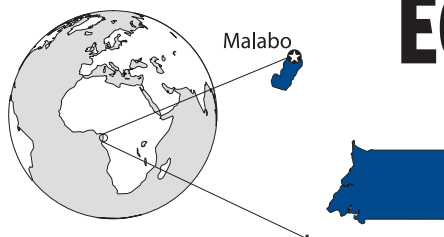


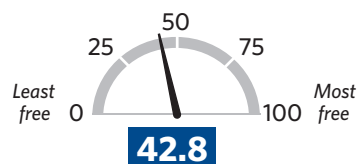
EQUATORIAL GUINEEA



World Rank: **170**

Regional Rank: **43**

Economic Freedom Score



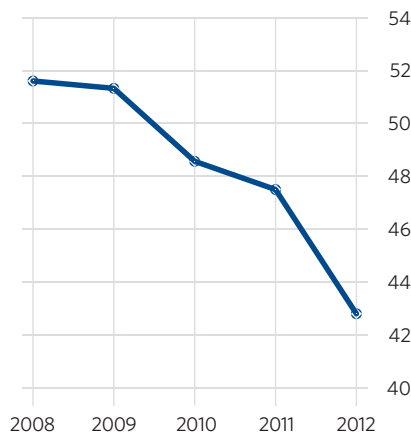
Equatorial Guinea's economic freedom score is 42.8, making its economy the 170th freest in the 2012 *Index*. Its overall score fell 4.7 points, driven by notable deterioration in the management of government spending. Equatorial Guinea is ranked 43rd out of 46 countries in the Sub-Saharan Africa region, and its score is below the regional and world averages. Its score decline is the second highest in the 2012 *Index*.

Overall economic development has been uneven, and poverty remains daunting. Persistent institutional weaknesses impede emergence of a more vibrant private sector and long-term economic development. Pervasive corruption further undermines the already weak rule of law. Private property is vulnerable to bureaucratic interference and even expropriation. Large oil revenues enable poor management of public spending.

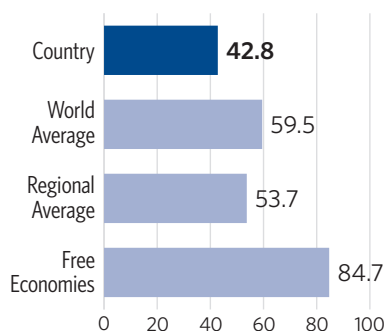
Improving the investment and business climate to generate more broadly based economic expansion remains an urgent priority. Limited economic reform has led to overreliance on natural resource-driven investment, which is highly volatile. The oil sector has been the major source of high economic growth in recent years, but more than half of the workforce is estimated to work in the informal economy.

BACKGROUND: Equatorial Guinea's one-party rule ended in 1991, but opposition parties have won few victories. President Teodoro Obiang Nguema Mbasogo, who had seized power in a 1979 coup, won deeply flawed elections in 2002 and 2009 and still tightly controls both the military and the government. Tentative political reforms have been dismissed as more show than substance. Equatorial Guinea is a significant oil producer and one of Africa's fastest-growing economies. Oil resources are located mainly in the hydrocarbon-rich Gulf of Guinea. Oil accounted for 91 percent of GDP, 91 percent of government revenue, and 99 percent of exports in 2007. Government management of oil wealth, however, is not transparent, and average living standards are low. Most people still rely on subsistence farming, hunting, and fishing.

Freedom Trend



Country Comparisons



Quick Facts

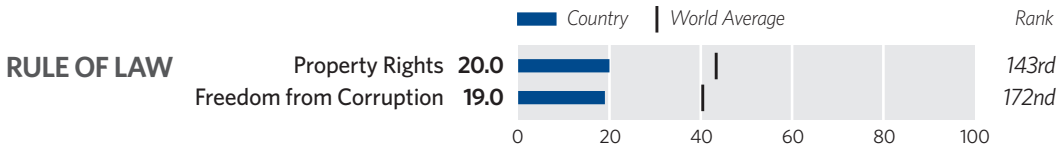
Population: 1.3 million
GDP (PPP): \$23.8 billion
 -0.8% growth in 2010
 5-year compound annual growth 7.4%
 \$18,143 per capita
Unemployment: 22.3%
Inflation (CPI): 7.5%
FDI Inflow: \$695.0 million
Public Debt: 7.5% of GDP

How Do We Measure Economic Freedom?

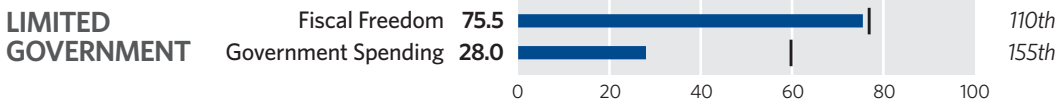
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

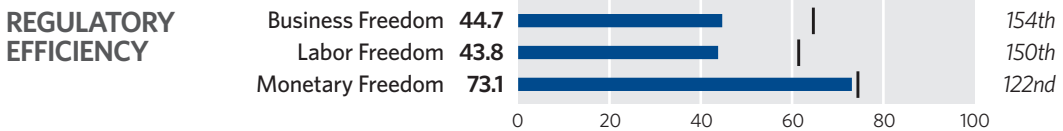
THE TEN ECONOMIC FREEDOMS



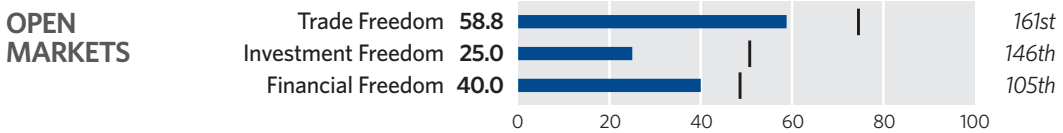
Protection of property rights is not strongly respected, and the rule of law remains uneven across the country. The inefficient judicial system is open to political influence, and application of laws is selective. Enforcement of intellectual property rights is weak. Corruption seriously undermines the foundations of economic freedom, and cronyism is pervasive, particularly in connection with the oil sector.



The top income and corporate tax rates are 35 percent. Other taxes include a value-added tax (VAT) and a tax on inheritance, with overall tax revenue estimated to be quite small as a percentage of total domestic product. Government spending has increased to about half of total domestic output. Because of substantial oil revenue, the deficit has come down to around 5 percent of GDP, and public debt stands below 10 percent of GDP.



Regulatory efficiency is poor. Despite some progress, lingering constraints include cumbersome administrative procedures and relatively high costs of complying with licensing requirements. In the absence of private-sector employment opportunities, an efficient labor market has not emerged. Outmoded labor regulations create challenging hurdles for businesses. Inflation has been rising.



Burdensome tariff and non-tariff barriers continue to restrict trade freedom. The government officially welcomes foreign investment, but complex bureaucracy and arbitrary enforcement of regulations are serious impediments to investment growth. The financial sector remains underdeveloped. The high costs of finance and limited access to credit instruments hinder entrepreneurial activities.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	+0.5	Trade Freedom	-0.1
Freedom from Corruption	+1.0	Government Spending	-52.5	Labor Freedom	+0.7	Investment Freedom	+5.0
				Monetary Freedom	-1.3	Financial Freedom	0