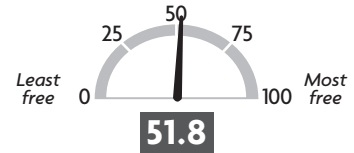


# GUINEA

## Economic Freedom Score



World Rank: **134**

Regional Rank: **27**

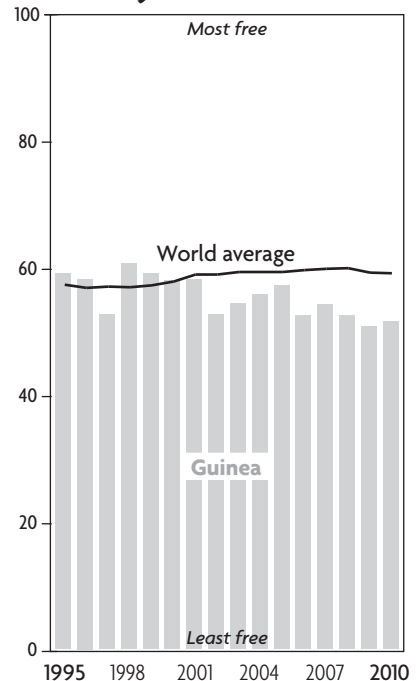
**G**uinea's economic freedom score is 51.8, making its economy the 134th freest in the 2010 *Index*. Its overall score is 0.8 point better than last year, reflecting improvements in labor freedom and trade freedom. Guinea is ranked 27th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world and regional averages.

Guinea has undertaken much-delayed economic reforms to improve macroeconomic stability and enhance economic growth. These measures include reforming fiscal policies, strengthening management of public finance, and implementing other institutional reforms. However, the reforms have not been implemented effectively, and there has been little progress in terms of privatization.

Overall, the entrepreneurial environment is hardly encouraging. Although progress has been made in streamlining bankruptcy procedures, establishing and running a business still requires overcoming numerous bureaucratic hurdles. The application of commercial law is non-transparent and inconsistent. The judiciary is subject to pervasive political interference, and there is corruption in many parts of the economy.

**BACKGROUND:** After despotic President Lansana Conté died in December 2008, a military junta led by Captain Moussa Dadis Camara seized power, suspended the constitution, and dissolved the parliament, supreme court, and other government institutions. A National Council for Democracy and Development was set up, and Camara was declared president. Under international and domestic pressure, the junta agreed to hold legislative elections in October 2009 and presidential elections in December 2009. Fighting and instability in Côte d'Ivoire, Sierra Leone, and Liberia have often spilled over into Guinea, which has hosted hundreds of thousands of refugees. Guinea possesses rich mineral resources, including iron, gold, diamonds, and perhaps half of the world's bauxite reserves, but infrastructure is poor, electricity and water shortages are common, and much of the population depends on subsistence agriculture.

## Country's Score Over Time



## Quick Facts

**Population:** 9.8 million

**GDP (PPP):** \$11.8 billion

8.4% growth in 2008

2.8% 5-year compound annual growth

\$1,204 per capita

**Unemployment:** n/a

**Inflation (CPI):** 22.9%

**FDI Inflow:** \$1.4 billion

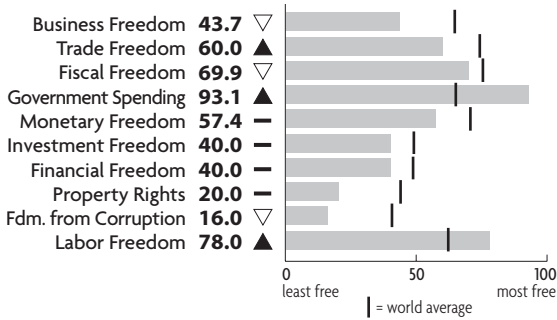
2008 data unless otherwise noted

Data compiled as of September 2009

## How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## GUINEA'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 43.7

The overall freedom to conduct a business is very restricted by Guinea's burdensome regulatory environment. Starting a business takes an average of 41 days, compared to the world average of 35 days. Obtaining a business license requires more than the world average of 18 procedures and 218 days.

### TRADE FREEDOM — 60

Guinea's weighted average tariff rate was 12.5 percent in 2008. Import taxes, pre-import and export authorization requirements, non-transparent and corrupt customs administration, a lack of foreign currency for transacting formal trade, state-owned import and export monopolies, subsidies, and inadequate infrastructure add to the cost of trade. Fifteen points were deducted from Guinea's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 69.9

Guinea has high tax rates. The top income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include a value-added tax (VAT) and an inheritance tax. In the most recent year, overall tax revenue as a percentage of GDP was 13.5 percent.

### GOVERNMENT SPENDING — 93.1

Total government expenditures, including consumption and transfer payments, are low. In the most recent year, government spending equaled 15.2 percent of GDP. Poor spending management and excessive reliance on the declining mining sector have contributed to fiscal deficits. Political instability and government interference in the provision of water and electricity have hurt fiscal management.

### MONETARY FREEDOM — 57.4

Inflation has been extremely high, averaging 26.5 percent between 2006 and 2008. The government influences prices through the regulation of state-owned enterprises and administrative price controls for cement, petroleum products, water, and electricity. It also subsidizes rice importers. Ten points were deducted from Guinea's monetary freedom score to adjust for measures that distort domestic prices.

### INVESTMENT FREEDOM — 40

Foreign investment and domestic investment generally receive equal treatment; however, foreign majority owner-

ship in media and mining are subject to ad hoc government review and approval. Investment is deterred by bureaucratic inefficiency, inadequate infrastructure and regulatory capacity, a weak and corrupt judiciary, political uncertainty, opaque procedures, and corruption. Residents and non-residents may hold foreign exchange accounts, and payments and transfers are allowed with some restrictions. Barring a foreign exchange crisis, such transactions can take place upon request, although business owners complain of periodic delays, shortages, and unofficial caps on amounts exchanged. Foreigners and nationals may own property, though individuals have found it difficult on occasion to exercise this right.

### FINANCIAL FREEDOM — 40

Guinea's small financial system is dominated by banking. Regulation is inefficient and poorly enforced. With fewer than 10 commercial banks, services are largely concentrated in the capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation. Considerable economic activity remains outside the formal banking sector, and bank lending to the private sector remains, on average, under 10 percent of GDP. About 30 percent of total loans are non-performing. The banking sector, supervised by the Central Bank of Guinea, has some foreign ownership, particularly by French financial institutions. Microfinance has expanded rapidly, and five institutions operate in Guinea. Commercial banks are the main source of financing for private businesses, and capital markets are underdeveloped, reflecting the lack of efficiency and depth in the financial system. There have been no corporate issuances in the debt market.

### PROPERTY RIGHTS — 20

Enforcement of property rights depends on a corrupt and inefficient legal and administrative system. Poorly trained magistrates, corruption, and nepotism reportedly plague the administration of justice. The government has expressed its intention to reform the judiciary with the help of international donor agencies, but there are few cases to demonstrate that the system can provide effective protection of real or intellectual property rights.

### FREEDOM FROM CORRUPTION — 16

Corruption is perceived as pervasive. Guinea ranks 173rd out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. The business and political cultures, poor formal salaries, and a very large informal economy encourage corruption. Business is routinely conducted through the payment of bribes; government officials commonly demand everything from money to gasoline to perform their routine duties.

### LABOR FREEDOM — 78

Labor regulations are relatively flexible. The non-salary cost of employing a worker is modest, and regulations on work hours are not burdensome. The formal labor market is not fully developed.