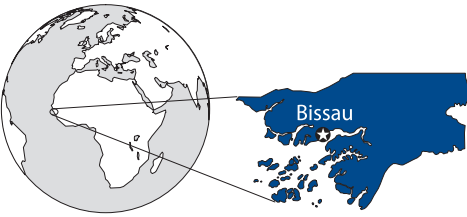


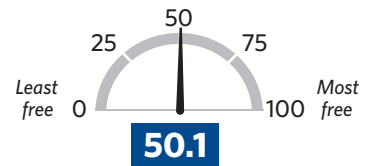
GUINEA-BISSAU



World Rank: **149**

Regional Rank: **33**

Economic Freedom Score



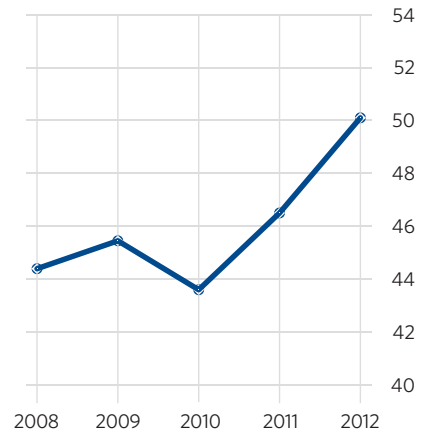
Guinea-Bissau's economic freedom score is 50.1, making its economy the 149th freest in the 2012 *Index*. Its score has increased by 3.6 points, largely due to significant advances in business freedom, investment freedom, monetary freedom, and control of government spending. Although its overall score remains well below the world and regional averages, Guinea-Bissau is the second most improved economy in the 2012 *Index*.

Guinea-Bissau's progress toward greater economic freedom has gained some traction, with major improvements in scores two years in a row. The economy is no longer regarded as one of the least free in the *Index*. Notable reforms have been implemented in key policy areas. A streamlined business formation process has reduced the time required to start a business by six months, and regulatory efficiency has been enhanced. Government spending as a percentage of GDP declined for the second year.

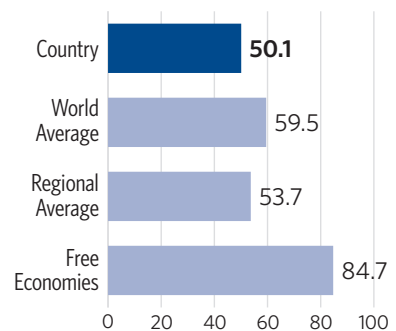
Nonetheless, the economic foundations for Guinea-Bissau's long-term development remain notably weak. Property rights and corruption scores are far below world averages, and the judicial system is inefficient and lacks transparency. A lack of commitment to open-market policies holds back growth in trade and investment and thwarts the emergence of a more dynamic private sector.

BACKGROUND: Guinea-Bissau is one of the world's poorest countries. Joao Vieira, ousted in 1998, won the presidency again in 2005 and was assassinated in March 2009. A presidential candidate and a prominent member of parliament were killed in June 2009 shortly before runoff elections that were won by former interim President Malam Bacai Sanha. Guinea-Bissau remains highly dependent on subsistence agriculture, the export of cashew nuts (its most important commercial crop), and foreign aid, including assistance from the International Monetary Fund. Agriculture accounts for over 60 percent of GDP, employs over 80 percent of the labor force, and comprises about 90 percent of exports. Guinea-Bissau has become a major center for the transshipment of drugs and light arms by international criminal gangs.

Freedom Trend



Country Comparisons



Quick Facts

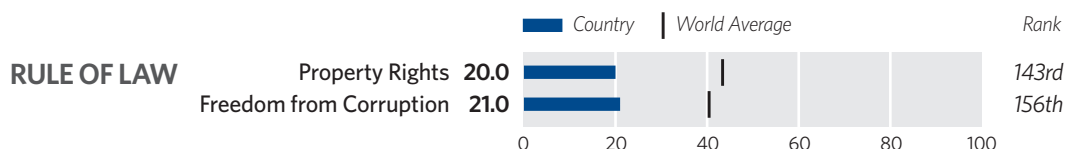
Population: 1.6 million
GDP (PPP): \$1.8 billion
 3.5% growth in 2010
 5-year compound annual growth 3.0%
 \$1,084 per capita
Unemployment: n/a
Inflation (CPI): 1.1%
FDI Inflow: \$8.8 million
Public Debt: 47.7% of GDP

How Do We Measure Economic Freedom?

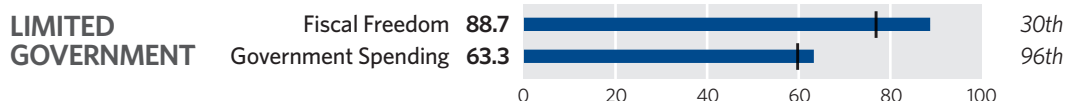
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

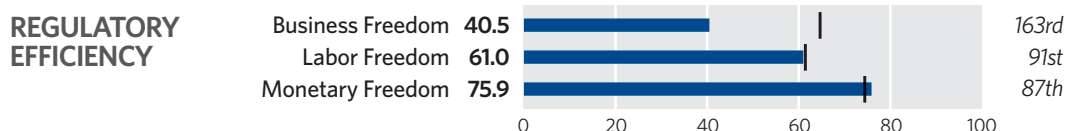
THE TEN ECONOMIC FREEDOMS



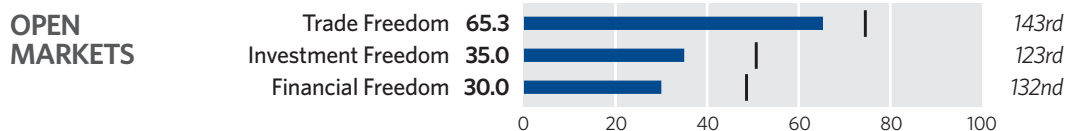
Protection of property rights is extremely weak, and the rule of law remains uneven across the country. The judiciary is influenced by the executive. Judges are poorly trained, poorly paid, and subject to corruption. Traditional practices prevail in most rural areas, and persons who live in urban areas often bring judicial disputes to traditional counselors to avoid the official system's costs and bureaucratic impediments.



The top income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax has been reduced from 15 percent to 10 percent for oil, gas, and food. The overall tax burden is equal to 10.2 percent of total domestic income. Government spending has decreased to 35 percent of total domestic output, and large oil revenues keep the budget deficit low. Public debt stands below 50 percent of GDP.



After years of delay exacerbated by a lack of reform-minded leadership, Guinea-Bissau has finally implemented some measures to increase the efficiency of the regulatory environment. The cost of launching a business has been reduced considerably, with the time cut from 216 days to only nine. Much of the labor force is employed in the public sector or the informal economy. The government maintains price controls on key products.



The trade weighted average tariff rate has fallen below 10 percent, although bureaucratic customs procedures add to the cost of trade. Political instability, inadequate regulatory capacity and infrastructure, and an unskilled workforce discourage foreign investment. A large part of the population is still outside of the formal banking sector. High credit costs and scarce access to financing severely impede entrepreneurial activity.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	+15.0	Trade Freedom	+1.7
Freedom from Corruption	+2.0	Government Spending	+8.5	Labor Freedom	-0.4	Investment Freedom	+5.0
				Monetary Freedom	+3.7	Financial Freedom	0