GUINEA–BISSAU

G uinea–Bissau has joined a number of other African countries in embracing the merits of regulatory and budgetary reform. Moderate improvements over the past few years include simplifying the business start-up process and improving the control of public spending.

ECONOMIC FREEDOM SNAPSHOT
- 2016 Economic Freedom Score: 51.8 (down 0.2 point)
- Economic Freedom Status: Mostly Unfree
- Global Ranking: 145th
- Regional Ranking: 35th in Sub-Saharan Africa
- Notable Successes: Monetary Freedom
- Concerns: Property Rights, Corruption, and Investment Freedom
- Overall Score Change Since 2012: +1.7

Despite some progress, the institutional setting for economic development remains oppressive. Corruption and weak enforcement of property rights drain economic resources, and the judicial system lacks transparency and independence. The lack of improvement in the trade and investment regimes continues to hold back productivity gains and job growth.

BACKGROUND: Guinea–Bissau has been wracked by civil conflict since independence in 1974, including a civil war in the late 1990s and multiple military coups, most recently in April 2012. In May 2014, José Mário Vaz was elected president of the former Portuguese colony. Guinea–Bissau is one of the world’s poorest countries. It also is a major transit point for illegal South American drugs bound for Europe, and several senior military officials are allegedly involved in the drug trade. Guinea–Bissau is highly dependent on subsistence agriculture, the export of cashew nuts (the country’s most important commercial crop), and foreign assistance. International donors pledged €1 billion to assist the country at a conference in March 2015.

How Do We Measure Economic Freedom?
See page 467 for an explanation of the methodology or visit the Index Web site at heritage.org/index.

Quick Facts
Population: 1.7 million
GDP (PPP): $2.5 billion
2.5% growth in 2014
5-year compound annual growth 2.8%
$1,436 per capita
Unemployment: 6.9%
Inflation (CPI): –1.0%
FDI Inflow: $21.5 million
Public Debt: 61.0% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.
Weak governance, a strained economy, international narco-trafficking, and widespread poverty have created an environment conducive to bureaucratic and large-scale corruption at all levels of government and the military. Scant resources and endemic corruption severely challenge judicial independence. Judges and magistrates are poorly trained, irregularly paid, and highly susceptible to graft and political pressure.

The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax has been reduced to 10 percent on certain commodities. The overall tax burden equals 6.5 percent of total domestic income. Government spending amounts to 14 percent of total domestic output. Oil revenues have kept the budget deficit low. Public debt has increased to over 60 percent of GDP.

Business start-ups are now simpler and less time-consuming, but completing licensing requirements continues to be costly. With the labor market relatively underdeveloped, most formal employment remains confined to the public sector. Political progress in 2014 unlocked renewed backing from international donors on condition that the government would make immediate reforms such as reducing fuel subsidies.

Guinea–Bissau has an average tariff rate of 12.8 percent and is a member of the Economic Community of West African States and the West African Economic and Monetary Union. Foreign and domestic investors are treated equally under the law. The underdeveloped financial sector continues to provide a very limited range of services. Many people still rely on informal lending and have no bank accounts.

Long-Term Score Change (since 1999)