freedom House political rights measure, and it ranks 15<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*. It will be interesting to see how the recent turmoil from the election of the Muslim Brotherhood, the contested adoption of a constitution, and the military intervention that followed will affect the future of Egypt.

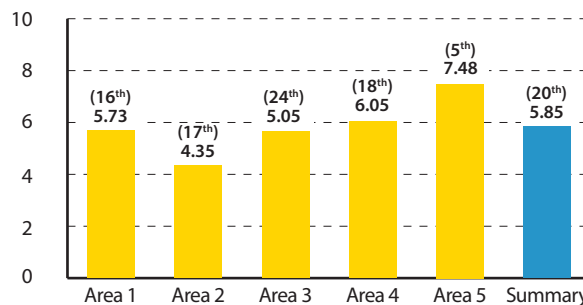
Of the 26 countries in the region, Egypt ranks 25<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. Similarly, it is in the "not free" group in the Freedom House civil liberties measure. Yet, it ranks much higher, 13<sup>th</sup> in the region, in Freedom House's *Freedom of the Press*. This suggests that, although journalists and the media face intense threats and acts of violence, the regulation of the media is less aggressive.

## Gabon

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Gabon has the highest per capita income of the 26 African countries in the region. Its 2011 GDP per capita was \$15,852. However, roughly 50% of the GDP of Gabon is related to the petroleum industry, particularly offshore oil extraction. Foreigners comprise the bulk of employment in this industry. Therefore, the high per capita income level almost certainly overstates the living standard of ordinary citizens. From 2000 to 2010, real GDP per capita grew at an annual rate of 0.29%, the 3<sup>rd</sup> slowest in the region. In 2010, the population of Gabon was 1.5 million, one of the smallest in the region.

### Economic institutions and analysis

For most countries, the three economic institution measures are similar, but this was not the case for Gabon. Gabon ranked 20<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World Index* and 21<sup>st</sup> in the *Doing Business* report, but its ranking in the *Global Competitiveness Report* was much higher, 6<sup>th</sup> in the region. Gabon's chain-linked summary EFW rating has remained relatively constant in the last two decades. It rose from 5.47 in 1990 to 5.81 in 2000, and then fell to 5.63 in 2010. However, the rest of the region has made improvements in economic freedom since 1990. As a result, Gabon's ranking among the African countries has fallen steadily from 6<sup>th</sup> in 1990 to 15<sup>th</sup> in 2000 and to 21<sup>st</sup> in 2010.

Gabon ranked 5<sup>th</sup> in the region and 43<sup>rd</sup> worldwide in the Regulation Area, though it takes more than 5 years to settle an undisputed contract in the country. Conscription is not required in Gabon. In EFW Area 1, it ranked 16<sup>th</sup> in the region and 100<sup>th</sup> worldwide. Government consumption as a share of total consumption is high, 20.9%, as are the top

marginal income tax rates, 40% and 53% when the payroll tax is included. Government enterprise and investment as a share of the total is large, 34.6%.

Gabon ranked 18<sup>th</sup> among African countries and 122<sup>nd</sup> worldwide in EFW Area 4. The mean tariff rate is high, 17.8%, and extensive controls are applied to the cross-border movements of both capital and people (components 4Dii and 4Diii). In the Sound Money area, Gabon ranked 24<sup>th</sup> in the region and 137<sup>th</sup> in the world. While the 2010 inflation rate was relatively low, 1.5%, the rate has varied substantially in recent years. Furthermore, citizens of Gabon are not permitted to own foreign currency banks accounts.

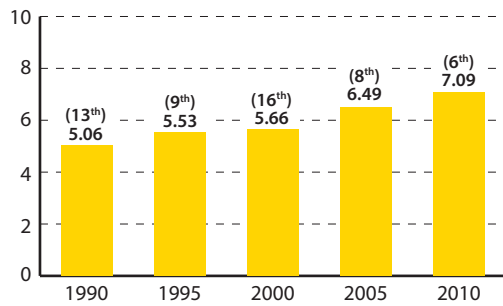
### Political institutions and civil liberty

The political institutions of Gabon are largely undemocratic. One political party, *Parti démocratique gabonais*, has held power without interruption since 1968, and the judiciary is far from independent. In the Legal System and Property Rights area of the EFW index, Gabon ranks 17<sup>th</sup> among African countries. It is in the "not free" group in Freedom House's political rights measure. In the Polity IV measure of democracy it ranks 16<sup>th</sup>, and it ranks 18<sup>th</sup> in the constraints on the executive component. Gabon ranks 11<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

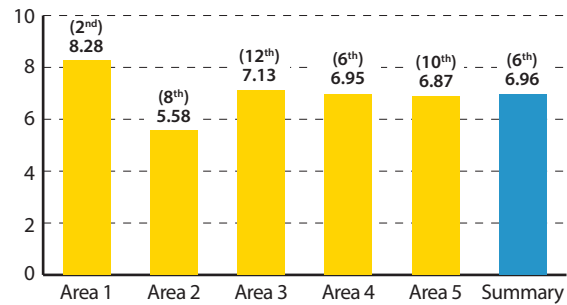
Of the 26 countries in the region, Gabon ranks 14<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. Though this indicates that journalists in Gabon do not face intense threats or acts of violence, this does not imply the media operates without restriction. Gabon is in the "not free" group in the Freedom House civil liberties measure, and it ranks still lower, 21<sup>st</sup> in the region, in Freedom House's *Freedom of the Press*. According to Freedom House, "press freedom is guaranteed by law but restricted in practice".

## Ghana

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Ghana's per-capita income of \$1,871 for 2011 was 12<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 3.33%, the 6<sup>th</sup> most rapid in the region. Ghana had a population of 24.4 million in 2010.

### Economic institutions and analysis

The economic institutions of Ghana are among the best in the region. In 2010, Ghana ranked 6<sup>th</sup> in the region in the *Economic Freedom of the World Index* (70<sup>th</sup> of 144 countries worldwide) and 5<sup>th</sup> in the *Doing Business* report. Its ranking in the *Global Competitiveness Report* was a little lower, 8<sup>th</sup> in the region. Ghana has made significant improvements in economic freedom since 1990. Its chain-linked summary EFW rating climbed from 5.06 in 1990 to 5.66 in 2000 to 7.09 in 2010. As a result, Ghana's ranking rose from 13<sup>th</sup> in 1990 to 6<sup>th</sup> in 2010.

Ghana ranks in the top ten in the region in four areas of the EFW index, Size of Government, Legal System and Property Rights, Freedom to Trade Internationally, and Regulation. Its highest area ranking was in EFW Area 1, 2<sup>nd</sup> in the region and 10<sup>th</sup> among the 144 countries worldwide. Government consumption as a share of total consumption is low, 11.2%. Top marginal income-tax rates are also low, 25%, and 37% when the payroll tax is included. Ghana ranked 6<sup>th</sup> in the region and 82<sup>nd</sup> in the world in EFW Area 4 with relatively low compliance costs of importing and exporting (component 4Bii) though the mean tariff rate is relatively high, 13%.

Ghana ranked 10<sup>th</sup> in the region in EFW Area 5 with a rating of 10.0 for the hiring regulations and minimum wage component (5Bi) and it only takes 1.4 years to settle an undisputed debt in Ghana. On the other hand, the mandated cost of dismissing workers (component 5Bv) is burdensome, and extra payments, bribes, and favoritism (component 5Civ) are commonplace. Ghana's lowest area ranking was in Area 3, Sound Money, 12<sup>th</sup> in the region and 101<sup>st</sup> worldwide. The inflation rate in the most recent year was high, 10.7%, and there are some restrictions on the ownership of foreign currency bank accounts.

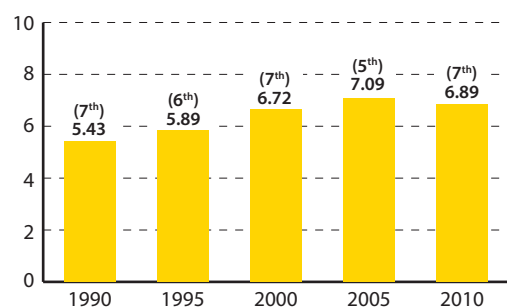
### Political institutions and civil liberty

Ghana's political institutions are among the best in Africa. Ghana is an electoral democracy and Freedom House considers its most recent elections to be free and fair. In the Legal System and Property Rights area of the EFW index, Ghana ranks 8<sup>th</sup> among African countries. It is in the "free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 3<sup>rd</sup>, and it ranks 5<sup>th</sup> in the constraints on the executive component. Ghana ranks 4<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

Ghana's protection of civil liberties is also strong. In the overall measure of civil liberty, Ghana ranks 2<sup>nd</sup> in the region. Of the 26 countries in the region, Ghana ranks 3<sup>rd</sup> in the Reporters without Borders *Press Freedom Index*. It is in the "free" group in Freedom House's civil liberties measure and ranks 2<sup>nd</sup> in Freedom House's *Freedom of the Press*.

## Kenya

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

Kenya's per-capita income of \$1,710 for 2011 was 14<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 1.49%, the 18<sup>th</sup> fastest in the region. Kenya had a population of 40.5 million in 2010.

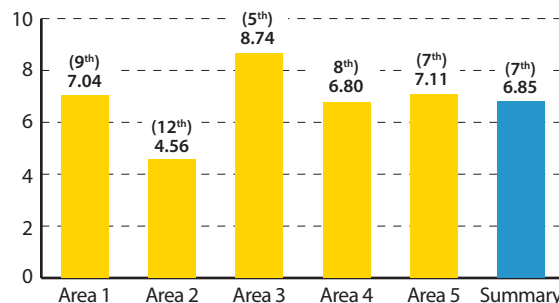
### Economic institutions and analysis

In 2010, Kenya ranked 7<sup>th</sup> among the 26 African countries and 77<sup>th</sup> of 144 countries in the world in the *Economic Freedom of the World* index. It ranked 9<sup>th</sup> in the *Global Competitiveness Report* and 10<sup>th</sup> in the *Doing Business* report. Kenya's chain-linked summary EFW rating made large gains between 1990 and 2005, increasing from 5.43 in 1990 to 6.72 in 2000 and 7.09 in 2005. However, it receded to 6.89 in 2010. Despite this decline, Kenya has consistently placed in the top ten in the region.

Kenya ranked in the top ten in the region in four areas of the EFW Index, Sound Money, Regulation, Freedom to Trade Internationally, and Size of Government. Its highest area ranking, 5<sup>th</sup>, was in EFW Area 3. The inflation rate in the most recent year was moderate, 4%, and citizens are permitted to own foreign currency bank accounts. Kenya ranked 7<sup>th</sup> in the region in EFW Area 5 with few hiring and firing regulations (component 5Bii) and licensing restrictions (component 5Cv), and no conscription (component 5Bvi). However, it takes 4.5 years to settle an undisputed debt in Kenya.

In EFW Area 4, Kenya ranked 8<sup>th</sup> in the region. The mean tariff rate in Kenya is relatively low for the region, 12.5%, but

Comparison of EFW Area Ratings (Rankings) in 2010



varies substantially with a standard deviation of 11.8. Kenya ranked 9<sup>th</sup> in the region and 48<sup>th</sup> worldwide in Area 1, Size of Government. Top marginal income-tax rates are moderate, 30% with or without the payroll tax, but government consumption is sizable compared to other African countries, 18.3%.

### Political institutions and civil liberty

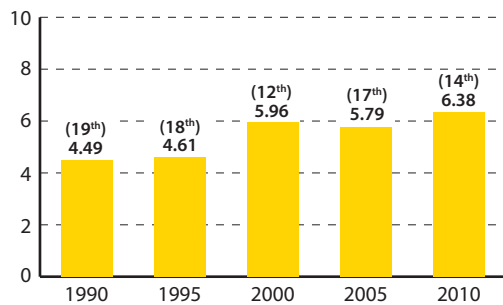
A politicized judiciary, uneven treatment under the law, and abundant corruption characterize the political institutions of Kenya. In the Legal System and Property Rights area of the EFW index, Kenya ranks 12<sup>th</sup> among the African countries. Similarly, it is in the "moderately not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 3<sup>rd</sup>, and 1<sup>st</sup> in the constraints on the executive component. However, Kenya ranks 20<sup>th</sup> in the region and 139<sup>th</sup> of 183 countries worldwide in Transparency International's *Corruption Perceptions Index*, indicating that corruption is widespread.

Of the 26 countries in the region, Kenya ranks 8<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. Its ranking was similar, 10<sup>th</sup> in the region, in Freedom House's *Freedom of the Press*. Kenya is in the "moderately not free" group in the Freedom House civil liberties measure. Kenya's police force is often cited for using undue force to subdue and interrogate suspects, women in Kenya frequently confront discriminatory treatment, often in the form of sexual abuse, and the continued presence of refugees has exacerbated many ongoing conflicts in the country.

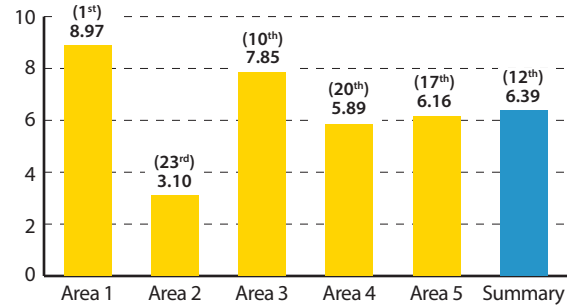


## Madagascar

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Madagascar is one of the poorest countries in the region. In 2011, per-capita income in Madagascar was \$966, 21<sup>st</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita declined at an annual rate of  $-0.19\%$ , next to last in the region. Madagascar's population was 20.7 million in 2010.

### Economic institutions and analysis

In 2010, Madagascar ranked 12<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was a little lower, 14<sup>th</sup> in the region, in the *Doing Business* report and even lower in the *Global Competitiveness Report*, 19<sup>th</sup>. Madagascar's chain-linked summary EFW rating has increased steadily in the past two decades. Its rating climbed from 4.49 in 1990 to 5.96 in 2000 to 6.38 in 2010. This corresponds to a ranking increase from 19<sup>th</sup> in 1990 to 14<sup>th</sup> in 2010.

Madagascar ranked in the top ten in the region in two areas of the EFW Index, Size of Government and Access to Sound Money. In EFW Area 1, Madagascar ranked first among African countries and worldwide. Government consumption is relatively small, 9.8%, and there are no transfers and subsidies. The top marginal income-tax rate is also small, 23%. In EFW Area 3, Madagascar ranked 10<sup>th</sup> in the region and 93<sup>rd</sup> among 144 countries in the world. Inflation in 2010 was 9.3%. In addition, there are some restrictions on the ownership of foreign currency bank accounts.

In the areas of Freedom to Trade Internationally and Regulation, Madagascar ranked much lower. It ranked 17<sup>th</sup> among African countries and 128<sup>th</sup> worldwide for Regulation. Madagascar has very strict hiring regulations and a relatively high minimum wage, ranking 24<sup>th</sup> in the region in

this component (5Bi), and the length of conscription is between 12 and 18 months (component 5Bvi). In EFW Area 4, Madagascar ranked 20<sup>th</sup> in the region and 128<sup>th</sup> worldwide with a mean tariff rate of 11.7%. There are extensive controls on the movement of capital and people (components 4Dii and 4Diii).

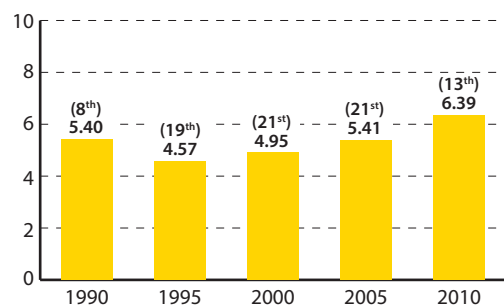
### Political institutions and civil liberty

The political institutions of Madagascar are largely undemocratic. Military interference in politics and the legal system is common (component 2D) and courts are plagued by political manipulation (components 2A and 2C). In the Legal System and Property Rights area of the EFW index, Madagascar ranks 23<sup>rd</sup> among African countries and 135<sup>th</sup> worldwide. In a similar fashion, it is in the "not free" group in the Freedom House political rights measure. According to Freedom House, "the judiciary remains susceptible to corruption and executive influence". In the Polity IV measure of democracy Madagascar ranks 16<sup>th</sup>, and 9<sup>th</sup> in the constraints on the executive component. Madagascar ranks 15<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

Of the 26 countries in the region, Madagascar ranks 8<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. It ranks much lower, 18<sup>th</sup> in the region, in Freedom House's *Freedom of the Press*. It is a member of the "not free" group in the Freedom House civil liberties measure. During the period from 2000 to 2010 many media outlets were raided. According to Freedom House, "the independent outlets that have remained in operation are subject to censorship, harassment, and intimidation ... and practice varying levels of self-censorship".

## Malawi

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

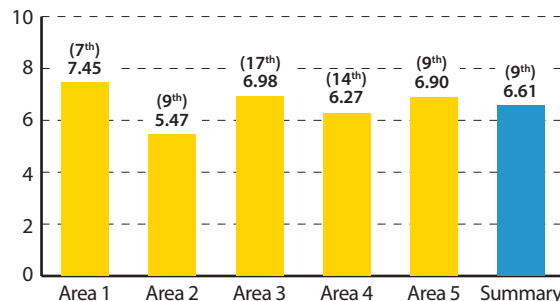
Malawi is one of the poorest countries in the region. In 2011, Malawi's per-capita income was \$893, 22<sup>nd</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 1.62%. Malawi's population was 14.9 million in 2010.

### Economic institutions and analysis

In 2010, Malawi ranked 9<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was drastically different for the other two measures of economic institutions. Malawi ranked 17<sup>th</sup> in the region in the *Doing Business* report and even lower in the *Global Competitiveness Report*, 19<sup>th</sup>. Economic freedom declined in Malawi in the 1990s, but this trend was reversed in the most recent decade. Malawi's chain-linked summary EFW rating fell from 5.40 in 1990 to 4.57 in 1995, corresponding to a decrease in its rank from 8<sup>th</sup> in 1990 to 19<sup>th</sup> in 1995. However, Malawi's rating rose to 4.95 in 2000 and to 6.39 in 2010, increasing its ranking from 21<sup>st</sup> in 2000 to 13<sup>th</sup> in 2010.

Malawi ranked 7<sup>th</sup> in the region and 37<sup>th</sup> among 144 countries worldwide in the area of Size of Government. Government consumption as a share of total consumption is large compared to the rest of the region, 22%, and the top marginal income-tax rate is moderate, 30% with or without the payroll tax. Regionally, Malawi ranked 9<sup>th</sup> in Area 5, Regulation and 77<sup>th</sup> worldwide. There is no conscription in Malawi (component 5Bvi) but hiring and firing regulations (component 5Bi) are onerous and the minimum wage (component 5Bii) is relatively high. It takes 39 days

Comparison of EFW Area Ratings (Rankings) in 2010



to start a business in Malawi and extra payments, bribes, and favoritism (component 5Civ) play a large role in the conduct of business.

Malawi's regional rankings in the areas of Freedom to Trade Internationally and Sound Money are lower, 14<sup>th</sup> and 17<sup>th</sup>, respectively. It takes 43 days for a standard container to clear customs, and 34 days to complete the necessary procedures to export goods, one of the longest periods of time in the region. Also, the mean tariff rate is high, 12.7%. Inflation in 2010 was moderate for the region, 7.4%, but there are some restrictions on the ownership of foreign currency bank accounts.

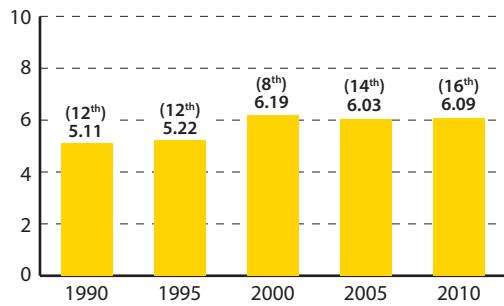
### Political institutions and civil liberty

Malawi is an electoral democracy with a legal system relatively free from political manipulation (components 2A and 2B). In the Legal System and Property Rights area of the EFW index, Malawi ranks 9<sup>th</sup> among African countries. It is in the "moderately free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 11<sup>th</sup>, and 5<sup>th</sup> in the constraints on the executive component. Malawi ranks 6<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

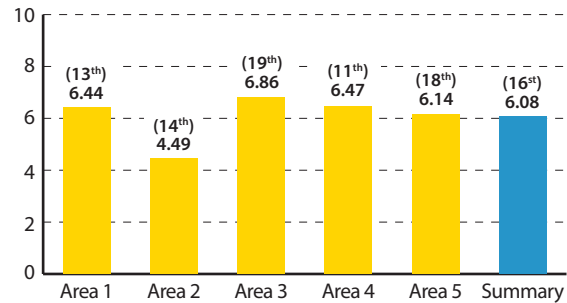
Of the 26 countries in the region, Malawi ranks 22<sup>nd</sup> in the Reporters without Borders *Press Freedom Index*. Excessive use of force on the part of the police during the July 2011 protests was a contributing factor to this low ranking. It ranks slightly higher in Freedom House's *Freedom of the Press*, 15<sup>th</sup>. It is in the "moderately free" group in the Freedom House civil liberties measure.

## Mali

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Mali's per-capita income in 2011 was \$1,091, placing it 20<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.48%, 12<sup>th</sup> most rapid in the region. Mali's population was 15.4 million in 2010.

### Economic institutions and analysis

In 2010, Mali ranked 16<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index and, similarly, 15<sup>th</sup> in the region in the *Doing Business* report. Its ranking in the *Global Competitiveness Report* was slightly lower, 18<sup>th</sup>. Mali's chain-linked summary EFW rating rose considerably in the 1990s, from 5.11 in 1990 to 6.19 in 2000. But this trend reversed during the most recent decade. By 2010, its rating fell to 6.09, pushing its ranking down in the region from 8<sup>th</sup> in 2000 to 16<sup>th</sup> in 2010.

Mali's highest area ranking was 11<sup>th</sup> for Freedom to Trade Internationally. The mean tariff rate is moderate for the region, 11.9%, and revenues derived from tariffs sum to only 3% of the trade sector. Mali ranked 13<sup>th</sup> in Area 1, Size of Government. Government consumption as a share of total consumption is large, 21.9%. Government enterprises are widespread and government investment makes up 37.6% of total investment. However, transfers and subsidies are small, less than half a percent of GDP.

In the areas of Regulation and of Sound Money, Mali ranks lower, 18<sup>th</sup> and 19<sup>th</sup>, respectively. It only takes eight days and four procedures to start a business in Mali, one of the shortest processes among African nations. However, it takes 3.6 years to collect on an undisputed debt in Mali, one of the longest times in the region, and conscription periods exceed 18 months (component 5Bvi). Furthermore, Mali's hiring and firing regulations and minimum wage requirements

(components 5Bi and 5Bii) are onerous. Inflation in 2010 was low, 1.11%. However, citizens of Mali are not permitted to own foreign currency bank accounts.

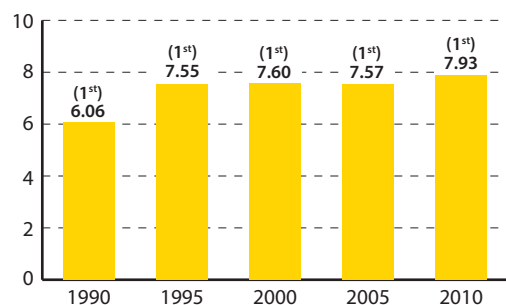
### Political institutions and civil liberty

Prior to 2012, the political institutions of Mali were considered strong for the region. In the Legal System and Property Rights area of the EFW index, Mali ranked 14<sup>th</sup> among African countries. It is part of the "free" group in the Freedom House political rights measure. In the Polity IV measure of democracy and the constraints on the executive component, Mali ranked 6<sup>th</sup> and 9<sup>th</sup>, respectively. Its ranking was lower, 13<sup>th</sup> in the region, in Transparency International's *Corruption Perceptions Index*. However, Mali's rank for political institutions has fallen sharply since the military coup of March 2012. In the most recent edition of *Freedom in the World*, it is in the "not free" group in the political rights measure.

Civil liberties in Mali were also strong prior to 2012. Of the 26 countries in the region, Mali ranked 1<sup>st</sup> in the Reporters without Borders *Press Freedom Index* and Freedom House's *Freedom of the Press*. It was in the "free" group in the Freedom House civil liberties measure. According to Freedom House, "Mali's media were considered among the freest in Africa before the 2012 rebellion and coup". However, as in the case of political freedom, Mali's civil liberties have also deteriorated substantially. In the most recent edition of *Freedom in the World*, Freedom House notes that in the aftermath of the coup, "an unprecedented number of journalists were illegally detained and tortured", and militants have "harshly suppressed fundamental rights in areas under their control". As additional evidence becomes available, further deterioration in Mali's institutional ratings is likely.

## Mauritius

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

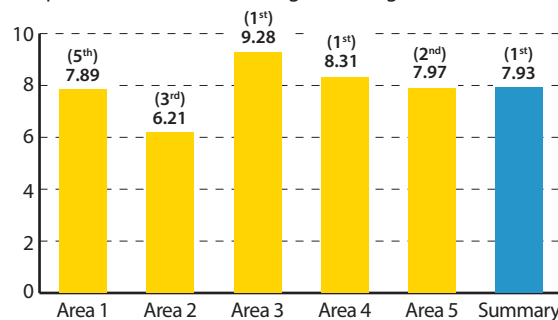
Mauritius has one of the highest levels of GDP per capita in the region. In 2011, the per-capita income of Mauritius was \$14,420, 3<sup>rd</sup> among 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 3%, the 8<sup>th</sup> most rapid in the region. The population of Mauritius was 1.3 million in 2010, the smallest of the 26 African nations included in this analysis.

### Economic institutions and analysis

Mauritius is the most economically free nation in the African region. In 2010, Mauritius ranked first among the 26 African countries in the *Economic Freedom of the World* index and the *Doing Business* report. Its ranking in the *Global Competitiveness Report* was similar, 2<sup>nd</sup>. The country also ranked in the top ten in the EFW Index worldwide, 8<sup>th</sup> of 144 countries. Mauritius has led the region in economic liberalization since 1990. Its chain-linked summary EFW rating has consistently risen during the past two decades from 6.06 in 1990 to 7.60 in 2000 and to 7.93 in 2010.

Mauritius ranked in the top five in the region and top 50 worldwide in all areas of the EFW index. It ranked first in the region in the Sound Money area, with an inflation rate in 2010 of 2.9% and there are no restrictions on the ownership of foreign currency bank accounts. In the area of Freedom to Trade Internationally, Mauritius ranked first in the region and 12<sup>th</sup> worldwide. The mean tariff rate (1.4%) is the lowest in the region and even low compared to world standards, and revenues derived from tariffs sum to only half a percent of the trade sector. Though there are a considerable number of capital controls (component 4Dii), it is relatively easy for foreigners to obtain visiting visas (component 4Diii).

Comparison of EFW Area Ratings (Rankings) in 2010



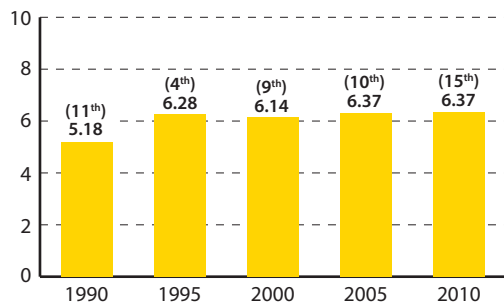
In the area of Regulation, Mauritius ranked 2<sup>nd</sup> among African countries and 22<sup>nd</sup> in the world. It only takes 6 days to start a business in Mauritius, and it only takes 1.7 years to resolve insolvency, the shortest time frame in the region. Furthermore, interest rates are positive and determined mostly by market forces (component 5Aiii), and there are few regulations hampering the hiring of workers (component 5Bi). Mauritius' lowest area ranking is for Size of Government, 5<sup>th</sup> in the region and 24<sup>th</sup> worldwide. Government consumption as a share of the total (15.9%) and transfers and subsidies as a share of GDP (6.2%) are relatively high for the region, but moderate compared to worldwide standards. Mauritius has the lowest top marginal income-tax rates in the region, 15%, and 26% when the payroll tax is included.

### Political institutions and civil liberty

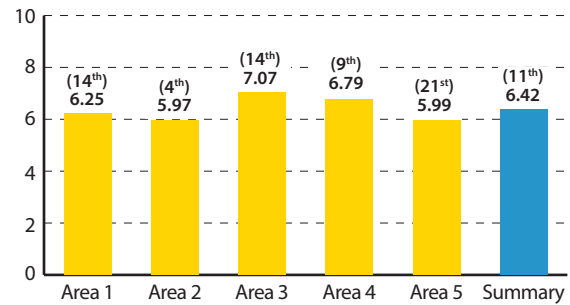
Mauritius is an electoral democracy and elections since the country's independence have been free, fair, and competitive according to Freedom House. In the Legal System and Property Rights area of the EFW index, Mauritius ranks 3<sup>rd</sup> among African countries. Likewise, it is in the "free" group in the Freedom House political rights measure. It ranks 6<sup>th</sup> in the Polity IV measure of democracy and 9<sup>th</sup> in the Polity IV constraints on the executive component. In Transparency International's *Corruption Perceptions Index*, Mauritius ranks 2<sup>nd</sup> in the region. Mauritius is first in the overall measure of political institutions and 3<sup>rd</sup> in the overall measure of civil liberties. Of the 26 countries in the region, Mauritius ranked 3<sup>rd</sup> in Freedom House's *Freedom of the Press* and is included in the "free" group in Freedom House's civil liberties measure. Data is unavailable for Mauritius from the Reporters without Borders *Press Freedom Index*. Mauritius serves as an example of feasible civil liberties for the rest of Africa.

## Morocco

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Morocco's per-capita income of \$4,952 in 2011 was 7<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 3.80%, 5<sup>th</sup> most rapid in the region. The population of Morocco was 31.95 million in 2010.

### Economic institutions and analysis

In 2010, Morocco ranked 11<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was higher, 7<sup>th</sup> in the region, in the *Doing Business* report and yet higher still in the *Global Competitiveness Report*, 4<sup>th</sup>. Morocco made significant gains in economic freedom between 1990 and 1995 but the gains have leveled off since then. Its chain-linked summary EFW rating rose from 5.18 in 1990 to 6.28 in 1995. Since 1995, its rating has been relatively constant, falling to 6.14 in 2000 and a little higher, 6.37, in 2005 and 2010.

Morocco ranked 9<sup>th</sup> in the region in Area 4, Freedom to Trade Internationally. The mean tariff rate is high, 18.1%, and varies substantially with a standard deviation of 20.5. However, revenues derived from tariffs sum to 2.6% of the trade sector and it is relatively easy for foreigners to obtain the necessary visas to visit Morocco (component 4Diii). It ranked 14<sup>th</sup> among African countries in both Area 1, Size of Government, and Area 3, Sound Money. Government consumption as a share of the total is very large compared to other African nations, 23.4%. The top marginal income-tax rate is also high, 44% with or without the payroll tax. However, Morocco had the lowest inflation rate in the region in 2010, 1%, but there are extensive restrictions on the ownership of foreign currency bank accounts.

Morocco's lowest regional ranking was in Area 5, Regulation, where it was 21<sup>st</sup> in the region and 123<sup>rd</sup> of 144 worldwide. In the hiring regulations and minimum wage component (5Bi), Morocco ranked last in the region. Moreover, the mandated cost of worker dismissal is burdensome (component 5Bv) and the length of conscription ranges from 12 to 18 months (component 5Bvi). However, it only takes 1.8 years to settle an undisputed debt in Morocco, the second fastest in the region.

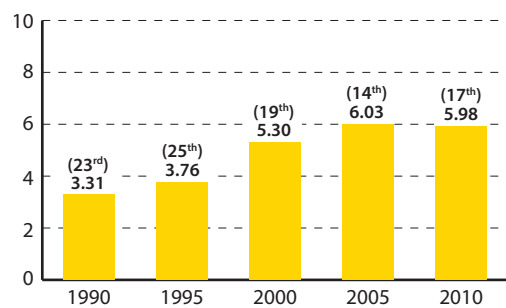
### Political institutions and civil liberty

Morocco is a monarchy, and the royal authority has complete power over national and foreign policy, the armed forces, and the judicial system. Nonetheless, its protection of property rights are relatively secure. In the Legal System and Property Rights area of the EFW index, Morocco ranks 4<sup>th</sup> among African countries. Similarly, it ranks 6<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index* (CPI). Despite these moderately high rankings for Area 2 of the EFW Index and the CPI, it is a member of the "moderately not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy, Morocco ranks 23<sup>rd</sup> and 18<sup>th</sup> in the constraints on the executive component.

Of the 26 countries in the region, Morocco ranked 19<sup>th</sup> in the Reporters without Borders *Press Freedom Index* and in Freedom House's *Freedom of the Press*. It is in the "moderately not free" group in the Freedom House civil liberties measure. Though the press has a significant amount of freedom to report on economic and social issues, authorities are strict on stories about the royal family, using various mechanisms to punish journalists who portray the monarchy negatively.

## Nigeria

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

The per-capita income of Nigeria was \$2,533 in 2011, 9<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 3.85%, 4<sup>th</sup> most rapid in the region. In 2010, population of Nigeria, the most populous among African countries, was 158.4 million.

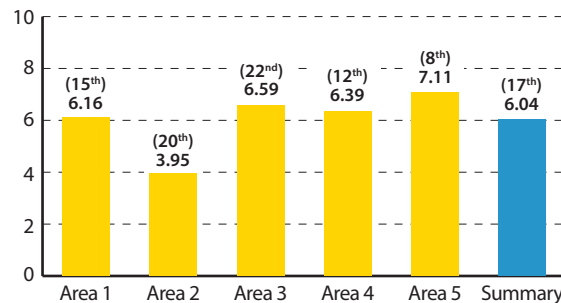
### Economic institutions and analysis

In 2010, Nigeria ranked 17<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was much higher, 11<sup>th</sup> in the region, in the *Doing Business* report and similar in the *Global Competitiveness Report*, 13<sup>th</sup>. While Nigeria's EFW rating is still low, it has made dramatic improvements in economic freedom in the past two decades. Its chain-linked summary EFW rating rose steadily from 3.31 in 1990 to 5.30 in 2000 to 5.98 in 2010. However, Nigeria's ranking in the region has only risen modestly from 23<sup>rd</sup> in 1990 to 17<sup>th</sup> in 2010.

Nigeria's highest regional rankings were in Area 4, Freedom to Trade Internationally, and Area 5, Regulation, where it ranked 12<sup>th</sup> and 8<sup>th</sup>, respectively. The mean tariff rate in Nigeria is 11.7%, fairly low compared to the rest of the region. Yet, it is quite difficult for foreigners to obtain the necessary visas to travel to Nigeria (component 4Diii). Nigeria ranked first in the region in the hiring and firing regulations component (5Bii), but it takes 34 days to start a business in Nigeria, the 6<sup>th</sup> longest in the region. It takes 956 hours per year to prepare and pay taxes in Nigeria, the longest time required of any African country in this analysis.

Nigeria ranked 15<sup>th</sup> among African countries in Area 1, Size of Government. Government consumption as a share of the total is moderate, 19.6% and top marginal income-tax rates are low, 25%, and 37% when the payroll tax is included.

Comparison of EFW Area Ratings (Rankings) in 2010



However, government enterprise and investment as a share of total investment is high, 46.8%. Nigeria's lowest area ranking, 22<sup>nd</sup> in the region and 119<sup>th</sup> of 144 countries worldwide, was in Area 3, Sound Money. In 2010, the inflation rate in Nigeria was 13.7%, the fifth highest in the region, and there are some restrictions on the ownership of foreign currency bank accounts.

### Political institutions and civil liberty

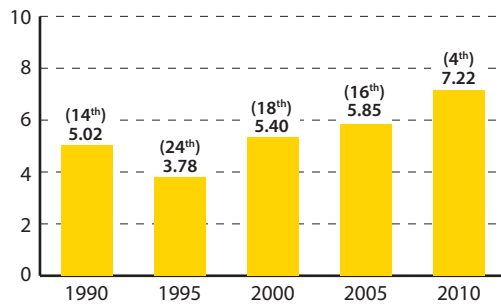
The political institutions of Nigeria are largely undemocratic and elections since 2000 "have by and large been chaotic affairs often marked by vote-rigging and violence", according to Freedom House. In the Legal System and Property Rights area of the EFW index, Nigeria ranks 20<sup>th</sup> among African countries. It is a part of the "moderately not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 14<sup>th</sup>, and 9<sup>th</sup> in the constraints on the executive component. Nigeria ranks 20<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

The overall state of civil liberties in Nigeria is characterized by uncertainty and questionable conduct. Many freedoms are constitutionally guaranteed but often not respected in practice. Of the 26 countries in the region, Nigeria ranks 17<sup>th</sup> in the Reporters without Borders *Press Freedom Index*, indicating that journalists face threats and acts of violence. Nigeria ranks 9<sup>th</sup> in Freedom House's *Freedom of the Press* and is in the "moderately not free" group in the Freedom House civil liberties measure. According to Freedom House, "protests are often suppressed by state and private security forces, especially demonstrations organized by youth groups or in the Niger Delta ... dozens of activists have been killed in recent years and hundreds have been detained".

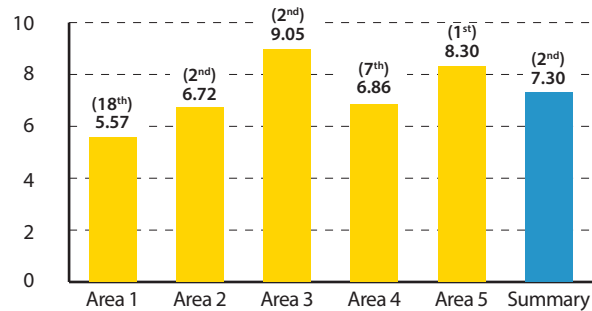


## Rwanda

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, Rwanda's per-capita income was \$1,282, ranking 19<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 5.14%, the fastest in the region. The population of Rwanda was 10.6 million in 2010.

### Economic institutions and analysis

Rwanda is one of the most economically free nations in the region. In 2010, Rwanda ranked 2<sup>nd</sup> among the 26 African countries in the *Economic Freedom of the World* index, and ranked 48<sup>th</sup> among 144 countries worldwide. Its ranking was similar in both the *Doing Business* report and in the *Global Competitiveness Report*, 3<sup>rd</sup> in the region. Rwanda's chain-linked summary EFW rating has seen dramatic movements in the past two decades. There was a severe decline in economic freedom from 5.02 in 1990 to 3.78 in 1995 but this trend was reversed soon after and the rating increased to 5.40 in 2000 and to 7.22 in 2010. During the past decade, no African nation has moved more rapidly towards economic freedom than Rwanda.

Rwanda ranks in the top five in the region in three areas, Regulation, Legal System and Property Rights, and Sound Money. In EFW Area 5, Rwanda ranked 1<sup>st</sup> among African nations and 13<sup>th</sup> worldwide. In the hiring regulations and minimum wage component (5Bi), Rwanda ranked 1<sup>st</sup> in the region, and the country does not use conscription (component 5Bvi). In Rwanda, it only takes 3 days to start a business, the shortest in the region, and 134 hours a year to prepare and pay taxes, the shortest time required among African countries.

In EFW Area 3, Rwanda ranked 2<sup>nd</sup> in the region and 49<sup>th</sup> worldwide with an inflation rate of 2.3%. There are no restrictions on the ownership of foreign currency bank accounts. In Area 4, Freedom to Trade Internationally, Rwanda ranked 7<sup>th</sup> in the region. The mean tariff rate is moderately high, 12.5%, but there are a minimal number of capital controls (component 4Dii). Rwanda ranked 18<sup>th</sup> in the region and 106<sup>th</sup> worldwide for Area1, Size of Government. Government enterprise and investment accounts for more than 51% of the total, severely crowding out private investment.

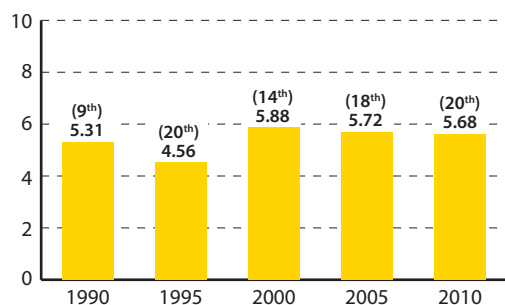
### Political institutions and civil liberty

Rwanda's political institutions are largely undemocratic and the "2003 constitution grants broad powers to the president", according to Freedom House. Rwanda's rankings in the region vary significantly among the alternative measures of political institutions. Freedom House's political rights measure classifies Rwanda as "not free". In the Polity IV measure of democracy it ranks 23<sup>rd</sup> in the region, and 20<sup>th</sup> in the constraints on the executive component. Yet, Rwanda ranks 2<sup>nd</sup> in the Legal System and Property Rights area of the EFW index and 3<sup>rd</sup> in Transparency International's *Corruption Perceptions Index*.

Rwanda's civil liberties rankings are more consistent. Freedom House places it in the "not free" group in its civil liberties measure due to numerous legal restrictions and informal controls on the media. Of the 26 countries in the region, Rwanda ranked in the bottom five in two measures, Freedom House's *Freedom of the Press*, 25<sup>th</sup>, and the Reporters without Borders *Press Freedom Index*, 23<sup>rd</sup>.

## Senegal

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

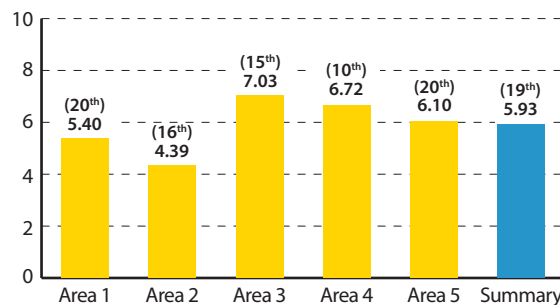
In 2011, Senegal's per-capita income was \$1,967, 11<sup>th</sup> highest among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 1.32%. The population of Senegal was 12.4 million in 2010.

### Economic institutions and analysis

In 2010, Senegal ranked 19<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was similar, 20<sup>th</sup> in the region, in the *Doing Business* report. However, its ranking in the *Global Competitiveness Report* was higher, 14<sup>th</sup> in the region. Senegal's chain-linked summary EFW rating has fluctuated substantially in recent decades. A decrease in the rating from 5.31 in 1990 to 4.56 in 1995 was followed by an increase to 5.88 in 2000. In the next decade, the rating fell to 5.72 in 2005 and dropped again to 5.68 in 2010.

Senegal's highest regional ranking was 10<sup>th</sup> in Area 4, Freedom to Trade Internationally. The mean tariff rate is moderate for the region, 11.9%, but capital controls are extensive (component 4Dii). Senegal ranked 15<sup>th</sup> in the region in Area 3, Sound Money. In 2010, the inflation rate in Senegal was 1.3%, the 3<sup>rd</sup> lowest in the region, but there are extensive restrictions on the ownership of foreign currency bank accounts.

Comparison of EFW Area Ratings (Rankings) in 2010



Senegal ranked 20<sup>th</sup> in the region in both Area 1, Size of Government and Area 5, Regulation. Top marginal income-tax rates are the highest in the region, 61% with or without the payroll tax, and government investment and enterprises are sizable, 37.2% of the total. However, government consumption as a share of total consumption is the lowest in the region, 9.8%. It takes 666 hours per year to prepare and pay taxes in Senegal, second most lengthy in the region, and the length of conscription exceeds 18 months (component 5Bvi). Yet, it only takes five days to start a business in Senegal, the second shortest time frame in the region.

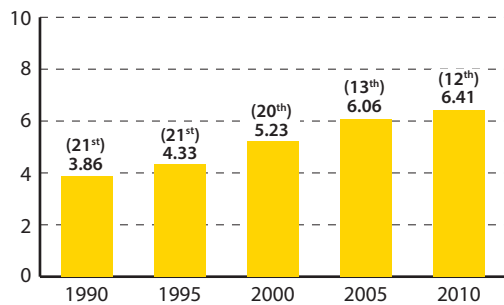
### Political institutions and civil liberty

Senegal is an electoral democracy. In the Legal System and Property Rights area of the EFW index, Senegal ranks 16<sup>th</sup> among African countries. Likewise, it is in the "moderately free" group in the Freedom House political rights measure. Senegal ranks 6<sup>th</sup>, in the Polity IV measure of democracy and 9<sup>th</sup> in the constraints on the executive component. In Transparency International's *Corruption Perceptions Index*, Senegal ranks 9<sup>th</sup> in the region.

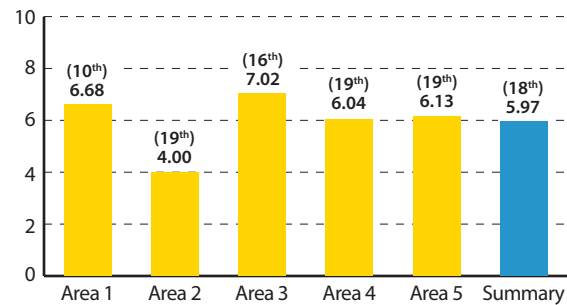
Of the 26 countries in the region, Senegal ranked 7<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. Freedom House places it in the "moderately free" group in the civil liberties measure and ranks it 11<sup>th</sup> in *Freedom of the Press*.

## Sierra Leone

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

The per-capita income of Sierra Leone was \$871 in 2011, 23<sup>rd</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.88%, the 10<sup>th</sup> most rapid in the region. Sierra Leone's population was 5.9 million in 2010.

### Economic institutions and analysis

The measures of economic institutions differ a great deal for Sierra Leone. In 2010, Sierra Leone ranked 18<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Its ranking was higher, 13<sup>th</sup> in the region, in the *Doing Business* report. However, its ranking in the *Global Competitiveness Report* was lower, 23<sup>rd</sup>. Sierra Leone has made steady improvements in economic freedom since 1990. Its chain-linked summary EFW rating increased from 3.86 in 1990 to 5.23 in 2000 and to 6.41 in 2010. Sierra Leone saw the largest gain in economic freedom between 1995 and 2000 when its chain-linked summary rating increased by 0.9 units.

Sierra Leone's highest regional ranking is in Area 1, Size of Government. Government consumption as a share of total consumption is low, 12.7%, and transfers and subsidies are miniscule. However, government enterprises and investments are sizable, 49.1% of the total.

Sierra Leone ranked in the bottom ten in the region and bottom 50 in the world in the other four areas of the EFW index, Legal Systems and Property Rights, Sound Money, Freedom to Trade Internationally, and Regulation. It ranked 16<sup>th</sup> in the region and 106<sup>th</sup> worldwide in Area 3, Sound Money. In 2010, the inflation rate was 16.6%, the

third highest in the region, and there are some restrictions on the ownership of foreign currency bank accounts.

Sierra Leone ranked 19<sup>th</sup> in both Area 4, Freedom to Trade, and Area 5, Regulation. Restrictions on international exchange are widespread. The country ranked 123<sup>rd</sup> among 144 countries worldwide in EFW Area 4. The mean tariff rate is high, 13.6%. Capital controls are strict and it is difficult for foreigners to obtain visiting visas (component 4Diii). In EFW Area 5, Sierra Leone ranked 119<sup>th</sup> in the world, largely due to the burdensome mandated cost of worker dismissal (component 5Bv) and the small proportion of deposits in privately owned banks (component 5Ai).

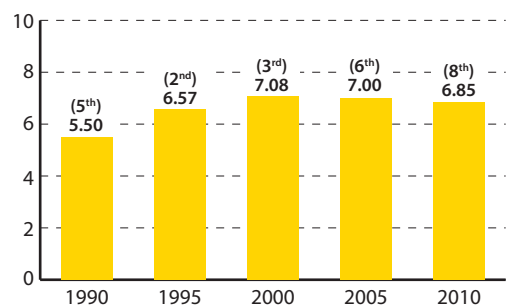
### Political institutions and civil liberty

Sierra Leone is an electoral democracy. In the Legal System and Property Rights area of the EFW index, Sierra Leone ranks 18<sup>th</sup> among African countries. It ranks 17<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*. On the other hand, it is a part of the "moderately free" group in the Freedom House political rights measure. In the Polity IV measure of democracy it ranks 6<sup>th</sup>, and 5<sup>th</sup> in the constraints on the executive component.

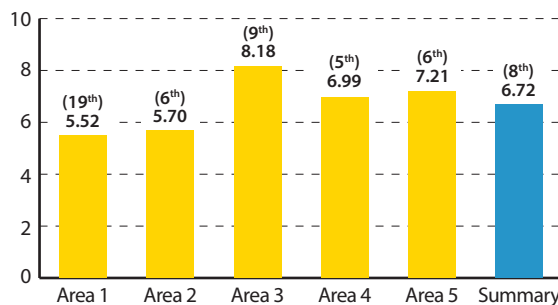
Sierra Leone's civil liberties performance is more positive. Of the 26 countries in the region, Sierra Leone ranks 6<sup>th</sup> in the Reporters without Borders *Press Freedom Index* and is in the "moderately free" group in the Freedom House civil liberties measure. It ranks 7<sup>th</sup> in Freedom House's *Freedom of the Press*. According to Freedom House, "the Special Court for Sierra Leone (SCSL), a hybrid international and domestic war crimes tribunal, has been working since 2004 to convict those responsible for large-scale human rights abuses during the civil war".

## South Africa

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

The per-capita income of South Africa in 2011 was \$10,960, the fourth highest among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 2.22%, ranking 13<sup>th</sup> in the region. South Africa's population was 50 million in 2010.

### Economic institutions and analysis

In 2010, South Africa ranked 1<sup>st</sup> and 2<sup>nd</sup> among the 26 African countries in the *Global Competitiveness Report* and the *Doing Business* report, respectively. Its ranking was much lower in the *Economic Freedom of the World* index, 8<sup>th</sup>. South Africa made substantial gains in economic freedom during the 1990s but the country's chain-linked summary EFW rating has leveled off since then. It increased from 5.50 in 1990 to 6.57 in 1995 to 7.08 in 2000. However, it decreased to 7.00 in 2005 and fell further to 6.85 in 2010.

South Africa's highest regional ranking, 5<sup>th</sup>, was in Area 4, Freedom to Trade Internationally. The mean tariff rate, 7.7%, is the third lowest in the region, but capital controls are extensive (component 4Dii). South Africa ranked 6<sup>th</sup> in the region and 55<sup>th</sup> among 144 countries worldwide in Area 5, Regulation. In the hiring and firing regulations component (5Bii), South Africa ranked 22<sup>nd</sup> among 26 African countries.

In the area of Sound Money, South Africa ranked 9<sup>th</sup> among African countries and 80<sup>th</sup> worldwide. In 2010, the inflation rate was 4.3%, a moderate rate for the region, but there are a considerable number of restrictions on

the ownership of foreign currency bank accounts. South Africa's lowest regional area ranking was in Area 1, Size of Government, where it ranked 19<sup>th</sup> in the region and 109<sup>th</sup> in the world. Government consumption as a share of total consumption is high, 26.5%, and so are the top marginal income-tax rates, 40%, and 41% when the payroll tax is included. Government enterprise and investment as a share of the total are large, 39.2%.

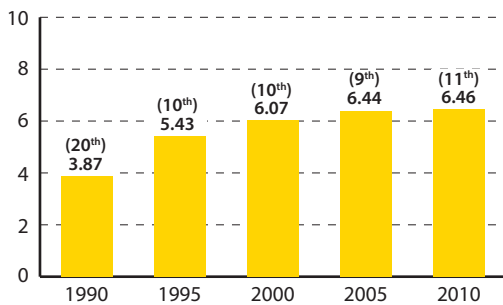
### Political institutions and civil liberty

South Africa is an electoral democracy though the ruling political party, the African National Congress, continues to dominate political life. In the Legal System and Property Rights area of the EFW index, South Africa ranked 6<sup>th</sup> among African countries. It ranked similarly, 5<sup>th</sup>, in Transparency International's *Corruption Perceptions Index*. It is in the "free" group in the Freedom House political rights measure. In the Polity IV measure of democracy, it ranked 2<sup>nd</sup>, and 1<sup>st</sup> in the constraints on the executive component.

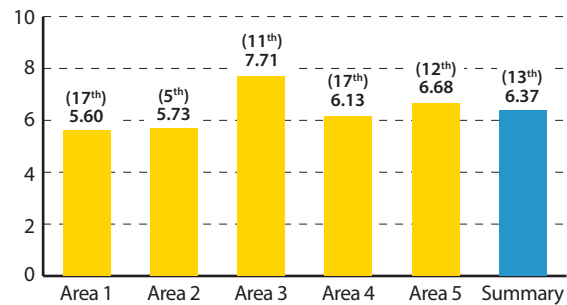
The protection of civil liberties in South Africa is also relatively good. Of the 26 countries in the region, South Africa ranked 4<sup>th</sup> in the Reporters without Borders *Press Freedom Index* and Freedom House's *Freedom of the Press*. It is in the "free" group in the Freedom House political rights measure. According to Freedom House, "freedoms of expression and the press are protected in the constitution and generally respected in practice. A number of private newspapers and magazines are sharply critical of powerful figures and institutions".

## Tanzania

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

Tanzania's per-capita income was \$1,512 in 2011, ranking 17<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 4.07%, the 2<sup>nd</sup> most rapid in the region. Tanzania's population was 44.8 million in 2010.

### Economic institutions and analysis

In 2010, Tanzania ranked 13<sup>th</sup> among the 26 African countries in the *Economic Freedom of the World* index. Tanzania's ranking was similar, 12<sup>th</sup> in the region, in the *Doing Business* report. Its ranking in the *Global Competitiveness Report* was lower, 16<sup>th</sup>. Tanzania made large improvements in economic freedom from 1990 to 2005. The chain-linked summary EFW rating increased from 3.87 in 1990 to 6.07 in 2000 and to 6.48 in 2005. However, since 2005, there has been little change.

Tanzania ranked 11<sup>th</sup> among African countries and 94<sup>th</sup> among 144 countries worldwide in Area 3, Sound Money. In 2010, the inflation rate was 6.2%, moderate for the region. However, there are some restrictions on the ownership of foreign currency bank accounts. In Area 5, Regulation, Tanzania ranked 12<sup>th</sup> in the region and 93<sup>rd</sup> worldwide. Tanzania ranked last in the region in the hiring regulations and minimum wage component (5Bi) and it takes 26 days to start a business in Tanzania, the 15<sup>th</sup> longest time required in the region.

Tanzania ranked 17<sup>th</sup> in the region in both EFW Areas 1 and 4. In the Size of Government, Tanzania ranked 103<sup>rd</sup>

worldwide. Government consumption as a share of total consumption is high, 22%, and the top marginal income-tax rates are also high, 48% when the payroll tax is included. For Freedom to Trade Internationally, Tanzania ranked 119<sup>th</sup> worldwide with a mean tariff rate of 12.5%. Revenue derived from tariffs sums to 11.9%, the fourth highest in the region, and capital controls are extensive, earning Tanzania a rating of zero for this component (4Dii).

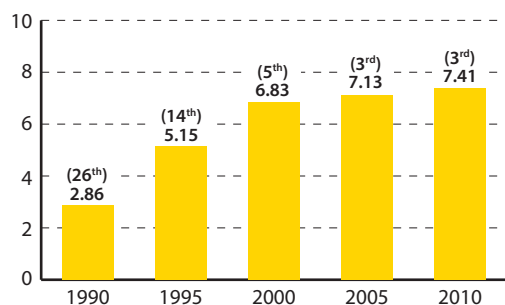
### Political institutions and civil liberty

Tanzania is an electoral democracy though the ruling political party, *Chama cha Mapinduzi*, continues to dominate political life. In the Legal System and Property Rights area of the EFW index, Tanzania ranks 5<sup>th</sup> among African countries. It is in the "moderately free" group in the Freedom House political rights measure and ranks 11<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*. Tanzania ranked 20<sup>th</sup> in the Polity IV measure of democracy and in the constraints on the executive component.

Of the 26 countries in the region, Tanzania ranked 2<sup>nd</sup> in the Reporters without Borders *Press Freedom Index*. It ranked lower in Freedom House's *Freedom of the Press*, 7<sup>th</sup>, and is part of the "moderately free" group in Freedom House's civil liberties measure. According to Freedom House, "although the constitution provides for freedom of speech, it does not specifically guarantee freedom of the press".

## Uganda

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

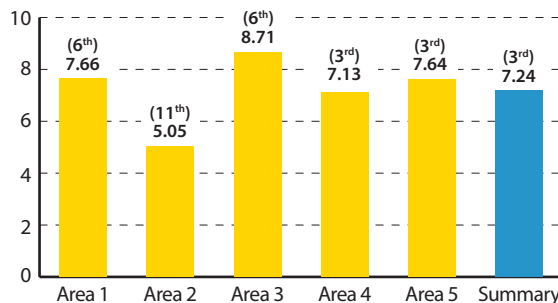
Uganda's per-capita income in 2011 of \$1,345 places it 18<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 4.05%, 3<sup>rd</sup> most rapid in the region. The population of Uganda was 33.4 million in 2010.

### Economic institutions and analysis

The measures of economic institutions differ significantly for Uganda. In 2010, Uganda ranked 3<sup>rd</sup> among the 26 African countries in the *Economic Freedom of the World* index and 52<sup>nd</sup> among 144 countries worldwide. Its ranking was much lower, 9<sup>th</sup> in the region, in the *Doing Business* report and even lower in the *Global Competitiveness Report*, 17<sup>th</sup>. Uganda has made dramatic strides in economic liberalization in the recent decades. Its chain-linked summary EFW rating increased from 2.86 in 1990 to 6.83 in 2000 and to 7.41 in 2010. This corresponds to a ranking increase from 26<sup>th</sup> in 1990 to 5<sup>th</sup> in 2000 and to 3<sup>rd</sup> in 2010.

In four of the five areas of the EFW Index, Uganda ranked 6<sup>th</sup> or higher in the region. Area 2, Legal System and Property Rights, is the exception, where it ranks 11<sup>th</sup> in the region and 89<sup>th</sup> among 144 countries worldwide. It ranked 3<sup>rd</sup> in the region in both EFW Area 4 and Area 5. For Freedom to Trade Internationally, Uganda ranked 74<sup>th</sup> in the world with a relatively low mean tariff rate for the region, 12.5%, and few capital controls (component 4Dii). Uganda ranked 24<sup>th</sup> worldwide for Regulation. In the hiring regulations and minimum wage component (5Bi) and the hiring and firing regulations component (5Bii), Uganda ranked first and second in the region, respectively. However, it takes 15 procedures to start a business, the most in the region, and the bureaucracy costs of doing business are high (component 5Cii).

Comparison of EFW Area Ratings (Rankings) in 2010



In Area 1, Size of Government, Uganda ranked 6<sup>th</sup> among 26 African countries and 28<sup>th</sup> among 144 countries worldwide. Government consumption as a share of total consumption is relatively low, 13.7%. The top marginal income-tax rates are moderate, 30%, and 41% when the payroll tax is included. Uganda ranked 6<sup>th</sup> in the region and 64<sup>th</sup> worldwide in Area 3, Sound Money. In 2010, the inflation rate in Uganda was low, 4%, and there are no restrictions on the ownership of foreign currency bank accounts.

### Political institutions and civil liberty

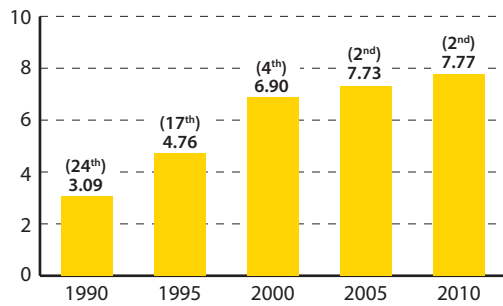
Uganda's political institutions are largely undemocratic and its most recent elections were marred by government favoritism and allegations of voter fraud. In the Legal System and Property Rights area of the EFW index, Uganda ranked 11<sup>th</sup> among African countries. It is a member of the "moderately not free" group in the Freedom House political rights measure. Uganda ranked 18<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*. It ranked even lower in both the Polity IV measure of democracy and constraints on the executive component, 20<sup>th</sup> in the region.

Of the 26 countries in the region, Uganda ranked 20<sup>th</sup> in the Reporters without Borders *Press Freedom Index*, and slightly higher in Freedom House's *Freedom of the Press*, 13<sup>th</sup>. It is a member of the "moderately not free" group in the Freedom House civil liberties measure. According to Freedom House, "independent journalists are often critical of the government, but in recent years they have faced substantial, escalating government restrictions and intimidation, which encourage self-censorship".

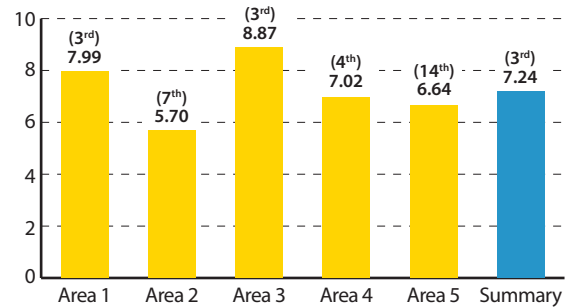


## Zambia

Changes across Time: Chain-linked Summary Rating (Ranking)



Comparison of EFW Area Ratings (Rankings) in 2010



### Income and growth

In 2011, Zambia's per-capita income was \$1,621, 15<sup>th</sup> among the 26 African countries. From 2000 to 2010, real GDP per capita grew at an annual rate of 3.15%, 7<sup>th</sup> most rapid in the region. The population of Zambia was 12.9 million in 2010.

### Economic institutions and analysis

In 2010, Zambia ranked 3<sup>rd</sup> among the 26 African countries and 52<sup>nd</sup> among 144 countries worldwide in the *Economic Freedom of the World* index. Its ranking was lower, 6<sup>th</sup> in the region, in the *Doing Business* report and similar in the *Global Competitiveness Report*, 7<sup>th</sup>. In the last two decades, the economic institutions of Zambia have become increasingly more liberal. Zambia's chain-linked summary EFW rating has steadily increased from 3.09 in 1990 to 6.90 in 2000 and to 7.77 in 2010. This corresponds to a ranking increase among the 26 African nations in the region from 24<sup>th</sup> in 1990 to 4<sup>th</sup> in 2000 and to 2<sup>nd</sup> in 2010.

Zambia ranked 3<sup>rd</sup> in the region in Area 1, Size of Government and Area 3, Sound Money. In Area 1, Zambia ranked 20<sup>th</sup> among 144 countries worldwide. The top marginal income-tax rate is moderate, 30% without the payroll tax. However, government consumption is relatively high for the region, 19.4% of total consumption. In Area 3, Zambia ranked 58<sup>th</sup> in the world. The inflation rate in 2010 was fairly high, 8.5%, but there are no restrictions on the ownership of foreign currency bank accounts. Zambia ranked 4<sup>th</sup> in the region and 76<sup>th</sup> worldwide in Area 4,

Freedom to Trade Internationally. The mean tariff rate is moderate for the region, 13.4%.

Zambia ranked 14<sup>th</sup> in the region and 95<sup>th</sup> worldwide in Area 5, Regulation. It takes 17 days to start a business in Zambia, 12<sup>th</sup> longest in the region, and the mandated cost of worker dismissal is burdensome (component 5Bv). However, it only takes 132 hours per year for a business to prepare and pay taxes, the shortest amount of time required in the region.

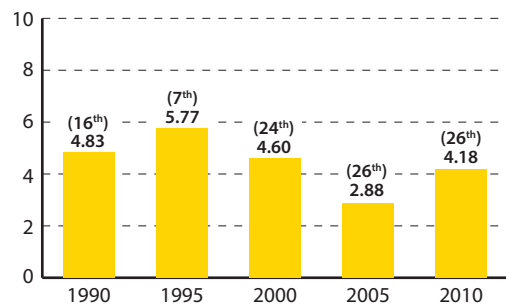
### Political institutions and civil liberty

Zambia is an electoral democracy. Elections in 2011 were considered free and credible. In Area 2, Legal System and Property Rights of the EFW index, Zambia ranked 6<sup>th</sup> among African countries. It is in the "moderately free" category in Freedom House's political rights measure. In the Polity IV measure of democracy it ranked 6<sup>th</sup>, and it ranked 9<sup>th</sup> in the constraints on the executive component. Zambia also ranked 6<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

Of the 26 countries in the region, Zambia ranked 10<sup>th</sup> in the Reporters without Borders *Press Freedom Index*. It ranked lower in Freedom House's *Freedom of the Press*, 15<sup>th</sup> in the region, but it is a member of the "moderately free" group in Freedom House's civil liberties measure. According to Freedom House, "journalists continue to face intimidation from law enforcement officials ... as well as the threat of legal action, and there have been numerous cases of attacks on journalists by opposition supporters".

## Zimbabwe

Changes across Time: Chain-linked Summary Rating (Ranking)



### Income and growth

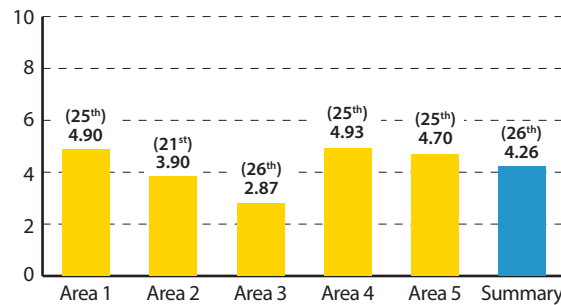
Zimbabwe is the second poorest nation among the 26 African countries in the region. In 2010, its per-capita income was \$500. Further, its growth rate was the worst in the region. Real GDP per capita declined at a  $-4.58\%$  annual rate during the past decade. In 2010, Zimbabwe's population was 12.6 million.

### Economic institutions and analysis

Zimbabwe ranked last among the 26 African countries in the *Economic Freedom of the World* index in 2010 and next to last, 143<sup>rd</sup>, of the 144 countries worldwide. Its ranking was a little higher, 22<sup>nd</sup> in the region, in both the *Doing Business* report and the *Global Competitiveness Report*. Zimbabwe made modest moves toward economic freedom from 1990 to 1995 and the country's chain-linked summary EFW rating increased from 4.83 in 1990 to 5.77 in 1995. Yet, the situation has reversed dramatically during the last decade. By 2005, its rating had plunged to 2.88. Though its rating increased to 4.18 in 2010, it still ranks last in the region in economic freedom.

Zimbabwe consistently ranked in the bottom five in the region and the bottom 20 worldwide in all areas of the EFW Index. It ranked 25<sup>th</sup> in the region in three areas, Size of Government, Freedom to Trade, and Regulation. The top marginal income-tax rates are high, 36%, and 42% when the payroll tax is included. The mean tariff rate is 19.5%, the highest in the region. It takes 53 days to fulfill the requirements to export a standard container and 73 days for a standard shipment container to clear customs, the longest in the region, and capital controls are cumbersome (component 4Dii). In Area 5, Regulation, Zimbabwe ranked 141<sup>st</sup> in the world. It ranked last in the region in the hiring regulations and minimum wage component (5Bi), and second to

Comparison of EFW Area Ratings (Rankings) in 2010



last in the hiring and firing regulations component (5Bii). Furthermore, the mandated cost of worker dismissal is daunting (component 5Bv) and it takes 90 days to start a business in Zimbabwe, the second longest in the region.

Zimbabwe's ranking for Area 3, Sound Money was last in both the region and the world. Zimbabwe's money growth policies of the past decade have led to hyperinflation. Inflation as measured by consumer prices skyrocketed to more than 432% in 2003 to 1,097% in 2006, and continued to climb to 24,411% in 2007. The hyperinflation led to the abandonment of the domestic currency in the latter part of 2008 and subsequent informal dollarization of the economy. In 2010, the inflation rate was 17.5%.

### Political institutions and civil liberty

The political institutions of Zimbabwe are authoritarian and state-sponsored violence is a serious problem. The measures of political institutions confirm this point. In the Legal System and Property Rights area of the EFW index, Zimbabwe ranked 21<sup>st</sup> among African countries. It is a member of the "not free" group in the Freedom House political rights measure. In the Polity IV measure of democracy, it ranked 19<sup>th</sup> and 20<sup>th</sup> in the constraints on the executive component. Zimbabwe ranked 25<sup>th</sup> in the region in Transparency International's *Corruption Perceptions Index*.

Of the 26 countries in the region, Zimbabwe ranked 24<sup>th</sup> in the region in Freedom House's *Freedom of the Press*, and is a member of the "not free" group in the Freedom House civil liberties measure. Freedom of the press is radically restricted in Zimbabwe. The government dominates the broadcast sector through the state-controlled Zimbabwe Broadcasting Corporation and the NewZiana news agency. Reporters without Borders ranked Zimbabwe a bit higher, 15<sup>th</sup> in the region, in the *Press Freedom Index*.

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