Limited attempts at structural reform have generated uneven progress in Guinea-Bissau’s economic development, and any emergence of private-sector dynamism remains constrained by institutionalized weaknesses. The judicial system remains inefficient and vulnerable to political interference, and corruption is perceived as widespread.

The overall regulatory framework is not conducive to starting businesses and discourages broad-based employment growth. Potentially significant economic gains from trade continue to be undercut by the absence of progress in reforming the financial and investment sectors that are critical to sustaining efficient open markets.

**BACKGROUND:** Guinea-Bissau has been wracked by 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. In August 2015, Vaz dismissed Prime Minister Domingos Simões Pereira, head of the ruling African Party for the Independence of Guinea and Cape Verde (PAIGC), sparking a political crisis. Vaz quickly dismissed several successor governments and by November 2016, had named Umaro Sissoco Embaló to serve as the country’s fifth prime minister within a two-year period. Guinea-Bissau is highly dependent on subsistence agriculture, the export of cashew nuts, and foreign assistance, which normally comprises about 80 percent of the country’s budget.

**ECONOMIC FREEDOM SCORE**

- **World Rank: 119**
- **Regional Rank: 20**
- **Economic Freedom Status: Mostly Unfree**

**Economic Freedom Score:**

- **56.1** (▲ up 4.3 points)

**Regional Average (Sub-Saharan Africa Region):**

- **55.0**

**World Average:**

- **60.9**

**NOTABLE SUCCESSES:**

- Monetary Stability

**CONCERNS:**

- Rule of Law, Investment Freedom, and Financial Freedom

**OVERALL SCORE CHANGE SINCE 2013:**

- +5.0

**FREEDOM TREND**

**QUICK FACTS**

- **Population:** 1.8 million
- **GDP (PPP):** $2.7 billion
- **4.8% growth in 2015**
- **5-year compound annual growth 3.1%**
- **$1,508 per capita**

- **Unemployment:** 7.6%
- **Inflation (CPI):** 1.5%
- **FDI Inflow:** $18.3 million
- **Public Debt:** 57.7% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016.
Although the government has made transferring property easier by lowering the property registration tax, protection of property rights is generally weak. The judiciary has little independence and is barely operational. Judges are poorly trained, inadequately and irregularly paid, and subject to corruption. Guinea-Bissau’s status as a transit hub for cocaine trafficking from South America to Europe exacerbates its endemic corruption.

The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax is down to 10 percent on certain commodities. The overall tax burden equals 8.7 percent of total domestic income. Government spending has amounted to 20.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.4 percent of GDP. Public debt is equivalent to 57.7 percent of GDP.

The opaque regulatory environment discourages entrepreneurial activity, virtually precluding any significant private-sector development. Much of the labor force is employed in the public sector or the informal economy. Although the government has removed all fuel subsidies, in 2015, the IMF urged it to review its fuel pricing mechanism to ensure that international prices are fully passed through and criticized “indiscriminate” electricity subsidies.

Trade is moderately important to Guinea-Bissau’s economy; the value of exports and imports taken together equals 37 percent of GDP. The average applied tariff rate is 9.9 percent. The law treats foreign and domestic investment equally. High credit costs and scarce access to financing impede entrepreneurial activity, although bank credits to the private sector have increased. In late 2015, the government bailed out two commercial banks.