

location and the highest proportion of natural wealth per capita in West Africa, including agricultural land, fisheries with a rich coastline, forest, minerals, biodiversity and recently discovered oil and gas⁴.

Despite its potential, economic and social indicators of Guinea-Bissau are well below the average of sub-Saharan African countries. The position in the Human Development Index was 177/189 in 2021, marked by an extremely weak human capital and low access to basic services, contributing to exclusion and marginalisation. Inequalities remain high, with a Gini coefficient rate of 34.8, and affect particularly women: girls are much less likely to finish school than boys, and women have less opportunities in terms of employment and are much less likely to earn a wage than men, which limits their economic autonomy. The share of income among the poorest bottom 40% is substantially lower (5.77% in 2021)⁵ than the rest of the population. The country has seen a strong increase in the urban population in recent years. Demographic dynamics reflect the lack of interest of young people in rural trades: although the agriculture and fishing sectors are the main job providers, this position could be reversed in the years to come.

The private sector development is limited: in 2020 the Doing Business Index ranked Guinea-Bissau 174th out of 190, showing there is still a long work to improve business environment, human resource's ability or the access to finance. Moreover, the large informal sector, the illegal logging and trafficking are aspects to be taken into consideration. The legal economy is based on cashews and fishing with a large number of small-scale operators. More than 90% of the population lives from activities directly dependent on the climate. Additionally, the lack of social protection mechanisms greatly accentuates the low resilience of the economic operators.

Weak infrastructure and limitations to meet international quality and sanitary standards that undermine market opportunities, unexploited potential of value addition for food products, low productivity mainly due to limited access to modern techniques and to phytosanitary threats, absence of opportunities to access credit for most of the economic operators and individuals (specially women), as well as a weak governance framework, make the economy of Guinea-Bissau – in particular in the agriculture and fisheries sectors – highly vulnerable to internal and external shocks. This vulnerability is particularly accentuated by the concentration in the production of one single commodity. Furthermore, serious environmental challenges revolve around forests and the management of coastal areas, biodiversity conservation and quality of water resources. This negatively affects the country's food security and food sovereignty.

In this complex context, where challenges are multidimensional and interrelated, business environment reforms with a special focus on agribusiness and fisheries seem the main sustainable and inclusive economic growth catalysers to create decent job opportunities and to ensure overall socio-macroeconomic stability. The national development plan 'Terra Ranka - Guinea-Bissau's Vision 2025' indicates the simplification of the business sector and the development of the private, as well as the development of agribusiness and fisheries opportunities, among the main growth drivers.

2.2 Problem Analysis

Short problem analysis:

In a context of political instability and institutional fragility, economic development potential of Guinea-Bissau is hindered by several challenges.

The **weak policy and regulatory framework** is among the major factors in preventing private sector investment and growth because of its dispersion. The length, costs and delays of procedures could be an impediment to discourage private sector: the country ranks 174/190 in the 2020 survey of the Doing Business Index. Despite a national development plan stressing the importance of reinforcing the global coherence of the various public policies aimed at implementing reforms, there is not a credible and relevant harmonised sectoral policy to facilitate business environment towards sectors with diversification potential, promotion of the MSME start-ups, sustainable growth and fresh investment. An unattractive business environment prevents the emergence of local initiatives which remain relegated to the **informal economy**. The informality of the economy, given the fact that it operates outside the regulatory framework, implies a risk of unfair competition and tax evasion, besides the lack of protection for workers. Informality hampers the State's ability to deliver public services and creates unfair

⁴ <https://www.elibrary.imf.org/downloadpdf/journals/002/2022/196/002.2022.issue-196-en.pdf>

⁵ <https://data.undp.org/inequality-bottom40/>.