WORLD RANK: **148**

REGIONAL RANK: **32**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GUINEA–BISSAU

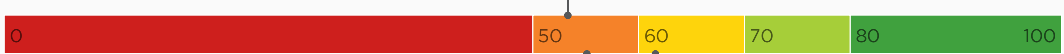
Guinea–Bissau's economic freedom score is 53.3, making its economy the 148th freest in the 2020 *Index*. Its overall score has decreased by 0.7 point due to a drop in the **fiscal health** score. Guinea–Bissau is ranked 32nd among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average.

The economy of Guinea–Bissau has been at the lower end of the mostly free category since 2012 when it escaped the ranks of the repressed. GDP growth, fueled by cashew nut exports and foreign aid inflows, does not benefit the majority of the population.

Guinea–Bissau is one of the world's poorest countries. Institutional weaknesses and the prevalence of corruption have created an environment in which illegal activity flourishes and power struggles take precedence over policy improvement. Rule-of-law indicators are far below international norms, and business regulations encourage graft and stifle entrepreneurial activity.

ECONOMIC FREEDOM SCORE

53.3 ▼ DOWN 0.7 POINT

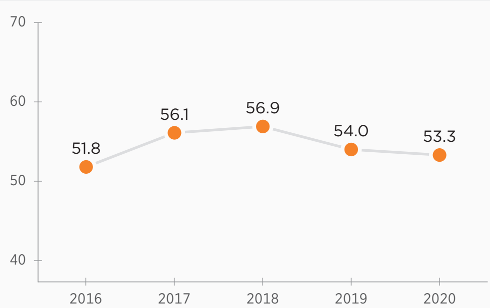


REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **55.1**

61.6 WORLD AVERAGE

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +19.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.7 million

GDP (PPP):
$3.4 billion
3.8% growth in 2018
5-year compound annual growth 4.6%
$1,937 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
1.4%

FDI INFLOW:
$17.3 million

PUBLIC DEBT:
56.1% of GDP

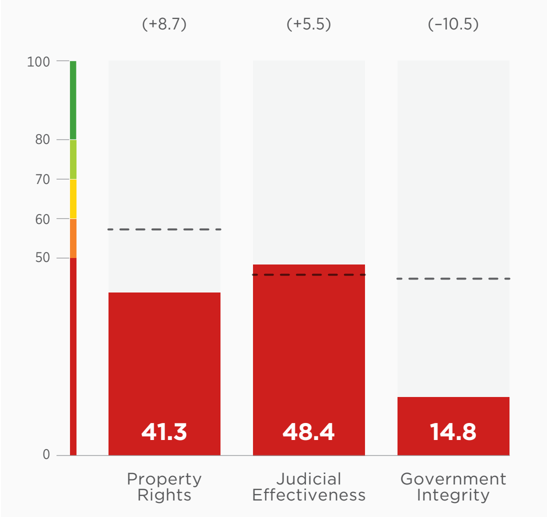
2018 data unless otherwise noted. Data compiled as of September 2019

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 the first of a series of prime ministers. In 2019, the ruling party won a plurality of seats in parliament in delayed legislative elections, although it had to enter a coalition with other parties to achieve a working majority. 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.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

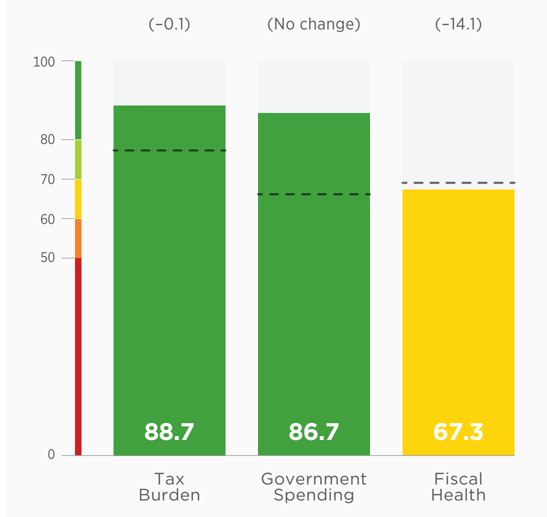
12 ECONOMIC FREEDOMS | GUINEA–BISSAU

RULE OF LAW



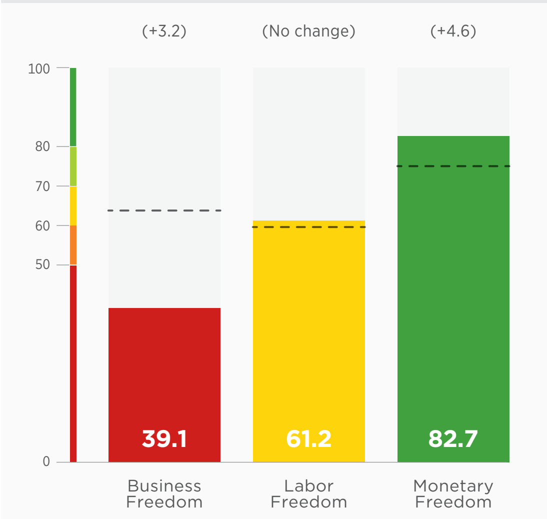
Due to a weak and painfully slow legal system, protection of property rights is generally weak, and enforcement of contracts is not easy. The judiciary has little independence and is barely operational. Judges are poorly trained, inadequately and irregularly paid, and subject to corruption. Guinea–Bissau's status as a transit hub for cocaine trafficking from South America to Europe exacerbates its endemic corruption.

GOVERNMENT SIZE



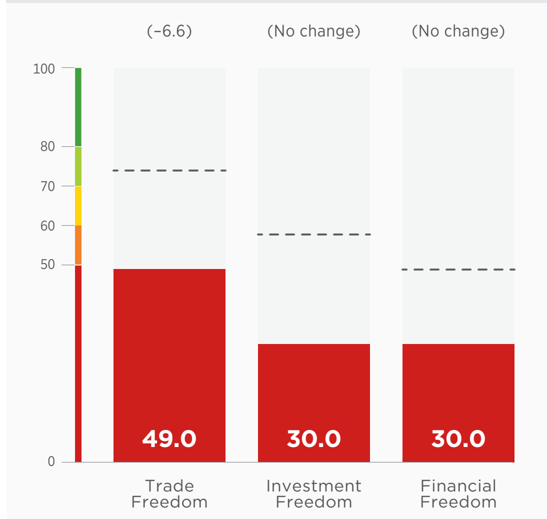
The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax on certain commodities is 10 percent. The overall tax burden equals 10.3 percent of total domestic income. Government spending has amounted to 21.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 56.1 percent of GDP.

REGULATORY EFFICIENCY



Weak institutions and an opaque regulatory environment hinder entrepreneurial activity. The formal economy is based on cashew nuts and fishing. Subsistence agriculture employs many people. Narcotics trafficking and illegal logging encompass large swaths of the economy. Heeding the IMF's advice, the government has reduced subsidies on fuel and raised electricity rates.

OPEN MARKETS



The total value of exports and imports of goods and services equals 57.8 percent of GDP. The average applied tariff rate is 15.5 percent, and bureaucratic customs procedures add to the cost of trade. Political instability and inadequate regulatory capacity discourage foreign investment. A large part of the population is still outside of the formal banking sector. High credit costs severely impede entrepreneurial activity.