Guinea-Bissau’s economic freedom score is 54.0, making its economy the 135th freest in the 2019 Index. Its overall score has decreased by 2.9 points, with a sharp drop in scores for judicial effectiveness, business freedom, and trade freedom far exceeding a modest increase in the tax burden score. Guinea–Bissau is ranked 25th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Political stability has improved since the formation of the new government in April 2018, somewhat strengthening weak governance ahead of the 2019 presidential election. The main power brokers, including the military, will likely continue to reform management of public finances and tighten spending controls to sustain economic growth. 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.

**BACKGROUND:** Conflict has wracked Guinea–Bissau almost continuously since independence from Portugal in 1974. José Mário Vaz was elected president in 2014. In 2015, he sparked a political crisis by firing Prime Minister Domingos Simões Pereira, head of the ruling African Party for the Independence of Guinea and Cape Verde. Vaz also quickly dismissed several successor governments and by April 2018 had named Aristides Gomes to be the country’s sixth prime minister within a three-year period. Guinea–Bissau is highly dependent on subsistence agriculture, the export of cashew nuts, and foreign assistance, which normally accounts for approximately 80 percent of its budget. The incomes of approximately two-thirds of the population are below the extreme poverty line.

**ECONOMIC FREEDOM SCORE**

54.0 (▼ DOWN 2.9 POINTS)

**REGIONAL AVERAGE**

(Sub-Saharan Africa Region) 54.2

**WORLD AVERAGE**

60.8

**RELATIVE STRENGTHS:**

Tax Burden and Government Spending

**HISTORICAL INDEX SCORE CHANGE (SINCE 1999):**

+20.5

**CONCERNS:**

Government Integrity and Investment Freedom

**FREEDOM TREND**

2015 2016 2017 2018 2019

52.0 51.8 56.1 56.9 54.0

**QUICK FACTS**

**POPULATION:** 1.7 million

**GDP (PPP):** $3.1 billion

5.5% growth in 2017

5-year compound annual growth 4.3%

$1,845 per capita

**UNEMPLOYMENT:** 6.1%

**INFLATION (CPI):** 1.1%

**FDI INFLOW:** $16.6 million

**PUBLIC DEBT:** 42.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018.
Because the legal system is weak and painfully slow, protection of property rights is generally weak, and enforcement of contracts is difficult. 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 10 percent on certain commodities. The overall tax burden equals 9.6 percent of total domestic income. Over the past three years, government spending has amounted to 21.0 percent of the country’s output (GDP), and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 42.0 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. The IMF has criticized Guinea–Bissau’s “indiscriminate” electricity subsidies and urged it to review its fuel pricing mechanism to ensure that international prices are fully passed through.

The combined value of exports and imports is equal to 59.0 percent of GDP. The average applied tariff rate is 12.2 percent. Nontariff barriers continue to impede trade. The law treats foreign and domestic investment equally, but government openness to foreign investment is below average. High credit costs and scarce access to financing impede entrepreneurial activity in Guinea–Bissau, although bank credits to the private sector have increased.